Objection Deadline: September 27, 2000 at 4:00 p.m.
Hearing Date: October 18, 2000 at 4:00 p.m.

FILED

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CLERK
U.S. BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re PURINA MILLS, INC., a Delaware corporation, et al. Debtors.	Chapter 11 Case No. 99-3938 (SLR)

NOTICE OF FINAL FEE APPLICATION

PLEASE TAKE NOTICE that on August 28, 2000 the above-captioned debtors (the "Debtors") filed and served the **Final Application of Houlihan Lokey Howard & Zukin for Compensation and for Reimbursement of Expenses** (the "Final Application").

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Final Application must be made in writing, filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801, and be served upon and received by the undersigned counsel for the Debtors on or before September 27, 2000 at 4:00 p.m.

PLEASE TAKE FURTHER NOTICE that a hearing on the Final Application will be held before the Honorable Sue L. Robinson, United States District Court for the District of Delaware (the "Court"), on October 18, 2000 at 4:00 p.m. (the "Hearing"). Only those objections made in

19. [illegible]

writing and timely filed, served and received in accordance with the procedures described herein will be considered by the Court at the Hearing.

Dated: August 28, 2000
Wilmington, Delaware

Daniel J. DeFranceschi (No. 2732)
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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:	:	
	:	**Jointly Administered**
PURINA MILLS, INC.,	:	**Case No. 99-3938 (SLR)**
a Delaware corporation, et al.,	:	
	:	**Chapter 11**
Debtors.	:	

FINAL APPLICATION OF HOULIHAN LOKEY HOWARD & ZUKIN FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES

Dated: August 8, 2000

P. Eric Siegert
HOULIHAN LOKEY HOWARD & ZUKIN
601 Second Avenue South, Suite 4950
Minneapolis, Minnesota 55402
(612) 338-2910

FINANCIAL ADVISORS TO DEBTORS
AND DEBTORS IN POSSESSION

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:	:	
	:	**Jointly Administered**
PURINA MILLS, INC.,	:	**Case No. 99-3938 (SLR)**
a Delaware corporation, et al.,	:	
	:	**Chapter 11**
Debtors.	:	

FINAL APPLICATION OF HOULIHAN LOKEY HOWARD & ZUKIN FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES

Houlihan Lokey Howard & Zukin ("Houlihan Lokey"), financial advisors to the above-captioned debtors and debtors in possession (collectively, the "Debtors"), hereby makes its final application (the "Final Application") for (i) allowance of total compensation of (a) $880,268.82 with respect to monthly post-petition fees, (b) $1,163,908.05 with respect to the cash portion of the earned transaction fee (the "Cash Transaction Fee"), (c) $1,163,908.05 with respect to the earned face amount of the convertible unsecured promissory note (the "Convertible Unsecured Note"), (ii) reimbursement of related expenses of $22,168.89 for the period from October 28, 1999 (the "Petition Date") through June 29, 2000 (the "Effective Date", collectively the "Compensation Period") and for (iii) payment of the net amount owed for such period; (a) $763,333,33 with respect to monthly post-petition fees, (b) $1,163,908.05 with respect to the Cash Transaction Fee, (c) $1,163,908.05 with respect to the face amount of the Convertible Unsecured Note, and (d) $22,168.89 for actual and necessary expenses incurred. In support of this Application, Houlihan Lokey respectfully represents as follows:

BACKGROUND

General Background and Status of Case

1. On October 28, 1999 (the "Petition Date"), the Debtors commenced their respective reorganization cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code").

2. The Debtors continued in possession of their respective properties and operated and managed their businesses, as debtors in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code through the Effective Date.

3. On November 9, 1999, the United States trustee for the District of Delaware (the "U.S. Trustee") appointed a statutory committee of unsecured creditors in these 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. Debtor PM Holdings Corporation, a Delaware corporation, is the direct parent of Debtor Purina Mills, Inc., a Delaware corporation ("Purina"). Purina, in turn, is the direct or indirect parent of each of the other Debtors. The Debtors and their non-debtor subsidiaries (collectively, the "Purina Companies") are the largest feed manufacturers in the United States and are recognized as industry leaders in animal nutrition products and related research and management programs. The Purina Companies produce over 20,000 active feed formulas for farm, companion, exotic, lab and zoo animals and provide customers with related technical and consulting services.

6. The Purina Companies currently operate 49 feed mills located in 25 states and maintain a state-of-the-art 1,200-acre research facility. In fiscal year 1998, the Purina Companies generated revenue exceeding $1 billion. As of October 28, 1999, the Purina Companies had approximately $764 million in assets and $757 million in liabilities on a consolidated basis. The Purina Companies currently employ approximately 2,500 full-time and part-time employees, maintain a dealer network comprised of approximately 4,500 dealers and provide goods and services to approximately 4,500 direct customers.

7. On January 18, 2000, the Debtors filed the Joint Plan of Reorganization of Purina Mills, Inc (the "Initial Plan") and related disclosure statement (the "Disclosure Statement"). Subsequently, on February 4, 2000, the Debtors filed certain related exhibits. Thereafter, on February 16, 2000, the Debtors filed the Amended Joint Plan or Reorganization of Purina Mills, Inc. (the "Amended Plan") and on February 22, 1999, the Second Amended Joint Plan of Reorganization of Purina Mills, Inc., as modified (the "Plan"). The revisions reflected, among other items, a consensual settlement with the existing bank group in early February.

8. The Plan was approved by a favorable vote of more than 95 percent of the Debtors' creditors and on April 5, 2000, the Court entered an order (the "Confirmation Order") confirming the Plan.

9. On June 29, 2000, the Plan became effective in accordance with its terms, and the Debtors emerged from bankruptcy.

Houlihan Lokey's Retention

10. In early November 1999, the Debtors filed their application to retain and employ Houlihan Lokey as their financial advisors (the "Application"). On November 15, 1999, the Court entered an order (the "Retention Order") authorizing the retention of Houlihan Lokey as the Debtors' financial advisors to perform any and all necessary financial advisory services on behalf of the Debtors in connection with these chapter 11 cases, nunc pro tunc as of the Petition Date, under the agreement retaining Houlihan Lokey (the "Houlihan Retainer") dated July 26, 1999. The Retention Order was subject, solely as it related to the request for approval of the Fee Structure (as defined therein), to a subsequent hearing on December 15, 1999, in the event a dispute then existed with respect to the Fee Structure. A copy of the Retention Order is attached hereto as Exhibit A and incorporated herein by reference. A copy of the Houlihan Retainer is attached hereto as Exhibit B and incorporated herein by reference.

11. As detailed in a letter to the Debtors dated December 14, 1999, and in accordance with an agreement reached with the Creditors' Committee and Chase Bank of Texas (together with the other bank group lenders, the "Bank Group"), Houlihan Lokey modified the Houlihan Retainer with respect to its Fee Structure, and on or about December 15, 1999, the Court issued an order approving Houlihan Lokey's retention subject to said modifications. A copy of the executed revision to the Houlihan Retainer is attached hereto as Exhibit C and incorporated herein by reference.

Status of the Debtors' Chapter 11 Cases

12. As noted above, the Court entered the Confirmation Order on April 5, 2000 and the Plan became effective on June 29, 2000.

13. Under the Plan, substantially all of the new common stock of the reorganized Purina Mills initially will be distributed to the Debtors' pre-petition general unsecured creditors, with a first distribution of stock expected to occur in August 2000. The Debtors' common stock will trade on the NASDAQ under the symbol "PMIL." Further, pursuant to the Plan the Debtors repaid all of their pre-petition secured debt, secured a new $175 million term loan and entered into a new $50 million revolving credit facility.

14. To the best of Houlihan Lokey's knowledge, the Debtors have filed all monthly operating reports and paid all quarterly fees to the U.S. Trustee.

RELIEF REQUESTED

Authority for Relief

15. Houlihan Lokey makes this Application pursuant to the following: (a) sections 327, 328(a), 330(a) and 331 of the Bankruptcy Code; (b) Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); (c) the Administrative Order, Pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, dated October 29, 1999 (the "Interim Compensation Order"); (d) certain applicable provisions of the Guidelines for Applications for Compensation and Reimbursement of Expenses of Professionals adopted by the Office of the United States Trustee (the "Guidelines"); and (e) Local Order #32 (Revising and Rescinding Order #27) of the United States Bankruptcy Court for the District of Delaware ("Local Rule 32"). A copy of the Interim Compensation Order is attached hereto as Exhibit D and incorporated herein by reference.

16. The Plan provides that professionals must file applications for final allowance of compensation and reimbursement of expenses for the period prior to the Effective Date no later than 60 days after the Effective Date, or August 28, 2000.

Request for Final Allowance of Compensation and Reimbursement of Expenses

17. Houlihan Lokey is compensated under the Houlihan Retainer, as revised, on a monthly flat fee basis (not hourly) plus a transaction fee (the "Transaction Fee") payable in accordance with the terms and to the extent set forth in Exhibit C and as described in the Plan and Disclosure Statement. In operative part of the agreement reached with the Bank Group and the Creditors' Committee (Exhibit C), Houlihan Lokey is to receive a transaction fee equal to $2.5 million minus 50% of all monthly advisory fees paid for the period March 17, 2000 and before July 9, 2000, if a plan is confirmed at a hearing commenced during the period. The Plan was confirmed at a hearing commenced at a hearing commenced on April 5, 2000.

18. Further, as described therein, the Transaction Fee is to be paid 50% in cash (the "Cash Transaction Fee") and 50% in the form of an unsecured promissory note (the "Convertible Unsecured Note") maturing on December 31, 2001, bearing quarterly simple interest of 8% per annum and convertible into new common stock of Purina Mills, Inc. (at the holder's option) based on the equity value of such shares at confirmation.

19. Pursuant to such agreements, disclosure and directives, Houlihan Lokey hereby seeks final allowance and payment of compensation and reimbursement of expenses for the Compensation Period as follows:

a. Compensation of $880,268.82 in connection with services rendered during the Compensation Period, with a net amount due for services after giving effect to amount paid heretofore of $763,333.33. A detailed calculation of fees payable and the net amount due for serviced rendered during the Compensation Period is attached hereto in Exhibit E and incorporated herein by reference.

b. A Cash Transaction Fee of $1,163,908.05, calculated pursuant to this Court's retention order and the agreement with the Bank Group and Creditors' Committee as detailed in the executed revision to the Houlihan Retainer (Exhibit C). A detailed calculation of the Cash Transaction Fee is attached hereto in Exhibit E and incorporated herein by reference.

c. A Convertible Unsecured Note with a face amount of $1,163,908.05, bearing 8% simple interest per annum, maturing December 31, 2001, convertible into common stock at the holder's option on substantially the same terms and conditions as the form of promissory note (the "Note Agreement") attached hereto as Exhibit F. A detailed calculation of the face amount of the Convertible Unsecured Note is attached hereto in Exhibit E and incorporated herein by reference. total fees = $3,208,084.92

d. Reimbursement of actual and necessary expenses of $22,168.89 incurred in connection with Houlihan Lokey's services. A summary and itemization of these expenses is attached hereto as Exhibit G and incorporated herein by reference.

Prior Fee Applications and Payments to Houlihan Lokey

20. On or about February 15, 2000, Houlihan Lokey filed its first application for interim allowance of compensation and reimbursement of expenses for the period October 28, 1999 through December 31, 1999 (the "First Interim Application"). Houlihan Lokey is not aware of any objections filed as of the date of the Final Application.

21. On or about February 25, 2000, Houlihan Lokey filed its second application for interim allowance of compensation and reimbursement of expenses for the period January 1, 2000 through January 31, 2000 (the "Second Interim Application"). Houlihan Lokey is not aware of any objections filed as of the date of the Final Application.

22. On or about March 25, 2000, Houlihan Lokey filed its third application for interim allowance of compensation and reimbursement of expenses for the period February 1, 2000

through February 29, 2000 (the "Third Interim Application"). Houlihan Lokey is not aware of any objections filed as of the date of the Final Application.

23. During the Compensation Period, Houlihan Lokey did not receive any payments or promises of payments from any source for services rendered or to be rendered in connection with these chapter 11 cases.

24. At monthly intervals prior to the Petition Date the Debtors paid to Houlihan Lokey fees totaling $500,000 under the Houlihan Retainer, as revised, for services rendered from July 26, 1999, through and including November 25, 1999. Amounts paid prior to the Petition Date for services rendered in post-petition periods (i.e. October 28-November 25, 1999) were credited against fees due under the First Interim Application.

Description of Services Rendered by Houlihan Lokey

25. As detailed below, consistent with each of the Interim Applications, the work performed by Houlihan Lokey during the case is separated among six categories. Consistent with retention agreements with companies, creditors' committees and other parties-in-interest in over 50 restructuring transactions over the past five years, Houlihan Lokey is compensated under the Houlihan Retainer on a flat monthly fee basis (not hourly). However, for informational purposes, a summary of the estimated total hours expended during the case by Houlihan Lokey professionals and category is attached hereto as Exhibit H and incorporated herein by reference. Since Houlihan Lokey does not have the systems in place to allow its professional staff to regularly log hours worked, Houlihan Lokey firmly believes the hours provided are understated. For example, on numerous occasions, other professionals of Houlihan Lokey have been contacted for their specific assistance on particular issues in this case. No record of their time is reflected herein because of a lack of systems to record such time among the 9 domestic Houlihan Lokey offices. In addition, Houlihan Lokey has identified each of its professionals who provided services to the Debtors during the Compensation Period and a professional summary is attached hereto as Exhibit I and incorporated herein by reference.

26. Below is a summary of the primary activities performed by Houlihan Lokey during the case in each of six major categories. Although this summary is intended to highlight areas of particular importance in these cases, a detailed listing of activities can be found in the attached Exhibit H.

Category 1. Strategic Discussions, Negotiations, Planning & Review -- 419.3 Total Hours.

27. Prior to the Petition Date, Houlihan Lokey expended considerable time and effort assisting the Debtors in their contemplation of restructuring strategy and alternatives. Houlihan Lokey assisted the Debtors' in their unsuccessful attempt to secure additional equity financing from their former equity owner. Houlihan Lokey also assisted the Debtors in their attempt to fashion a pre-arranged or pre-packaged chapter 11 restructuring with the major parties-in-interest. During the Compensation Period, together with the Debtors' other professionals and the Debtors' management, Houlihan Lokey served as a key negotiator and provided significant input on many facets of the restructuring from its formulation through implementation. In addition to conducting negotiations and mediation between the various parties-in-interest, such services have required many hours of preparation, strategy setting meetings (including with the Debtors' legal counsel, management and between Houlihan Lokey professionals) and associated analysis. Some of the major strategic discussions, negotiations and planning & review activities included the following:

- Advising the Debtors as to strategic alternatives, including restructuring options and negotiation dynamics, exit strategy paths, structuring, and treatment of claims and potential recoveries.

- Advising the Debtors and participating in strategy sessions and negotiations with the parties-in-interest in the case, including the Bank Group and Creditors' Committee to achieve a confirmable and timely exit from chapter 11.

- Understanding all relevant issues relating to, strategizing on and negotiating a significant financial settlement with Koch Industries.

- Conferences and meetings among Houlihan Lokey professionals to facilitate strategy sessions and recommendations.

- Participation on regular conference calls and meetings with the Debtors' management and other professionals to discuss and review the above alternatives and tactics as well as pending legal deadlines.

- Negotiating the terms and pricing of the exit facility and post-emergence capital structure of the Debtors, as evidenced in the confirmed Plan and Disclosure Statement.
- Review and input in contract rejection and restructuring, particularly with respect to significant hog purchase contracts.

Houlihan Lokey acted as an intermediary between the various parties-in-interest and actively assisted in crafting a rational and confirmable Plan that is vital to maximizing the future financial flexibility and potential for operating success of the Debtors' business. Further the resulting expeditious settlement of the claims of the various parties-in-interest minimized value erosion stemming from the uncertainty of a protracted bankruptcy case as well as associated bankruptcy costs.

Category 2. Business Plan Development, Due Diligence -- 357.0 Total Hours.

28. Prior to the Petition Date and continuing throughout the Compensation Period, Houlihan Lokey expended considerable effort and worked hand-in-hand with the Debtors to develop, present and support the Debtors' long-term business plan (the "Business Plan"). The Business Plan formed the basis upon which the Plan and Disclosure Statement were built and the parties-in-interest were able to assess their interests and the Debtors' prospects and come to agreement on the post-emergence capital structure and treatment of claims and classes of interest. Pre-petition, Houlihan Lokey professionals spent considerable time interviewing management, understanding the Debtors' operations and industry and assisting the Debtors' in modeling the various aspects of their business. The Business Plan and proposed restructuring transaction were the subject of a September 1999 presentation to the Bank Group and weeks of Bank Group due diligence (and several rounds of subsequent due diligence). Principal activities included under this category during the case include the following:

- Houlihan Lokey updated the Business Plan from time-to-time as required to reflect actual results, updated estimates of bankruptcy items/costs and emergence date, to reflect the impact of the December settlement with Koch Industries, for fresh-start adjustments, tax implications and for comments and requests from the Bank Group and Creditors' Committee.

- Houlihan Lokey and the Debtors' expended several weeks explaining, supporting and detailing the Business Plan to the Bank Group advisors and Creditors' Committee advisors in multiple due diligence sessions. Moreover, each subsequent update for any of the items above was subjected to additional comprehensive diligence. In attempting to meet all of the requests and questions, Houlihan Lokey, the Debtors' and their other professionals expended significant time and effort.

- Houlihan Lokey prepared a second settlement proposal to the Bank Group in November 1999 (the first proposal was contained in the September 1999 Business Plan presentation). The proposal also included a summary of performance versus plan and updated long-term financial projections. This proposal was the subject of additional due diligence by the Bank Group.

- As the creator of the capital structure model, Houlihan Lokey was called upon by the Creditors' Committee, its professionals and the Bank Group, to run various scenarios, structures and pricing vital to the settlement discussions and agreements between the key parties-in-interest in this case.

Category 3. Corporate Finance Work (Financing, Valuation, M&A & Other) -- 218.1 Total Hours.

29. Prior to the Petition Date, Houlihan Lokey expended significant effort negotiating the terms of the Debtors' $50 million debtor in possession facility (the "DIP Facility"), including due diligence with a number of potential lenders. In addition, Houlihan Lokey performed a preliminary, but comprehensive, valuation of the Debtors' business. During the pendency of the case Houlihan Lokey updated and finalized its valuation (as included in the Disclosure Statement) for the settlment with Koch Industries, proposed Bank Group treatment, final treatment and exit financing and other items.

30. In addition, Houlihan Lokey undertook to secure exit commitments to finance the Debtors' business upon emergence. Without an agreement (which was subsequently secured) with the existing Bank Group, it became necessary for Houlihan Lokey to undertake such discussions with a wide spectrum of lenders and conduct associated due diligence. During the course of negotiations with the Bank Group, Houlihan Lokey secured proposals from a number of lenders, and assisted in the negotiations which resulted in a settlement with the Bank Group and Creditors' Committee on February 10, 2000, regarding exit financing and the post-emergence capital structure. The resulting deal provided for a pay-down of approximately $278 million of pre-petition secured debt from operating cash, an infusion from the former equity owner and a new debt facility, exchanging for equity approximately $430 million of unsecured claims and securing a new $175 million term loan and $50 million revolver.

31. In addition, classified under this category is work performed by Houlihan Lokey to secure commitments from several brokerage and other equity market firms to make a market in the new common stock of the Debtors. These commitments were the result of many hours of discussions and analysis with prospective market makers on the part of Houlihan Lokey. The success of this effort will allow the Debtors' new common stock to trade on the NASDAQ exchange under the ticker symbol "PMIL." This exchange listing will give creditors of the estate maximum liquidity for their claims upon emergence and stock distribution. Moreover, the Debtors' re-entry into the public equity marketplace (after a decade-long absense) will allow further transparency for all parties-in-interest and aid in the Company's ability to gain access to future capital.

Category 4. Financial Analysis and Monitoring -- 189.7 Total Hours.

32. Houlihan Lokey assisted the Debtors in a variety of financial analysis and monitoring activities during the case and expended considerable effort developing, modifying and explaining the Disclosure Statement filed on January 18, 2000 and as revised to reflect a bank settlement in early February. Principle activities classified under this category during the case include the following:

- Houlihan Lokey assisted the Debtors' and their other advisors in explaining, justifying, estimating and negotiating the approved Key Employee Retention Plan (the "KERP Plan").

- Houlihan Lokey assisted the Debtors' in estimating, refining and analyzing the various Koch Industries settlement term sheets and agreements. In addition, Houlihan Lokey assisted the Creditors' Committee and Bank Group and their advisors in understanding the various proposals.

- Houlihan Lokey provided monthly financial updates and variances analysis to the parties-in-interest.

- Houlihan Lokey reviewed, analyzed and explained the Company's animal hedging activities.

- Houlihan Lokey expended considerable time preparing, reviewing and revising materials and projections for the Debtors' confirmed Plan and Disclosure Statement. Substantial effort was also expended prior to the Petition Date as the Debtors' attempted (successfully) to secure support from the various parties-in-interest.

- Houlihan Lokey also provided support with respect to analysis of the settlement with certain vitamin manufacturers, analyzing and explaining the restructuring of certain animal purchase contracts, and provided a host of data, analysis and support for both the Creditors' Committee and Bank Group and their advisors.

Category 5. Correspondence, Meetings & Preparation with Parties-in-Interest -- 73.2 Total Hours

33. Both prior to the Petition Date and during the Compensation Period, Houlihan Lokey has assisted the Debtors' in facilitating the transfer of information and advocating resolutions of issues between the various parties-in-interest in these cases. As such, Houlihan Lokey has from time-to-time conferred with the Debtors', the Creditors' Committee, the Bank Group and their respective advisors on a host of issues not classified as either negotiations or due diligence sessions. Specific items have included explaining the details of the Koch settlement and a meeting with the Creditors' Committee to discuss the Debtors' position on the Koch settlement and Plan and Disclosure Statement.

Category 6. Case Administration -- 22.7 Total Hours

34. Services classified under this category include miscellaneous time spent on administrative functions by professionals, including revising the Houlihan Retainer to secure the support of all parties-in-interest, reviewing pertinent motions to be made before the Court and professional staff time spent preparing fee applications. No time is charged for significant regular and overtime secretarial and other support necessary to administer Houlihan Lokey's participation in case activities.

<u>Description of Expenses Incurred</u>

35. Section 330 of the Bankruptcy Code authorizes "reimbursement for actual, necessary expenses" incurred by professionals employed in a chapter 11 case. Accordingly, Houlihan Lokey seeks reimbursement for actual and necessary expenses (the "Expenses") incurred in rendering services to the Debtors during the Compensation Period. The total amount of the Expenses is $28,168.89, as detailed in the attached Exhibit G. Houlihan Lokey submits that the Expenses were reasonable and necessary in light of the services provided.

36. Houlihan Lokey's policy is to pass along to its clients its expenses incurred on behalf of such clients, without markup or interest charges. Such expenses include the following: airfare, taxi or other airport transportation, hotel charges, travel and working meals, fee-based computer research, messenger charges, overnight delivery (when necessary), extraordinary internal and external photocopying expenses, postage, telecopy expenses, long-distance telephone charges and conference calls, and other travel-related expenses. Houlihan Lokey maintains the following policies with respect to the Expenses:

- No amortization of the cost of any investment, equipment or capital outlay is included in the Expenses. In addition, for those items or services that Houlihan Lokey justifiably purchased or contracted from a third party (such as outside copy services), Houlihan Lokey seeks reimbursement only for the exact amount billed to Houlihan Lokey by the third party vendor and paid by Houlihan Lokey to the third party vendor.

- Houlihan Lokey does not charge for ordinary photocopying or any other office expenses, which if charged, would amount to thousands of dollars. Extraordinary color printing and binding charges of $1,650.000 were incurred in connection with production of a business plan and bank proposal presentation which was prepared and produced by Houlihan Lokey and sent to each member of the Bank Group and Purina Team. The presentation served as an important reference document and formed the basis upon which successful bank negotiations were conducted. The amount charged was for materials cost only and is lower than a bid received by an outside copying firm. **Total Extraordinary Office Expense: $1,650.00.**

- Houlihan Lokey charges airfare at the coach fare only. All of the travel expenses were necessary given the working dynamics and complex restructuring issues of this case which prompted the need for in-person meetings with the representatives of the Creditors' Committee in New York to secure their support and to accomplish a settlement with Koch Industries in Chicago. In addition, travel to St. Louis was required to attend and conduct management interviews, due diligence and working sessions as required by the various parties-in-interest and to Delaware to testify regarding valuation and other plan issues. <u>No</u> charge for airfare was charged to the Debtors for two trips to New York to finalize an agreement with the Creditors' Committee as Houlihan professionals were already in New York on another case. **Total Airfare: $11,564.46.**

- Lodging includes expenses associated only with hotel stays and related expenses incurred when out-of-town meetings were required. Such expenses were incurred in conjunction with the due diligence meetings in St. Louis as requested by the Bank Group and prospective exit facility lenders. <u>No</u> charge for lodging was charged to the Debtors for the settlement meeting in New York in February, as Houlihan professionals were already in New York on another matter, which client was billed such charges. **Total Lodging: $1,407.16.**

- Other transportation includes cab fare or other airport transportation, parking, rental car charges and mileage charges. Mileage is charged when Houlihan Lokey professionals used their own cars to travel to and from meetings. Mileage is currently charged at the federally mandated rate of $0.32 per mile. No mileage was charged during the Compensation Period, however transportation to and from the airport for the meetings in St. Louis, New York and Chicago and well as actual taxi expenses for transportation to and from the settlement meeting in New York were incurred during the case. **Total Other Transportation: $1,331.75.**

- Houlihan Lokey charged for meals consumed during meetings with individuals regarding the Chapter 11 cases in order to expedite or facilitate working sessions or for necessary meals during travel. In addition, Houlihan Lokey incurred expenses for a working dinner for all members of the Purina team as well as the Creditors' Committee and its Advisors in New York on February 9, 2000 and February 10, 2000. Working lunches were attended by members of Houlihan Lokey's Purina Team to facilitate discussions of case strategies, analyses and negotiations. After considering the full meal charges, we have determined to reduce this component of our expenses by approximately $1,000. **Total Meal Charges: $2,362.46.**

- Telephone Expenses include all telephone/fax usage related to the case. Telephone/fax expenses are allocated on an estimated percentage basis based on the level of usage. In addition, the actual expenses of hosting conference calls paid for by Houlihan Lokey are included. These conference calls were requested by the Debtors and parties-in-interest to facilitate settlement negotiations and discussions. **Total Telephone/Fax/Conference Call Cost: $2,147.46.**

- Expenses associated with research on database systems or document retrieval relating to this case are allocated by project. These expenses include disclosure document charges for comparable public companies' 10Q and 10K reports filed with the SEC that were used to perform valuation analysis. Database charges are incurred using the Lexis/Nexis system in order to obtain analyst reports for the comparable companies. Dow Jones and Bloomberg services are used to obtain current and historical security pricing and news wires. Houlihan Lokey believes these expenses to be required in order to complete standard financial and valuation analysis. Houlihan Lokey charged only for an article search related to a comparable exit financing analysis that was done. Actual charges for document retrieval, subscriptions to Feedstuffs (the feed industry magazine), and a host of other research related expenses were not billed to the Debtors, a savings of approximately $1,250. **Total Research Expenses Billed: $25.00.**

- Houlihan Lokey utilized Federal Express and other overnight delivery services when documents had to be distributed the next day. The charges during the case relate to charges to send the Debtors' bank and noteholder presentations, the various financial model updates to the Debtors and other parties-in-interest to facilitate settlement discussions, and due diligence packages to prospective lenders. **Total Delivery Expenses: $1,680.60**

LEGAL ARGUMENT

Applicable Legal Standards

37. Houlihan Lokey was retained under Section 327 of the Bankruptcy Code. In addition, our Transaction Fee structure and monthly adversary fees were approved pursuant to Section 328(a) of the Bankruptcy Code. Given the fact that the terms of our engagement can not be seen as "improvident" as originally granted, Houlihan Lokey is entitled to its contractual due hereunder. In fact, save for the unfortunaty of the confirmation hearing being delayed to April 5 at the request of a member of the Creditors' Committee, Houlihan Lokey would be contractually entitled to an additional $500,000.

Houlihan Lokey's Fees Are Reasonable

38. Houlihan Lokey's fees during the Compensation Period were reasonable under the prevailing legal standard and should be allowed. The amount of these fees is not unusual given the complexity and size of the Debtors' chapter 11 cases, and these fees are commensurate with fees that Houlihan Lokey has been awarded in other chapter 11 cases and that other financial advisors of comparable experience and expertise have charged and been awarded in similar chapter 11 cases.

39. The fees (including the Transaction Fee as modified) requested herein are the result of a comprehensive and consensual settlement with the Debtors, and of the key economic parties-in-interest, including the Bank Group and the Creditors' Committee. Pursuant to these agreements, Houlihan Lokey expects no objections will be filed by either party with respect to the compensation requested herein.

40. More importantly, as described herein, Houlihan Lokey provided significant and material assistance to the Debtors' from the inception to the completion of the case, including, but not limited to, (i) assisting the Debtors in developing, sensitizing, presenting, documenting and monitoring their business plan and subsequent long-term projections which formed the basis of the Plan, exit financing and were filed in the Disclosure Statement, (ii) assisting in the consideration of restructuring alternatives, (iii) developing a restructuring strategy, (iv) successfully negotiating and securing a $50 million debtor-in-possession facility, (v) assisting in the negotiation of a restructuring agreement with the Creditors' Committee representing approximately $430 million of claims, (vi) assisting in the negotiation of a transition and restructuring agreement as well as a substantial cash payment into the estate from the Debtors' former parent, Koch Industries, (vii) performing a comprehensive valuation analysis upon which the Plan and Disclosure Statement were based, (viii) completing a restructuring agreement with the Bank Group which led to a pay-down of approximately $278 million of pre-petition secured debt, (ix) securing exit financing, including a $175 million term loan and a $50 million revolver, (x) communicating on a daily basis with the various parties-in-interest in this case, and (xi) contacting, conducting due diligence with, and securing the required NASDAQ market makers in the Debtors' new common stock to provide its creditors with significant liquidity upon exit from chapter 11. All these efforts have helped the cases progress in an efficient, expeditious and value-maximizing manner.

41. Houlihan Lokey humbly submits that for all of the reasons described herein, its' services have significantly benefited the Debtors, their estates and creditors, and have helped make possible a successful and expeditious emergence from chapter 11 while maximizing the value of their estates for the benefit of all stakeholders.

Houlihan Lokey's Expenses Were Actual and Necessary

42. Section 330(a)(1)(B) of the Bankruptcy Code permits reimbursement for actual, necessary expenses. As noted above, Houlihan Lokey already has (a) conducted a review to ensure that the Expenses comply with section 330(a)(1)(B), Local Rule 32, the Guidelines and other applicable requirements and (b) eliminated any expenses that it deemed "not necessary" or otherwise inappropriate. Accordingly, Houlihan Lokey has properly requested reimbursement only of actual, necessary and appropriate Expenses.

43. Houlihan Lokey has access to private air transportation, paid for on an arms length basis to an entity owned in part by an officer of Houlihan Lokey. Any such expenses incurred are billed to the Debtor at the lower of cost, or coach class airfare for the comparable trip made. Houlihan Lokey also leases an apartment in New York from an entity owned by officers of Houlihan Lokey. Charges incurred in such manner are billed to the debtor at a rate less than 90% of hotel rates otherwise utilized by the firm.

Available Funds

44. Based on the financial information provided by the Debtors to date, Houlihan Lokey believes that the Debtors have sufficient cash on hand to pay the fees and Expenses requested herein immediately upon approval of such amounts by the Court.

Review by the Debtors

45. A copy of this Final Application has been sent to the Debtors for their review. To date, the Debtors have not expressed whether they approve the amounts requested in this Final Application.

No Sharing of Compensation

46. No agreement or understanding exists between Houlihan Lokey or any third person for the sharing of compensation, except as permitted by section 504(b) of the Bankruptcy Code and Bankruptcy Rule 2016 with respect to sharing of compensation between and among partners in Houlihan Lokey. All the services for which compensation is requested in this Final Application were rendered at the request of and solely on behalf of the Debtors.

Certification

47. In accordance with Local Rule 32 and the Guidelines, the Certification P. Eric Siegert is attached hereto as Exhibit J and incorporated herein by reference.

STATEMENT OF RESOLUTION OR POTENTIAL OPPOSITION

48. In accordance with the paragraph 3 of the Case Management Order, Houlihan Lokey hereby represents that: (a) Houlihan Lokey has informed the Debtors of the relief requested herein and the Debtors have not expressed opposition to such relief as of the date of this Final Application; (b) Houlihan Lokey currently does not anticipate that the relief requested herein will be opposed; and (c) if the relief requested herein is opposed, Houlihan Lokey (i) currently does not anticipate the need for additional briefing or discovery or any scheduling conference with the Court and (ii) currently does not anticipate that it will call any witnesses in support of this Application. If an objection to the relief sought in this Final Application is asserted, Houlihan Lokey reserves the right to modify subpart (c) of the foregoing statement based upon a review of the actual contents of such objection and other relevant facts and circumstances.

WHEREFORE, Houlihan Lokey respectfully requests that the Court enter an order awarding and allowing (i) final compensation of $880,268.82 with respect to monthly fees, (ii) $1,163,908.05 with respect to the Cash Transaction Fee, and (iii) $1,163,908.05 with respect to the face amount of the Convertible Unsecured Note (on substantially similar terms as those provided in Exhibit F), for services rendered by Houlihan Lokey in connection with these chapter 11 cases during the Compensation Period; (iv) final Expense reimbursement of $22,168.89 incurred in connection with Houlihan Lokey's services; (v) authorizing and directing the Debtors to pay to Houlihan Lokey the balance of unpaid monthly fees in the amount of $763,333.33 as detailed in Exhibit E, the unpaid balance of the Cash Transaction Fee in the amount of $1,163,908.05 as detailed in Exhibit E, and unpaid expenses in the amount of $22,168.89 as detailed in Exhibit G; (vi) authorizing and directing the Debtors to execute the Convertible Unsecured Note with a face amount of $1,163,908.05, and (vii) granting such other and further relief as the Court may deem proper.

Dated: August 8, 2000

Respectfully submitted,

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