

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

..... X  
 IN RE: : Case Nos. 97-01409 (PJW)  
 : through 97-01468 (PJW)  
 MONTGOMERY WARD HOLDING CORP. :  
 et. al. : (Chapter 11)  
 :  
 Debtors. :  
 ..... X

**FIFTH AND FINAL FEE APPLICATION OF  
 ERNST & YOUNG LLP FOR ALLOWANCE OF COMPENSATION  
 AND REIMBURSEMENT OF EXPENSES  
 FOR THE PERIOD JULY 8, 1997 THROUGH JULY 15, 1999**

Name of Applicant: Ernst & Young LLP

Authorized to Provide Professional Services to: Debtors

Date of Retention: July 8, 1997

Period for which compensation and reimbursement are sought:

This application seeks a final award of fees and reimbursement of expenses incurred during the period July 8, 1997 through July 15, 1999. Ernst & Young has previously filed four interim applications with this Court covering the period July 8, 1997 through October 31, 1998. (See the following page and Exhibit A for summaries of amounts requested for compensation in previously filed fee applications and of invoices submitted to and payments received from the Debtors, respectively.)

Amount of Compensation sought as actual, reasonable, and necessary:

Fifth Compensation Period:	\$16,265
Final Cumulative:	\$2,942,286

Amount of Expense Reimbursement sought as actual, reasonable, and necessary:

Fifth Compensation Period:	\$0
Final Cumulative:	\$169,912

This is a:    \_\_\_ interim     X  final application    \_\_\_ monthly statement

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If this is not the first application filed, disclose the following for each prior application:

<u>Date Filed</u>	<u>Period Covered</u>	<u>Requested</u>		<u>Approved</u>
		<u>Fees</u>	<u>Expenses</u>	
Dec 11, 1997	July 8, 1997 - Nov 7, 1997			Pending Court Approval
	E&Y General	\$1,283,973	\$70,039	
	E&Y Kenneth Leventhal	245,807	275	
		<u>\$1,490,272</u>	<u>\$70,314</u>	
April 1, 1998	Nov 8, 1998 - Feb 28, 1998			Pending Court Approval
	E&Y General	667,751	49,254	
	E&Y Kenneth Leventhal	640,866	8,087	
		<u>1,308,617</u>	<u>57,341</u>	
July 30, 1998	March 1, 1998 - June 30, 1998			Pending Court Approval
	E&Y General	57,913	2,144	
	E&Y Kenneth Leventhal	38,567	36,578	
		<u>96,480</u>	<u>38,722</u>	
Dec 14, 1998	July 1, 1998 - Oct 31, 1998			Pending Court Approval
	E&Y General	3,102		
	E&Y Kenneth Leventhal	27,550	3,535	
		<u>30,652</u>	<u>3,535</u>	

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	:	<b>through 97-01468 (P JW)</b>
<b>MONTGOMERY WARD HOLDING CORP.</b>	:	
	:	<b>(Chapter 11)</b>
	:	
<b>Debtors.</b>	:	
.....	x	

**FIFTH AND FINAL FEE APPLICATION OF  
ERNST & YOUNG LLP FOR ALLOWANCE OF COMPENSATION  
AND REIMBURSEMENT OF EXPENSES  
FOR THE PERIOD OF JULY 8, 1997 THROUGH JULY 15, 1999**

**TO THE HONORABLE PETER J. WALSH, UNITED STATES BANKRUPTCY JUDGE**

This Fifth and Final Application for Allowance of Compensation and Reimbursement of Expenses (the "Application") for professional advisory services rendered to Montgomery Ward Holding Corp., (the "Debtors") is hereby made by the professional services firm of Ernst & Young LLP ("Ernst & Young", or the "Applicant") as Accountants and Financial Advisors to the Debtors. Ernst & Young hereby moves the Honorable Court for an order:

- a) awarding it reasonable compensation for professional advisory services rendered as Accountants and Financial Advisors to the Debtors in the amount of \$3,112,198 representing (a) fees in the amount of \$2,942,286, and (b) expenses in the amount of \$169,912 for the period July 8, 1997 through July 15, 1999. This amount includes \$16,265 in fees incurred during this period November 1, 1998 through July 15, 1999 (the "Fifth Compensation Period"); and,
- b) authorizing payment of \$651,965 representing amounts due in respect of holdbacks required under the Administrative Order and other pending fees and invoices.

In support hereof, this Fifth and Final Application respectfully represents:

**I. Retention of Applicant, Disclosure of Compensation and Requested Award**

On July 7, 1997 (the "Petition Date"), the Debtors filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

Ernst & Young was employed to represent the Debtor, pursuant to an Order entered by this Court on July 8, 1997. This Order authorized Ernst & Young to be compensated on an hourly basis and to be reimbursed for actual and necessary out-of-pocket expenses.

Prior to the commencement of this case, Ernst & Young was retained by the Debtors to provide financial advisory services. In connection with this retention Ernst & Young received a pre-petition retainer of \$39,505 which was fully applied during the first compensation period.

Applicant submits this Application pursuant to sections 328, 330, 331 and 503(b) of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and in accordance with U.S. Department of Justice, Executive Office for United States Trustee's Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. Section 330 (the "Guidelines").

The Applicant has previously submitted applications for interim allowance of compensation for professional fees and reimbursement of expenses as follows:

- 1) Ernst & Young made its first application (the "First Application") for interim allowance of reimbursement of professional fees of \$1,490,272 and out-of-pocket expenses of \$70,314 incurred during the period July 8, 1997 through November 7, 1997 (the "First Compensation Period") in accordance with the procedures set forth in the Administrative Order. Ernst & Young received payments totaling \$1,211,562 representing \$1,141,248 in fees and \$70,314 in expenses. A 20% holdback of fees in

the amount of \$305,955 as well as additional unpaid fees of \$43,068<sup>1</sup> are due and payable.

- 2) Ernst & Young made its second application (the "Second Application") for interim allowance of reimbursement of professional fees of \$1,308,617 and out of pocket expenses of \$57,341 incurred during the period November 8, 1997 through February 28, 1998 (the "Second Compensation Period") in accordance with the procedures set forth in the Administrative Order. Ernst & Young received payments totaling \$1,104,234 representing \$1,046,893 in fees and \$57,341 in expenses. A 20% holdback of fees in the amount of \$261,723 is due and payable.
- 3) Ernst & Young made its third application (the "Third Application") for interim allowance of reimbursement of professional fees of \$96,478 and out of pocket expenses of \$38,722 incurred during the period March 1, 1998 through June 30, 1998 (the "Third Compensation Period") in accordance with the procedures set forth in the Administrative Order. Ernst & Young received payments totaling \$116,380 representing \$77,658 in fees and \$38,722 in expenses. A 20% holdback of fees in the amount of \$18,823<sup>2</sup>.
- 4) Ernst & Young made its fourth application (the "Fourth Application") for interim allowance of reimbursement of professional fees of \$30,652 and out of pocket expenses of \$3,535 incurred during the period July 1, 1998 through October 31, 1998 (the "Fourth Compensation Period") in accordance with the procedures set forth in

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<sup>1</sup> Represents \$43,068 of fees invoiced for the period of July 8, 1997 through July 31, 1997 which were not paid by the Debtor pursuant to the Administrative Order and are currently due and payable.

<sup>2</sup> \$18,823 represents the 20% administrative holdback of \$19,296 less \$423 received from the Debtor in excess of amount due under the Administrative Order related to the March 1998 invoice. The excess payment was the result of a clerical error.

the Administrative Order. Ernst & Young received payments totaling \$28,057 representing \$24,522 in fees and \$3,535 in expenses. A 20% holdback of fees in the amount of \$3,253 in due and payable.

- 5) Ernst & Young makes this fifth and final application (the "Fifth and Final Application") for allowance of reimbursement of professional fees of \$16,265 and out of pocket expenses of \$0 incurred during the period November 1, 1998 through July 15, 1999 (the "Fifth Compensation Period") in accordance with the procedures set forth in the Administrative Order. Ernst & Young has not received any payment pertaining to this application period and this entire amount is due and payable.

Ernst & Young has at all time sought to minimize fees to the estate so as to protect the interests of all creditors. The Applicant has used, where possible, analyses and information prepared by the Debtors in the preparation of reports and analyses and worked in cooperation with the Debtors finance personnel in order to minimize the cost of services. The Applicant has avoided duplication of services provided and sought, where possible, to use lower rate professionals to perform the services required for the Committee. All of the Applicant's services have been performed for or on behalf of the Debtors at the direction of the Debtors and/or Debtors' Counsel.

Throughout the pendancy of this case, Ernst & Young was required to perform certain functions in order to comply with the terms of the Administrative Order and other requirements of the Court. With respect to these areas the following should be noted: (1) Ernst & Young has voluntarily reduced its professional fees pertaining to the preparation of four interim fee applications by \$9,837; (2) Ernst & Young has excluded from its request for compensation fees related to the preparation of a supplemental retention affidavit; (3) Ernst & Young has excluded from its request for compensation fees in excess of \$13,000 incurred in responding to the reports

of Stuart, Maue, Mitchell & James, Ltd's; on the First Application, the Second Application and the Third Application (see Section III, below); and, (4) Ernst & Young has excluded approximately \$10,000 from its request for compensation fees related to the preparation of this Application.

Ernst & Young has only applied for reimbursement of actual and necessary out-of-pocket disbursements in accordance with section 330(a) (2) of the Bankruptcy Code, the Bankruptcy Rules and the Guidelines. The Applicant would typically bill all such expenses to its non-bankruptcy clients. In addition, the Applicant would normally bill its non-bankruptcy clients for other costs and expenses (including telephone, postage, supplies, and other essential expenses and services) which will not be sought in this case.

During the period covered by this Application, other than pursuant to the Administrative Order, Ernst & Young has received no payment and no promises for payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application, and there is no agreement or understanding between Ernst & Young and any other person for the sharing of compensation to be received for services rendered in this case.

## **II. Summary of Service Provided during the Final Compensation Period (1)**

The Debtors' filed a voluntary petition for relief under Chapter 11 of the Title 11 of the United States Bankruptcy Code on July 7, 1997 and immediately began to address the issues which contributed to its financial problems. As part of this process, Ernst & Young assisted the Debtors in large numbers of projects which provided significant contributions to the Debtors turnaround efforts; however, the majority of our work was focused on several large projects as described below.

*(1) Refer to Exhibit B for an analysis of fees by project code.*

Such effort culminated when the Debtors' proposed plan of reorganization was confirmed by the Bankruptcy Court on July 14, 1999.

Throughout the first seven months of this proceeding, Ernst & Young acted as liaison between the Company and the financial advisors to both the Creditors' Committee and General Electric Capital Corporation ("GECC"). This process included the coordination of due diligence (PCD #170), preparation of weekly flash operating reports (PCD #290), preparation of reports and analyses used to communicate key issues to third parties and participation in monthly meetings with the Creditors' Committee (PCD #300 & #320). Ernst & Young, to a lesser extent, also assisted the Debtors in preparing for Board of Director meetings. Furthermore, as part of its continual planning process, the Debtors prepared cash flow and financial projections which were used for both internal and external reporting purposes (PCD #90 & #100). Ernst & Young assisted the Debtors in the process of preparing projections by performing various analyses designed to challenge and evaluate the projections and their underlying assumptions, participating in meetings to discuss the projections and assumptions with management and providing advise regarding the communication of the financial projections to the Creditors' Committee, the Board of Directors, and other third parties (PCD #390, #400).

Immediately following its Chapter 11 filing, the Debtors moved to quickly exit its underperforming Lechmere and Electric Avenue & More operating units. Throughout this process, Ernst & Young assisted the Company in both soliciting interest from and negotiating with potentially interested parties, preparing analyses to prepare for negotiations, and reporting the status of negotiations to other constituencies as well as participated in the final auction process (PCD #340 & #370). The quick disposition of these non-core businesses was an important early step in the Debtors' turnaround plan. Furthermore, Ernst & Young's assistance in



the disposal process resulted in a very competitive bidding process which generated significant incremental value prior to the auction and approximately \$13.6 million at the auction.

The disposal of these operating units resulted in ultimate cash proceeds of in excess of \$150 million. Ernst & Young's total fees related to the disposal of the Lechmere and EA&More divisions of \$306,217 represent less than half of one percent of the total proceeds, an amount which compares favorably to typical fees on asset sale transactions.

After the disposal of Lechmere and EA&More, the Company initiated a number of projects designed to rationalize its core store base and dispose of underperforming properties including (i) store performance analysis and closings, (ii) real estate disposition and (iii) rent re-negotiation.

- (i) Ernst & Young advised and challenged the Company on store projections and methodology and participated in meetings to review stores and markets (PCD #350 & #351). After the decisions were made by the Company to close underperforming stores Ernst & Young assisted the Debtors in negotiations with liquidators which ultimately resulted in successful store closing inventory sales which generated in excess of \$70 million in proceeds. Ernst & Young's fees related to store closings and the liquidation of inventory of \$192,020 represent only 0.3% of the consideration received by the Company.
- (ii) In conjunction with the closing of underperforming stores in November 1997 and June 1998, Ernst & Young's Kenneth Leventhal real estate group assisted the Company in the disposition of real estate (PCD #410). E&Y's involvement in this process included organizing and administering the marketing process, assisting management and counsel in negotiations with potentially interest parties, and evaluation of bids and proposals. The efficient and thorough

marketing of the properties helped generate significant interest in the closed stores and resulted in bidding processes which generated combined proceeds of approximately \$70 million for the Debtors. Ernst & Young's fees for this project of approximately \$612,141 represent only 1% of the total proceeds, which is less than is typically charged by real estate professionals to assist in a sale process of this magnitude.

- (iii) As part of the store performance analysis and subsequent store closing decisions, the Debtors initiated a comprehensive rent re-negotiation process designed to reduce ongoing occupancy costs company and seek tenant improvement allowances that will facilitate the remodeling of MW stores in conjunction with the Debtors' strategic vision. Ernst & Young's Kenneth Leventhal real estate group assisted the Debtors in this process by organizing and administering the process, evaluating current market rental rates and analyzing store occupancy costs and assisting management and counsel in final negotiations with landlords (PCD #411). Ernst & Young's assistance with this program helped generate significant rent concessions and tenant improvement allowances which have a combined present value of approximately \$20 million. Ernst & Young's fees with respect to this project of \$344,954 represent only 2% of the total value derived from the program.

As the Debtors were working toward improving operations and cash flow through the rationalization of its store base and the disposal of underperforming operating units, issues arose surrounding the contract governing its proprietary credit card, the use of which had a significant impact on the Debtors ability to sell merchandise. Ernst & Young assisted the Debtors in negotiating with GECC, the owner and servicer of the proprietary credit card portfolio, and the Creditors' Committee as to the rejection or assumption of this agreement (PCD #380). Ernst &

Young's involvement included analysis of the portfolio (i.e. loss rates, aging, fees, interest rates, etc.), analysis of loss sharing arrangements, analysis of the costs associated with the servicing of the portfolio, analysis of potential claims arising from the assumption or rejection of the agreement, and evaluation and development of various proposed operating agreements. The interim operating agreement minimized the costs to the Debtors and allowed management to focus on the turnaround of its business which contributed to the successful completion of this Chapter 11 proceeding.

In addition to the projects highlighted above, the Debtors requested the assistance of Ernst & Young with respect to a number of other significant projects including but not limited to (i) development of retention and compensation plans (PCD #130), (ii) preparation of recovery analyses (PCD #430 & PCD #460), (iii) assistance related to Chapter 11 filing and reporting requirements (PCD #30); and, (iv) analysis of reclamation claims and development of a program to address such claims (PCD #140 & #150). Furthermore, throughout its engagement Ernst & Young provided general advice related to Chapter 11 and restructuring matters. A more detailed description of all the services rendered on behalf of the Debtors is included in the First Application, the Second Application, the Third Application and the Fourth Application.

Overall, the work performed by Ernst & Young during the early stages of the Debtors reorganization assisted the Debtors in taking the initial and significant steps in its turnaround and contributed to the successful reorganization of the Debtors business.

In rendering such services, Ernst & Young has expended a total of 10,067.0 hours. Annexed hereto as Exhibit B is a summary of services by project code (as described in each of the first four interim fee applications and below for the Fifth Compensation Period).

### **III. Services Rendered During the Fifth Compensation Period**

During the Fifth Compensation Period Ernst & Young provided advice and analysis to the Debtors primarily with respect to executive compensation stock option plans and the impact of such plans on the plan of reorganization being considered by the Debtors.

In rendering such services, Ernst & Young has expended a total of 38.2 hours. An overall billing summary attached as Exhibit C hereto sets forth the hourly rates during the Fifth Compensation Period, the Ernst & Young personnel that performed services for the Debtors and the total hours incurred by each professional. Based on the hours expended and the hourly rates effective during the Fifth Compensation Period, E&Y is entitled to fees for professional and paraprofessional services in the amount of \$16,265.

Ernst & Young has presented the services rendered by service code identifying the activities within the category, naming each person who performed the activity, the number of hours spent by such person, and a description of the work performed. The services rendered are set forth in the summary by service code for the Fifth Compensation Period attached as Exhibit D and the tenth-hour detailed statement of services summarized by service code and professional for the Fifth Compensation Period attached as Exhibit D. The Applicant has incurred \$0 expenses during the Fifth Compensation Period.

#### **IV. Compliance with Requirements of the Fee Auditor**

Pursuant to the Court's Order dated June 16, 1998, Stuart, Maue, Mitchell & James, Ltd. were appointed as fee auditor (Stuart Maue, Mitchell & James, Ltd. are hereinafter referred to as the "Fee Auditor") in this matter.

On August 19<sup>th</sup>, 1998 the Fee Auditor presented to Ernst & Young for comment a draft of its initial report on our First and Second Applications. On September 29, 1999 Ernst & Young sent the Fee Auditor its response to the initial draft report. This response was ultimately filed with the final copy of the Fee Auditor's report on or about December 9, 1998. Ernst & Young has chosen not to invoice the Debtors for time incurred responding to the fee auditor and this time has not been included in this Application.

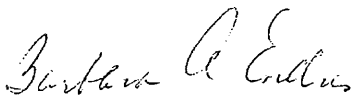
On August 19<sup>th</sup>, 1999 the Fee Auditor presented to Ernst & Young for comment a draft of its initial report on our Third Application. On September 8, 1999 Ernst & Young sent the Fee Auditor its response to the initial draft report. The final copy of the Fee Auditor's report has not yet been filed. Ernst & Young has chosen not to invoice the Debtors for time incurred responding to the fee auditor and such time in this Application.

Through the date of this Application, Ernst & Young has complied with all requirements under the Order dated June 16, 1998 and will continue to work with the Fee Auditor to complete his review of the Third Application and to perform a review of the Fourth Application and the Fifth and Final Application.

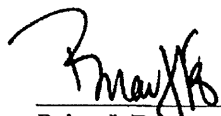
WHEREFORE, the Applicant respectfully requests the Court to enter an Order:

- (a) awarding it reasonable compensation for professional advisory services rendered as Financial Advisors and Bankruptcy Consultants to the Debtors in the amount of \$3,112,198 representing (a) fees in the amount of \$2,942,286 (this amount includes \$16,265 in fees incurred during November 1, 1998 through July 15, 1999) and (b) expenses in the amount of \$169,912 for the period July 8, 1997 through July 15, 1999 and
- (b) authorizing payment of \$651,965 representing amounts due in respect of holdbacks required under the Administrative Order and other pending fees/invoices; and,
- (c) granting such other and further relief as the Court deems appropriate.

Sworn to before me this 14  
day of September 1999

  
\_\_\_\_\_  
Notary Public

BARBARA A. ENDRES  
Notary Public, State of New York  
No. 41-4515928  
Qualified in Queens County  
Commission Expires Dec. 31, 2000

  
\_\_\_\_\_  
Brian J. Fox  
Ernst & Young LLP  
787 Seventh Avenue, 7<sup>th</sup> Fl.  
New York, NY 10019  
(212) 773-6432

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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<b>IN RE:</b>	:	<b>Case Nos. 97-01409 (PJW)</b>
	:	<b>through 97-01468 (PJW)</b>
<b>MONTGOMERY WARD HOLDING CORP. :</b>	:	<b>(Chapter 11)</b>
<b>et. al.</b>	:	
	:	
<b>Debtors.</b>	:	
.....	x	

**ORDER GRANTING ERNST & YOUNG LLP  
FIFTH AND FINAL ALLOWANCE OF COMPENSATION  
AND REIMBURSEMENT OF EXPENSES**

Ernst & Young LLP ("Ernst & Young"), having filed a Fifth and Final Application for Allowance of Compensation and Reimbursement of Expenses as Accountants, Restructuring Consultants and Financial Advisors for Montgomery Ward Corp. ("Debtors"); and

The Court having been satisfied that sufficient notice was given for a hearing on the Application; and

The Court having afforded all persons with standing the opportunity to be heard on the Application; it is

SO ORDERED, this \_\_\_\_\_ day of \_\_\_\_\_, 1999, that Ernst & Young be and hereby is:

- (a) awarding it reasonable compensation for professional advisory services rendered as Financial Advisors and Bankruptcy Consultants to the Debtors in the amount of \$3,112,198 representing (a) fees in the amount of \$2,942,286 (this amount includes \$16,265 in fees incurred during November 1, 1998 through July 15, 1999 (the "Fifth Compensation period") and (b) expenses in the amount of \$169,912 for the period July 8, 1997 through July 15, 1999;

(b) authorizing payment of \$651,965 representing amounts due in respect of holdbacks required under the Administrative Order and other pending fees/invoices; and,

(c) granting such other and further relief as the Court deems appropriate.

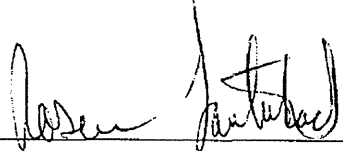
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United States Bankruptcy Judge



**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the Fifth and Final Fee Application of Ernst & Young LLP for Allowance of Compensation and Reimbursement of Expenses for the Period of July 8, 1997 through July 15, 1999 was served by first class mail, postage prepaid, on all parties named on the attached service list this 15<sup>th</sup> day of September 1999.

  
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# **EXHIBIT A**

EXHIBIT A

SUMMARY OF MONTHLY BILLING AND CASH COLLECTIONS THROUGH JULY 31, 1999

Fee App. Num.	Period Covered by Monthly Statement	Fees For Professional Services Rendered by E&Y				Expenses Incurred by E&Y			
		Fees Requested by E&Y	Fees to be Paid by MW (80%)	Fees Held Back by MW (20%)	Fees Paid (2)	Fees Pending	Expenses Requested by E&Y	Exp. Paid	Exp. Pending
1	7/8/97 - 7/31/97	\$ 314,119	\$ 251,295	\$ 62,824	\$ 208,227	\$ 43,068	(1) \$ 15,012	\$ 15,012	\$ -
1	8/1/97 - 8/31/97	348,122	278,498	69,624	238,993	-	(4) 18,267	18,267	-
1	9/1/97 - 9/30/97	338,395	270,716	67,679	270,716	-	23,609	23,609	-
1	10/1/97 - 10/31/97	421,433	337,146	84,287	337,146	-	9,847	9,847	-
1	11/1/97 - 11/7/97	107,707	86,166	21,541	86,166	-	3,579	3,579	-
1	Application of Retainer (39,505)	(39,505)	-	-	-	-	-	-	-
	Application #1 Total	1,490,272	1,223,821	305,955	1,141,248	43,068	70,314	70,314	-
2	E&Y 11/8/97 - 11/30/97	173,524	138,819	34,705	138,819	-	11,576	11,576	-
2	KL 11/8/97 - 11/30/97	168,062	134,450	33,612	134,450	-	3,945	3,945	-
	Total	341,586	273,269	68,317	273,269	-	15,521	15,521	-
2	E&Y 12/1/97 - 12/31/97	312,288	249,830	62,458	249,830	-	26,622	26,622	-
2	KL 12/1/97 - 12/31/97	247,653	198,122	49,531	198,122	-	4,142	4,142	-
	Total	559,941	447,953	111,988	447,952	-	30,764	30,764	-
2	E&Y 1/1/98 - 1/31/98	140,669	112,535	28,134	112,535	-	8,798	8,798	-
2	KL 1/1/98 - 1/31/98	151,432	121,146	30,286	121,146	-	59	59	-
	Total	292,101	233,681	58,420	233,681	-	8,857	8,857	-
2	E&Y 2/1/98 - 2/28/98	41,270	33,016	8,254	33,016	-	2,045	2,045	-
2	KL 2/1/98 - 2/28/98	73,719	58,975	14,744	58,975	-	154	154	-
	Total	114,989	91,991	22,998	91,991	-	2,199	2,199	-
	Application #2 Total	1,308,617	1,046,894	261,723	1,046,893	-	57,341	57,341	-

EXHIBIT A

SUMMARY OF MONTHLY BILLING AND CASH COLLECTIONS THROUGH JULY 31, 1999

Fee App. Num.	Period Covered by Monthly Statement	Fees Requested by E&Y	Fees For Professional Services Rendered by E&Y			Expenses Incurred by E&Y			
			Fees to be Paid by MW (80%)	Fees Held Back by MW (20%)	Fees Paid (2)	Fees Pending	Expenses Requested by E&Y	Exp. Paid	Exp. Pending
3	E&Y 3/1/98 - 3/31/98	19,581	15,665	3,916	16,138	(473)	638	638	-
3	KL 3/1/98 - 3/31/98	29,252	23,402	5,850	23,402	-	166	166	-
	Total	48,833	39,066	9,767	39,540	(473)	804	804	-
3	E&Y 4/1/98 - 4/30/98	10,172	8,138	2,034	8,138	-	72	72	-
3	KL 4/1/98 - 4/30/98	4,154	3,323	831	3,323	-	-	-	-
	Total	14,326	11,461	2,865	11,461	-	72	72	-
3	E&Y 5/1/98 - 5/31/98	24,651	19,721	4,930	19,721	-	1,295	1,295	-
3	KL 5/1/98 - 5/31/98	2,100	1,680	420	1,680	-	36,362	36,362	-
	Total	26,751	21,401	5,350	21,401	-	37,657	37,657	-
3	E&Y 6/1/98 - 6/30/98	3,510	2,808	702	2,808	-	139	139	-
3	KL 6/1/98 - 6/30/98	3,060	2,448	612	2,448	-	50	50	-
	Total	6,570	5,256	1,314	5,256	-	189	189	-
	Application #3 Total	96,480	77,184	19,296	77,658	(473)	38,722	38,722	-
4	E&Y 7/1/98 - 7/31/98	3,102	2,482	620	2,482	-	35	35	-
4	KL 7/1/98 - 7/31/98	15,618	12,494	3,124	12,494	-	3,500	3,500	-
	Total	18,720	14,976	3,744	14,976	-	3,535	3,535	-
4	E&Y 8/1/98 - 8/31/98	-	-	-	-	-	-	-	-
4	KL 8/1/98 - 8/31/98	11,933	9,546	2,387	9,546	-	-	-	-
	Total	11,933	9,546	2,387	9,546	-	-	-	-
	Application #4 Total	30,652	24,522	6,131	24,522	-	3,535	3,535	-
5	E&Y 10/1/98 - 4/30/99	16,265	13,012	3,253	-	13,012	-	-	-
	Application #5 Total	16,265	13,012	3,253	-	13,012	-	-	-
	Total	\$ 2,942,286	\$ 2,385,433	\$ 596,358	\$ 2,290,321	\$ 55,607	\$ 169,912	\$ 169,912	\$ -

Total Holdback and Pending/Unpaid Invoices \$651,965

- (1) Amounts held back by the Debtor and currently due and payable.
- (2) Represents cash collected through 7/31/99.
- (3) The Debtor remitted \$473 in excess of the fee's shown as "requested" in the schedule above due to an invoicing error. This amount has been offset against amounts owed E&Y for the first and fifth application periods.
- (4) The pre-petition retainer was applied to the August 1997 invoice resulting in a \$39,505 reduction in the amount owed by the Debtor.

# **EXHIBIT B**

**MONTGOMERY WARD**  
**SUMMARY OF HOURLY FEES BY PROJECT CODE**  
**FOR THE PERIOD JULY 8, 1997 THROUGH JULY 15, 1999**

<b>PROJECT CODE</b>	<b>DESCRIPTION</b>	<b>HOURS</b>	<b>FEES</b>
10	General Planning with respect to Projects and Staffing	88.1	\$33,990
30	Advice and Assistance related to Chapter 11 Filing and Reporting Requirements	99.8	31,235
90	Preparation and Review of Cash Flow Projections	258.3	71,349
100	Assistance in the Preparation and Review of Financial Projections	356.6	99,475
110	Advice and Assistance related to Tax Issues	7.1	3,141
130	Assistance in Development and Review of Management/Retention Issues	244.5	96,749
140	General Assistance with regard to the Reclamation Program	35.6	12,190
150	Specific Analysis of Reclamation Issues related to Sunbeam Litigation	80.1	17,844
170	General Assistance as Liaison with Creditors Committee and their Advisors	113.0	35,728
220	Preparation of Affidavit and Supplemental Affidavit for Retention	10.9	2,510
240	Preparation and Review of Fee Application and Monthly Statements and Other Billing Matters Related to the Appointment of a Fee Examiner	473.5	69,018
290	Preparation of Weekly "Flash" Reports	269.7	65,432
300	Preparation for and Attendance at Meetings of the Unsecured Creditors Committee in August and October, 1997	235.7	78,651
320	Preparation for and Attendance at Meetings of the Creditors' Committee in November 1997, December 1997 and January 1998.	78.4	25,773
340	Assistance with the Review of Lechmere and EA&More and Implementation of their Disposal	846.4	266,387
350	Consultation and Assistance related to GOB Sales	606.4	174,554
351	Consultation and Assistance related to Store Profitability Analysis	52.3	17,466
360	Development, Maintenance and Use of Real Estate Database	329.8	66,929
370	Analysis of Lechmere Historical Operations and Preparation of Report	176.9	39,830
380	Review, Analysis, and Testimony related to the MW Credit Card Agreement	1,670.8	624,112
390	General Telephone Conference Calls and Meetings with Committee, GECC, their Advisors and other Parties in Interest	32.4	13,584
400	General Advice and Consultation with regards to Chapter 11 Strategy	75.7	33,023
410	Advice, Assistance, Negotiation and Analyses related to the Property Disposition Program	2,207.3	612,141
411	Advice, Assistance, Negotiation and Analyses related to the Comprehensive Rent Renegotiation Program	1,219.5	344,954
420	Other	244.0	67,447
430	Preparation of High Level Leasehold Value Analyses	202.1	59,696

**MONTGOMERY WARD**  
**SUMMARY OF HOURLY FEES BY PROJECT CODE**  
**FOR THE PERIOD JULY 8, 1997 THROUGH JULY 15, 1999**

<b>PROJECT CODE</b>	<b>DESCRIPTION</b>	<b>HOURS</b>	<b>FEES</b>
440	Advice and Assistance related to Advertising Contracts	28.3	9,058
460	Preparation and Review of High Level Asset Recovery Analysis	63.0	19,358
	Sub-total	<u>10,106.2</u>	<u>2,991,624</u>
	Less Application of Pre-Petition Retainer		(39,505)
	Less Voluntary Reduction for Preparation of Fee Application	<u>(39.2)</u>	<u>(9,833)</u>
	<b>TOTAL HOURS AND FEES</b>	<b><u>10,067.0</u></b>	<b><u>\$2,942,286</u></b>

# EXHIBIT C



**MONTGOMERY WARD  
SUMMARY OF HOURLY FEES  
FOR THE PERIOD OF NOVEMBER 1, 1998 THROUGH JULY 15, 1999**

<u>NAME</u>	<u>POSITION</u>	<u>RATE</u>	<u>HOURS</u>	<u>FEES</u>
Giardina, J	Partner	\$530	20.7	\$10,971
Hess, E	Senior Manager	375	8.1	3,038
Cohn, L	Senior Consultant	240	8.9	2,136
Young, J	Senior Consultant	240	0.5	120
<b>TOTAL HOURS AND FEES INCURRED:</b>			<u><u>38.2</u></u>	<u><u>\$16,265</u></u>

# EXHIBIT D

**MONTGOMERY WARD  
SUMMARY OF HOURLY FEES BY PROJECT CODE  
FOR THE PERIOD OF NOVEMBER 1, 1998 THROUGH JULY 15, 1999**

<u>PCD</u>	<u>DESCRIPTION</u>	<u>HOURS</u>	<u>FEEES</u>
130	Advice and Assistance related to Management/Retention Issues	<u>38.2</u>	<u>\$16,265</u>
		<u>38.2</u>	<u>\$16,265</u>

**MONTGOMERY WARD**  
**SUMMARY OF HOURS BY PROJECT CODE**  
**FOR THE PERIOD OF NOVEMBER 1, 1998 THROUGH JULY 15, 1999**

NAME	DATE	PCD	HOURS	DESCRIPTION
Giardina, J	10/2/98	130	2.2	Research and discussions with P. Dobias re: retention plan practices and recommendations.
Giardina, J	10/5/98	130	1.1	Review and analysis of compensation practices during a
Giardina, J	10/5/98	130	2.4	Draft memo to P. Dobias re: the possibility of Montgomery Ward petitioning court for approval of a new retention plan.
Giardina, J	10/7/98	130	0.8	Telephone call with client re: retention plan practices.
Giardina, J	10/8/98	130	2.2	Final review of retention plan and stock option plan issues.
Giardina, J	11/17/98	130	0.7	Review and analysis of compensation practices during a
Giardina, J	12/7/98	130	0.7	Research and discussions with client re: compensation practices during a liquidation period.
Giardina, J	2/3/99	130	1.0	Review and analysis of competitive stock option plans.
Giardina, J	2/4/99	130	1.2	Review and discussions re: securities registration requirements and review of memo prepared by E. Hess re: securities issues.
Giardina, J	2/8/99	130	1.7	Preparation for Board meeting including final review of analyses re: stock option grants, and retention plan issues.
Giardina, J	2/9/99	130	6.0	Attendance at MW Board of Directors meeting re: registration issues relating to potential employee stock option grants, competitive levels of stock option grants, retention plan practices and compensation practices during a liquidation.
Giardina, J	2/10/99	130	0.7	Discussions with client re: Board meeting and issues discussed thereto.
<b>Giardina, J Total</b>			20.7	
Hess, E	2/4/99	130	0.2	Background discussion with J. Giardina; assignment to review certain issues and prepare memo regarding same
Hess, E	2/4/99	130	0.5	Research on section 12(g) of the Securities Exchange Act.
Hess, E	2/5/99	130	4.2	Research on exemption from Exchange Act registration requirements. Draft memo regarding same.
Hess, E	2/8/99	130	3.2	Continued work on memo on securities issue
<b>Hess, E Total</b>			8.1	
Cohn, L	10/2/98	130	0.5	Internal research re: second retention plan.
Cohn, L	10/8/98	130	0.3	Review letter to Phil Dobias regarding retention bonus practices.
Cohn, L	11/16/98	130	0.3	Research liquidation practices.
Cohn, L	11/17/98	130	1.2	Research liquidation practices.
Cohn, L	11/18/98	130	0.3	Research liquidation practices.
Cohn, L	12/4/98	130	0.3	Research on compensation plans during liquidation.

**MONTGOMERY WARD**  
**SUMMARY OF HOURS BY PROJECT CODE**  
**FOR THE PERIOD OF NOVEMBER 1, 1998 THROUGH JULY 15, 1999**

<b>NAME</b>	<b>DATE</b>	<b>PCD</b>	<b>HOURS</b>	<b>DESCRIPTION</b>
Cohn, L	12/6/98	130	1.0	Memo to Jim Giardina regarding compensation practices during a liquidation.
Cohn, L	2/4/99	130	2.0	Analyze competitive stock option grant multiples.
Cohn, L	2/5/99	130	3.0	Analyze competitive stock option grant multiples and discuss with Jim Giardina.
<b>Cohn, L Total</b>			<u>8.9</u>	
Young, J	11/24/98	130	0.5	Research re: compensation plans treatment of liquidation.
<b>Young, J Total</b>			<u>0.5</u>	
<b>Grand Total</b>			<u><u>38.2</u></u>	