

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

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IN RE:  
Montgomery Ward Holding Corp  
a Delaware corporation, et al.,  
Debtors

CHAPTER 11 Case No. 97-1409 (PJW)  
Jointly Administered

FINAL APPLICATION OF WASSERSTEIN PERELLA & CO., INC. AS FINANCIAL  
ADVISOR FOR THE DEBTORS AND THE DEBTORS IN POSSESSION FOR FINAL  
ALLOWANCE OF COMPENSATION FOR PROFESSIONAL SERVICES RENDERED  
AND FOR REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES  
INCURRED FROM SEPTEMBER 28, 1998 THROUGH AUGUST 1, 1999

Name of Applicant: Wasserstein Perella & Co., Inc.

Authorized to Provide  
Professional Services to: Debtors and Debtors in Possession

Date of Retention: December 2, 1988 (nunc pro tunc from September 28, 1998)

Period for which compensation  
and reimbursement are sought: September 28, 1998 through August 1, 1999

Amount of compensation sought  
as actual, reasonable, and necessary: \$1,250,000.00

Amount of expense reimbursement sought  
as actual, reasonable, and necessary: \$55,656.45

This is the final application.

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

Date Filed	Period Covered	Requested Compensation	Requested Expenses	Approved Compensation	Approved Expenses
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ADVISOR FOR THE DEBTORS AND THE DEBTORS IN POSSESSION FOR FINAL  
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AND FOR REIMBURSEMENT OF ACTUAL AND NECESSARY INCURRED FROM  
SEPTEMBER 28, 1998 THROUGH AUGUST 1, 1999**

Wasserstein Perella & Co., Inc. ("WP&Co.") financial advisor for Montgomery Ward Holding Corp. ("MW Corp.") and its affiliates (collectively, with MW Corp., the "Debtors"), for this final application (the "Application") for allowance of compensation for services rendered by WP&Co. from September 28, 1998 through August 1, 1999 (the "Compensation Period") and reimbursement of actual and necessary expenses incurred during the Compensation Period pursuant to sections 330 and 331 of title 11 of the United States Code (the "Bankruptcy Code"), rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professional dated July 8, 1999 (the "Administrative Order"), respectively represents as follows:

## **BACKGROUND**

1. On July 7, 1997 (the "Petition Date"), the Debtors commenced their respective reorganization cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being administered jointly.

2. The Debtors are continuing in possession of their respective properties and are operating and managing their businesses, as debtors in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. On July 18, 1997, the United States trustee for the District of Delaware (the "United States Trustee") appointed a statutory committee of unsecured creditors in these chapter 11 cases (the "Creditors' Committee"), pursuant to section 1102 of the Bankruptcy Code.

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

5. Montgomery Ward Holding Corp. ("MW Corp.") and Montgomery Ward & Co., Incorporated ("Montgomery Ward"), the wholly owned direct subsidiary of MW Corp., are engaged in retail merchandising in the United States.

6. Founded in 1872, Montgomery Ward is one of the largest retail merchandising organizations in the United States. Montgomery Ward is among the nation's largest retailers of prominent name brand electronics, appliances, furniture and

fine jewelry. Other major product offerings include apparel, domestics, housewares and automotive parts and services. Montgomery Ward operates 252 retail stores in 32 states (with approximately 20 million total square feet of selling space). In addition, Montgomery Ward operates seven liquidation centers that sell overstock merchandise, 8 major distribution facilities and 68 product service centers. As of December 1998, Montgomery Ward and its subsidiaries generated over \$4.4 billion in annual revenue and employed over 34,000 full-time employees.

7. The Debtors applied to this Court on November 6, 1998, for an order authorizing them to retain WP&Co. as their financial advisor. On December 2, 1998, the Court entered an order authorizing the Debtors to employ WP&Co. as their financial advisors (the "Retention Order"). A copy of the Retention Order and WP&Co.'s engagement letter is annexed hereto as Exhibit D.

### **COMPENSATION REQUESTED**

8. By this Application, WP&Co. requests an allowance of \$1,305,656.45 for the Compensation Period, representing \$1,250,000.00 as final compensation for professional services rendered during the Compensation Period and \$55,656.45 as reimbursement for actual and necessary expenses WP&Co. incurred during the Compensation Period.<sup>1</sup> WP&Co. has previously submitted monthly billing statements (See Exhibit C for copies of WP&Co. billing statements) to the Debtors, in accordance with the Administrative Order, requesting payment of charges and expenses in the

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<sup>1</sup> WP&Co. has included all actual and necessary disbursements processed by its accounting department for this final Compensation Period.

aggregate of \$1,305,656.45 representing 100% of WP&Co.'s total charges for professional services rendered during the Compensation Period in the amount of \$1,250,000.00 and \$55,656.45 representing 100% of WP&Co.'s actual and necessary expenses incurred during the Compensation Period.

9. During the Compensation Period, other than pursuant to the Administrative Order as discussed above, WP&Co. has received no payment and no promises of payment from any sources for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application. There is no agreement or understanding between WP&Co. and any other person for the sharing of compensation to be received for services rendered in this case.

10. WP&Co. submits that this Application complies with section 330 of the Bankruptcy Code, the Bankruptcy Rules, the Administrative Order and the Guidelines adopted by the Executive Office for the United States Trustees.

#### **TIME RECORDS**

11. Attached hereto as Exhibit A is a summary of WP&Co.'s hours by Professional as well as a summary of hours by discrete project area. In addition, WP&Co. has provided detailed time records so that the Bankruptcy Court, US Trustee, the Creditors Committee and other parties-in-interest can readily track the nature of services provided by WP&Co.

## **SCOPE OF SERVICES RENDERED**

### **Project 1: Coordination of the Chapter 11 Process and Administration**

WP&Co.'s activities in this project area included: developing WP&Co.'s retention materials and conducting a thorough relationships check to ascertain that WP&Co. did not have any conflicts in acting as financial advisor to the Debtors.

### **Project 2: Interface with Professionals, the Creditors' Committee and Other Parties-in-Interest**

WP&Co.'s activities in the project area included: (i) meeting with the Creditors' Committee's and Pre-Petition Bank Lenders' financial advisors in order to provide them with financial and operational data and analyses; (ii) assisting the Debtors' management in developing presentations made by the Debtors to the Creditors' Committee; (iii) talking to/meeting with officers of and advisors to GE/GE Capital, the Debtors' principal creditor and shareholder; (iv) attending and participating in meetings among the Debtors, the Creditors' Committee and their advisors and the Debtors' Board of Directors; (v) initiating and responding to inquiries from various other constituencies, including potential investors and trade vendors; and (vi) organizing and participating in various due diligence trips.

### **Project 3: Business Operations Planning, Reporting and Analysis**

WP&Co.'s activities in this project area included reviewing and analyzing the Debtors' weekly and monthly financial and operating information as well as helping the Debtors prepare revised cash projections and budgets. In addition, WP&Co. spent a significant

amount of time on-site at the Debtor's headquarters conducting preliminary due diligence in order to better understand the Debtor's operations and financial structure. This due diligence included: (i) numerous interviews with various members of the Debtors' senior management; (ii) touring various stores; (iii) reviewing marketing studies and (iv) analyzing both operational and financial information received from the Debtors during the above mentioned visits. In addition, WP&Co. assisted the Debtors in the preparation of its long-term strategic business plan (the "Business Plan"). In this regard, WP&Co. (i) performed an analysis of the Debtors' store base; (ii) evaluated store level operating results in conjunction with the demographic areas in which those stores operate in order to identify potential store closures; and (iii) analyzed projections for a revised store base.

Project 4: General Corporate Finance, including Debtor-in-Possession Financing, Securities Design, Valuation and Mergers, Acquisitions and Divestiture Activities

During the Application Period, WP&Co. prepared a comprehensive valuation analysis which served as a cornerstone for the Plan of Reorganization. In preparing its valuation of the Debtors, WP&Co. prepared the following analyses: (i) a discounted cash flow analysis; (ii) a comparable companies trading multiple analysis; (iii) a comparable acquisition analysis of recent transactions in the department store industry; and (iv) a weighted average cost of capital analysis. WP&Co. reviewed proposals relating to the sale of the Debtors' corporate complex and provided comments thereon. Additionally, WP&Co. assisted the Debtors with the procurement of an extension of the DIP facility by meeting with and qualifying the interest of various prospective lenders, reviewing various documents and providing comments thereon. WP&Co. played an active role in assisting

the Debtors with an exit financing facility. In that regard, WP&Co. talked to and/or met with several prospective lenders, analyzed the various exit financing proposals and held extensive discussions with both the Debtors' senior management and GE Capital. WP&Co. also participated in discussions and meetings with the Debtors, Blackstone, GE Capital and certain real estate lenders regarding the possibility of a separate financing approach for owned and leased properties.

Project 5: Development and Review of Disclosure Statement and Plan of Reorganization

During the Application Period, WP&Co. assisted the Debtors with various components of the Plan and Disclosure Statement. Specifically, WP&Co.'s responsibilities included: (i) meeting with the Debtors and counsel developing strategic and tactical advice underlying the Plan of Reorganization, and appropriate levels of disclosure; (ii) a review of the liquidation analysis prepared by Zolfo Cooper, as well as liquidation analyses prepared by the Creditors Committee in connection with its motion to convert the case to chapter 7; (iii) the development of a comprehensive enterprise valuation analysis; and (iv) assisting the Debtors and legal counsel with the drafting of relevant sections of the Disclosure Statement including valuation analyses for fresh start reporting purposes, and pro-forma financial projections. WP&Co. prepared written presentations for the Debtors' Board of Directors and provided evidence and perspective regarding the "best interest" and "fair and equitable" tests supporting the Confirmation of the First Amended Plan of Reorganization. WP&Co. also reviewed and commented upon the GE Capital proposal to fund the Debtors' Plan, and the proposed "lock up" agreements for Creditors Committee members. Finally, WP&Co. spent a significant amount of time preparing Henry Miller's

Affidavit in Support of the Confirmation of the First Amended Plan of Reorganization (the "Miller Affidavit"). The Miller Affidavit contained a thorough review of the facts supporting the "feasibility" test. Additionally, many hours were spent preparing Mr. Miller as a potential witness in the confirmation hearing.

Project 6: Other Services

WP&Co. did not perform any services during the Application Period in this project area.

12. WP&Co. submits that the foregoing services were necessary to the successful and prompt administration of these chapter 11 cases, necessary and beneficial to the estates at the time at which such services were rendered, and were performed without unnecessary duplication of effort or expense.

## ACTUAL AND NECESSARY EXPENSES

13. Attached hereto as Exhibit B is a schedule of the actual and necessary expenses incurred by WP&Co. in connection with its representation of the Debtors during the Compensation Period as well as a summary of WP&Co.'s policies regarding expenses charged to clients. As set forth on Exhibit B, WP&Co. seeks reimbursement of actual and necessary expenses incurred by WP&Co. during the Compensation Period in the aggregate amount of \$1,305,656.45<sup>2</sup>.

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<sup>2</sup> WP&Co. has included all actual and necessary disbursements processed by its accounting department for the Compensation Period. However, some vendors do not send regular invoices. As a result, it is possible that some disbursements for this Compensation Period will be processed in subsequent periods. Accordingly, WP&Co. reserves the right to seek reimbursement of additional expenses that may have been incurred during the Compensation Period, but which have not been accounted for in WP&Co.'s billing system.

