UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

In re:	)	**Chapter 11**
FARMLAND INDUSTRIES, INC., et al.	)	**Case No. 02-50557-JWV**
Debtors.	)	**(Jointly Administered)**

OFFICIAL COMMITTEE OF UNSECURED CREDITORS' APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT, *NUNC PRO TUNC* TO JUNE 10, 2002, OF HOULIHAN LOKEY HOWARD & ZUKIN FINANCIAL ADVISORS, INC. AS FINANCIAL ADVISOR PURSUANT TO §§328(a) AND 1103(a) OF THE BANKRUPTCY CODE; AFFIDAVIT OF MATTHEW R. NIEMANN IN SUPPORT THEREOF

COMES NOW The Official Committee of Unsecured Creditors (the "Committee") of Farmland Industries, Inc., et al. (collectively, "Farmland" or the "Debtors"), and respectfully submits this application (the "Application"), pursuant to sections 328(a) and 1103(a) of Title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for an Order authorizing the Committee to retain Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey") as its financial advisor in the Debtors' Chapter 11 cases (the "Case"), *nunc pro tunc* to June 10, 2002 and, in support of its Application, respectfully represents as follows:

Introduction

1. On May 31, 2002 (the "Petition Date"), the Debtors filed with this Court a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

2. On June 4, 2002, (the "Committee Formation Date"), pursuant to section 1102 of the Bankruptcy Code, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee"). Subsequent to the Committee Formation Date, on June 10, 2002, the Committee selected Houlihan Lokey to serve as financial advisors to the Committee pursuant to section 1103(a) of the Bankruptcy Code.

Jurisdiction and Venue

3. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§157 and 1334, and this Application is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of these cases in this District is proper pursuant to 28 U.S.C. §§1408 and 1409. The statutory predicates for the relief requested in this Application are 11 U.S.C. §§327(a) and 328(a).

Retention of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.

a. Introduction

4. The Official Committee of Unsecured Creditors brings this Motion because of its pressing need to retain a financial advisor to assist it in the tasks associated with analyzing and implementing critical restructuring alternatives, and to help guide it through their reorganization efforts. As a result of their careful deliberations, and through the exercise of their business judgment, the Committee determined that Houlihan Lokey's broad experience would best serve the interests of the Committee in these cases.

5. Houlihan Lokey is a nationally recognized investment banking/financial advisory firm with 9 offices worldwide, and more than 275 professionals. Houlihan Lokey provides investment

banking and financial advisory services and execution capabilities in a variety of areas, including financial restructuring, where Houlihan Lokey is one of the leading investment bankers and advisors to debtors, secured and unsecured creditors, acquirors, and other parties-in-interest involved in financially distressed companies, both in and outside of bankruptcy. Houlihan Lokey's Financial Restructuring Group, which has over 75 professionals dedicated to such engagements, will be providing the agreed-upon financial advisory services to the Committee. Houlihan Lokey has served as a financial advisor in some of the largest and most complex restructuring matters in the United States, including serving as the financial advisor to the debtors in the chapter 11 restructurings of *Covad Communications, DairyMart Convenience Stores, Inc.* and *XO Communications, Inc.*, and as the financial advisor to the official creditors committees in the chapter 11 proceedings of *Enron Corp., Williams Communications Corp., AmeriServe Food Distribution, Inc.* and *Owens Corning, Inc.*, to name a few of its representative engagements.

6. As the financial advisor to the Committee, it is expected that Houlihan Lokey will provide the following services:

(a) Evaluating the assets and liabilities of the Debtors;

(b) Analyzing and reviewing the financial and operating statements of the Debtors;

(c) Analyzing the business plans and forecasts of the Debtors;

(d) Evaluating all aspects of any debtor-in-possession financing, cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto;

(e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the Case;

(f) Helping with the claim resolution process and distributions relating thereto;

(g) Assessing the financial and/or structural issues and options concerning (a) the sale of any assets of the Debtors, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (collectively, the "Plan");

(h) Preparation, analysis and explanation of the Plan and Disclosure Statement to various constituencies; and

(i) Providing testimony in court on behalf of the Committee, if necessary.

7. Houlihan Lokey's retention should be approved, *nunc pro tunc*, effective to June 10, 2002. This is appropriate as, since that time Houlihan Lokey has been providing critical services to the Committee, including reviewing extensive operating and financial information, meeting with the Debtors' management, advisors, and other professionals involved in the cases, analyzing various issues confronting the Debtors, including, without limitation, Debtors' DIP financing, customer and vendor issues and employee compensation matters.

b. *The Terms of Houlihan Lokey's Engagement*

8. The terms of Houlihan Lokey's engagement with the Committee are set forth in the Engagement Letter of June 10, 2002, (the "Engagement Letter"), a copy of which is attached hereto as Exhibit A. Pursuant to the Engagement Letter, Houlihan Lokey will be entitled to receive, as compensation for its services:

a. Monthly Fee of $150,000;

b. Transaction Fee as defined in the Engagement Letter; and

c. the reimbursement of all reasonable out-of-pocket expenses.

The Engagement Letter also provides that the Debtors shall indemnify and hold Houlihan Lokey harmless against any and all losses, claims, damages or liabilities in connection with the engagement, except to the extent they arise as a result of any gross negligence, willful misconduct, bad faith or self-dealing on the part of Houlihan Lokey in the performance of its services, all as more fully set forth in the Engagement Letter.

9. As described more fully in the Affidavit of Matthew R. Niemann in Support of the Application (the "Niemann Affidavit"), attached hereto as Exhibit B, the terms of Engagement Letter are similar to the terms, both financial and otherwise, agreed to by Houlihan Lokey and other investment bankers in similar engagements, both in and outside of bankruptcy.

10. The terms of the Engagement Letter were fully negotiated between the Committee, their legal counsel and Houlihan Lokey, and reflect the Committee's evaluation of the extensive work to be performed by Houlihan Lokey and the Firm's financial advisory experience.

c. Houlihan Lokey's Application Should be Approved Pursuant to Section 328(a) of the Bankruptcy Code

11. The Engagement Letter provides that Houlihan Lokey will be retained pursuant to section 328(a) of the Bankruptcy Code. Section 328(a) provides, in relevant part, that the Debtors, "with the court's approval may, employ or authorize the employment of a professional person under section 327... on any reasonable terms and conditions of employment, including a retainer…." 11 U.S.C. §328(a). Section 328 permits the compensation of professionals, including investment bankers and financial advisors, on more flexible terms that reflect the nature of their services and market conditions. As the Fifth Circuit Court of Appeals recognized in In re National Gypsum Co., 123 F.3d 861 (5th Cir. 1997):

> Prior to 1978, the most able professionals were often unwilling to work for bankruptcy estates where their compensation would be subject to the uncertainties of what a judge thought the work was worth after it had been done. That uncertainty continues under the present §330 of the Bankruptcy Code, which provides that the court award to professional consultants reasonable compensation based on relevant factors of time and comparable costs, etc. Under present §328 the professional may avoid that uncertainty by obtaining court approval of compensation agreed to with the trustee (or debtor or committee).

Id. at 862 (citations omitted).

12. Owing to this inherent flexibility, courts have approved similar arrangements that contain reasonable terms and conditions under section 328. The fee structure for this engagement is similar to fee agreements approved by Bankruptcy Courts throughout the United States under section 328(a).

13. Pursuant to section 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and the Orders of this Court, Houlihan Lokey will apply to the Court for the interim and final allowance of compensation and reimbursement of expenses. Because Houlihan Lokey will be compensated on a fixed monthly fee and certain transaction fees, Houlihan Lokey should not be required to maintain or provide detailed time records in connection with any of its fee applications.

d. Houlihan Lokey is a Disinterested Party

14. Houlihan Lokey's compliance with the requirements of sections 326 and 504 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2014 and 2016 is set forth in greater detail in the Niemann Affidavit.

15. As described in the Niemann Affidavit, Houlihan Lokey does not represent any of the Debtors' creditors or other parties to this proceeding, or their respective attorneys or accountants, in any matter which is adverse to the interests of any of the Debtors as debtors-in -possession, and is a "disinterested person" as defined in 11 U.S.C. § 101(14).

16. As also described in the Niemann Affidavit, Houlihan Lokey does not hold any interest adverse to any of the Debtors as debtors-in-possession or their estates in the matters upon which Houlihan Lokey is to be engaged herein.

Notice

17. No previous application for the relief requested herein has been made to this or any other court.

WHEREFORE, the Official Committee of Unsecured Creditors respectfully request that this Court enter an Order in the form attached hereto as Exhibit C, approving the retention and employment of Houlihan Lokey Howard & Zukin Financial Advisors, Inc., as financial advisor to the Committee, *nunc pro tunc* to June 10, 2002, pursuant to §§328(a) and 1103(a) of the Bankruptcy Code, and grant such other relief as may be just and equitable.

Respectfully submitted this 18th day of June, 2002.

HUSCH & EPPENBERGER, LLC
1200 Main Street, Suite 1700
Kansas City, MO 64105-2100

/s/ Christopher J. Redmond
Christopher J. Redmond, Esq.

ATTORNEYS FOR THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS

Exhibit A

Engagement Letter

FARMLAND INDUSTRIES, INC., ET AL.
OFFICIAL COMMITTEE OF UNSECURED CREDITORS

June 10, 2002

To:The Official Committee of Unsecured Creditors (the "Committee") of Farmland Industries, Inc. and its affiliated debtors and debtors-in-possession (collectively, the "Company" or the "Debtors"), in care of:

Committee Chair
BP Companies
28100 Torch Parkway
Warrenville, IL 60555
Attn: Jerry F. Dean

Committee Counsel
Akin Gump Strauss Hauer & Feld
1900 Pennzoil Plaza
South Tower
711 Louisiana Street
Houston, TX 77002-2720
Attn: Henry Kaim, Esq.
S. Margie Venus, Esq.

This letter confirms the terms of the agreement between Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey" or the "Firm") and the Committee concerning the Committee's engagement of Houlihan Lokey to provide financial advisory and related services to the Committee in connection with the Debtors' Chapter 11 cases (the "Cases"), which are pending in the United States Bankruptcy Court for the Western District of Missouri (the "Bankruptcy Court").

1. Scope of Engagement**. Houlihan Lokey's exclusive representation of the Committee in connection with the Cases will include:**

(a) Evaluating the assets and liabilities of the Debtors;

(b) Analyzing and reviewing the financial and operating statements of the Debtors;

(c) Analyzing the business plans and forecasts of the Debtors;

(d) Evaluating all aspects of any debtor-in-possession financing, cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto;

(e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the Case;

(f) Helping with the claim resolution process and distributions

relating thereto;

(g) Assessing the financial and/or structural issues and options concerning (a) the sale of any assets of the Debtors, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (collectively, the "Plan");

(h) Preparation, analysis and explanation of the Plan and Disclosure Statement to various constituencies; and

(ii) Providing testimony in court on behalf of the Committee, if necessary.

As used herein, the term "Transaction" shall include the consummation of any agreement or series of agreements, or transaction or series of transactions (which agreement or series of agreements or transaction or series of transactions subsequently closes within a reasonable time period thereafter, or a similar transaction closes thereafter with a competing bidder upon Bankruptcy Court approval), which in each case may include, but is not limited to, the following:

(i) Any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which the Debtors are acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders) (collectively, a "Purchaser");

(ii) The acquisition, directly or indirectly, by a Purchaser (or by one or more persons acting together with a Purchaser pursuant to a written agreement or

otherwise) outside the ordinary course of the Debtors' business, in a single transaction or a series of transactions, of (x) any of the assets or operations of the Debtors; or (y) any outstanding or newly-issued shares of the Debtors' capital stock (or any securities convertible into, or options, warrants or other rights to acquire such capital stock);

(iii) The closing of any other sale, transfer or assumption of all or substantially all of the assets, liabilities or stock of the Debtors;

(iv) The confirmation of a Chapter 11 plan of reorganization or liquidation; or,

(v) Absent any of the foregoing, an agreement in good faith by the Committee and Houlihan Lokey (collectively, a "Transaction").

2. **Exclusive Representation**. Neither the Committee, their constituents, nor any of their advisors or professionals (including, but not limited to, Committee Counsel), shall be liable for the fees, expenses or other amounts payable to Houlihan Lokey hereunder. Notwithstanding such arrangement, Houlihan Lokey's duties hereunder run solely to the Committee, and Houlihan Lokey is not authorized to be, and will not purport to be, acting on behalf of, or at the direction of the Debtors for any purpose unless otherwise agreed to by the Committee and the Debtors. All financial advice, written or oral, provided by Houlihan Lokey to the Committee pursuant to this Agreement is intended solely for the use and benefit of the Committee, which agrees that such advice may not be disclosed publicly or made available to third-parties without the prior consent of Houlihan Lokey, which consent shall not be unreasonably withheld. At the direction of Committee Counsel, certain communication and correspondence between Houlihan Lokey and the Committee, and work product and analyses prepared by Houlihan Lokey for the Committee in connection with this matter, will be considered in preparation for litigation over the restructuring of the Debtors, and accordingly will be subject to the attorney-client privilege and work-product privilege between Houlihan Lokey and the Committee.

3. **Advisor**. Houlihan Lokey's services are limited to those specifically provided in this Agreement or subsequently agreed-upon by the parties hereto, and Houlihan Lokey shall have no obligation or responsibility for any other services. Houlihan Lokey is providing its services hereunder as an independent contractor, and the parties agree that this Agreement does not create an agency or fiduciary relationship between Houlihan Lokey and the parties to this Agreement.

4. **Consideration**. As consideration for the services being provided by Houlihan Lokey, the Company shall pay Houlihan Lokey a fee of $150,000 per month (the "Monthly Fee"). Notwithstanding any termination of this Agreement, the Company agrees to pay Houlihan Lokey the Monthly Fee for a minimum of three (3) months. Payment shall be made to Houlihan Lokey at the address above, Attention: Matthew R. Niemann. In addition, the Company agrees to promptly reimburse Houlihan Lokey, upon request from time to time, for all out-of-pocket expenses reasonably incurred by Houlihan Lokey in connection with the matters contemplated by this Agreement. Out-of-pocket expenses shall include, but not be limited to, all reasonable travel expenses, duplicating charges,

on-line service charges, messenger services, delivery services, meeting services, long distance telephone and facsimile charges incurred by Houlihan Lokey.

In addition, if a Transaction is consummated, upon the consummation of the Transaction Houlihan Lokey shall be paid, in cash, an additional fee (a "Transaction Fee") equal to one percent (1.0%) of the fair value of all cash, securities, property and other consideration received by the "Holders of Unsecured Claims" (as defined in the footnote below),[1/] subject to a minimum Transaction Fee of $1 million and a maximum Transaction Fee of $3 million (net of the "Offsets"). There shall be no credit against the Transaction Fee for the first six monthly installments of the Monthly Fee actually paid to Houlihan Lokey and Fifty percent (50%) of all subsequent installments of the Monthly Fees (after the first six months) actually paid to Houlihan Lokey shall be credited against the Transaction Fee earned pursuant to this Agreement (herein, the "Offsets"), provided, however, in no event shall the Transaction Fee be reduced to less than $1 million, net of the Offsets. The Transaction Fee shall be paid upon the consummation of a Transaction either (i) during the term of this Agreement or (ii) within twelve months of the effective date of termination of this Agreement (such twelve-month period being referred to herein as the "Tail Period.").

In the event that Houlihan Lokey is requested to perform additional services, including, without limitation, serving as a transaction broker and/or financing agent on behalf of the Debtors' estates, such services (and any fees therefor) shall be in addition to those set forth herein and subject to further written agreement among the Committee, Debtors and Houlihan Lokey.

The parties acknowledge that a substantial professional commitment of time and effort will be required by Houlihan Lokey and its professionals hereunder, and that such commitment may foreclose other opportunities for the Firm. Moreover, the actual time and commitment required for the engagement may vary substantially, creating "peak load" issues for the Firm. Given the numerous issues which may arise in these cases, the Firm's commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of Houlihan Lokey that will be required in this engagement, and the market rate for Houlihan Lokey's services of this nature whether in, or out of court, the parties agree

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[1/] The "Holders of Unsecured Claims" shall be defined as the holders of all unsecured claims against the Debtors, excluding the holders of the Demand Loan Certificates (approximately $17 million in face value as of 2/28/02) and the Subordinated Debenture Bonds (approximately $504 million in face value as of 2/28/02). For the purpose of calculating the consideration received in the Transaction, any equity securities will be valued at the time of the closing of the Transaction as follows: (i) if such securities are traded on a stock exchange, the securities will be valued at the average last sale or closing price for the ten trading days immediately prior to the closing of the Transaction; (ii) if such securities are traded primarily in over-the-counter transactions, the securities will be valued at the mean of the closing bid and asked quotations similarly averaged over a ten trading day period immediately prior to the closing of the Transaction; and (iii) if such securities have not been traded prior to the closing of the Transaction or the consideration consists of other than cash, debt or securities, such securities and/or other consideration shall be determined at a fair valuation thereof for the purposes of calculating the Transaction Fee. Any debt securities shall be valued at face value.

that the fee arrangement hereunder is reasonable, fairly compensates Houlihan Lokey and provides certainty to the Debtors and the Committee.

5. **Bankruptcy Court**. The Committee shall, within two (2) days of the execution of this Agreement by the Committee, seek an order from the Bankruptcy Court authorizing the employment of Houlihan Lokey pursuant to the terms of this Agreement, as a professional person pursuant to (and subject to the standard of review of) Section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules, and shall use its best efforts to cause such application to be considered on the most expedited basis. The employment application and the order authorizing employment of Houlihan Lokey shall be provided to Houlihan Lokey sufficiently in advance of their filing, and must be acceptable to Houlihan Lokey in its discretion. An acceptable order shall include, but shall not be limited to, the following terms and conditions: (i) that none of the fees shall constitute a "bonus" under applicable law, (ii) that Houlihan Lokey shall not be required to maintain records, (iii) that all of Houlihan Lokey's fees and expenses shall be paid, regardless of the existence of any unpaid administrative claims in the Company's bankruptcy Case; and (iv) that the terms and conditions of this Agreement are "reasonable." If the Order authorizing the employment of Houlihan Lokey is obtained, the Company shall pay all fees and expenses as promptly as possible in accordance with the terms of this Agreement, the Bankruptcy Code, the Bankruptcy Rules and applicable local rules and orders, and the Committee will work with Houlihan Lokey to promptly file any and all necessary applications regarding such fees and expenses with the Bankruptcy Court. The terms of this paragraph are solely for the benefit of Houlihan Lokey and may be waived, in whole or in part, only by Houlihan Lokey.

6. **Termination**. This Agreement is terminable upon thirty (30) days written notice by the Committee or Houlihan Lokey, provided, however, that (a) if the Agreement is terminated during the first three (3) months of the engagement, the Company shall immediately pay Houlihan Lokey the unpaid portion of those Monthly Fees for the first three (3) months of the engagement, and (b) if the Agreement is terminated thereafter, the Company shall pay Houlihan Lokey all previously unpaid Monthly Fees and the pro-rata portion of the Monthly Fee for the month in which the Agreement is terminated. The termination of this Agreement will not affect (a) the Debtors' indemnification, reimbursement, contribution and other obligations set forth in this Agreement and (b) Houlihan Lokey's right to receive, and the Debtors' obligation to pay (i) any and all fees and expenses accrued as of the effective date of termination of this Agreement, and (ii) those fees earned for a Transaction that is consummated during the Tail Period as described in this Agreement.

7. **Information**. The Committee acknowledges and agrees that, in rendering its services hereunder, Houlihan Lokey will be using and relying on information made available to it by the Debtors and their advisors (the "Information") (and information available from public sources and other sources deemed reliable by Houlihan Lokey) without independent verification thereof by Houlihan Lokey or independent appraisal by Houlihan Lokey. Houlihan Lokey does not assume responsibility for the accuracy or completeness of the Information or any other information regarding the Company.

8. **CHOICE OF LAW; JURISDICTION. THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO**

HAVE BEEN MADE IN LOS ANGELES, CALIFORNIA. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. THE PARTIES TO THIS AGREEMENT WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT OF HOULIHAN LOKEY PURSUANT TO, OR THE PERFORMANCE BY HOULIHAN LOKEY OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT.

9. **Counterparts**. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

10. **Severability**. If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.

11. **Entire Agreement**. This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understanding relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each party.

12. **Indemnification**. As a material part of the consideration for Houlihan Lokey to furnish its services under this Agreement, the Debtors shall indemnify Houlihan Lokey shall hold harmless Houlihan Lokey and its affiliates, and their respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with Houlihan Lokey's provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby. In addition, the Debtors shall reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof at the time such expenses are incurred; provided, however, there shall be no liability under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party.

If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless, the Debtors shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection with the Proposed Transaction and/or the services rendered by Houlihan Lokey. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Debtors shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to any such losses, claims, damages, liabilities and expenses shall not exceed the amount of fees actually received by Houlihan Lokey pursuant to the Agreement.

The Committee and the Debtors shall not affect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Debtors unless, such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to Houlihan Lokey. The Committee and/or the Debtors shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the prior written consent of the Committee and the Debtors.

Prior to entering into any agreement or arrangement with respect to, or effecting, any (i) merger, statutory exchange or other business combination or proposed sale, exchange, dividend or other distribution or liquidation of all or a significant proportion of its assets, or (ii) significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Debtors set forth in this Agreement, the Debtors will notify Houlihan Lokey in writing thereof (if not previously so notified) and, if requested by Houlihan Lokey, shall arrange in connection therewith alternative means of providing for the obligations of the Debtors set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions reasonably satisfactory to Houlihan Lokey.

The Committee and the Debtors further agree that neither Houlihan Lokey nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of Houlihan Lokey's engagement, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and

each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of Houlihan Lokey are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of Houlihan Lokey shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to Houlihan Lokey and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive any termination of this Agreement.

HOULIHAN LOKEY HOWARD & ZUKIN FINANCIAL ADVISORS, INC.

/s/ Matthew R. Niemann
By: Matthew R. Niemann

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF FARMLAND INDUSTRIES, INC., ET AL.

BP COMPANIES, as Chairperson of the Committee

/s/ Jerry F. Dean
By: Jerry F. Dean

Exhibit B

Affidavit

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

In re:	)	**Chapter 11**
FARMLAND INDUSTRIES, INC., et al.	)	**Case No. 02-50557-JWV**
Debtors.	)	**(Jointly Administered)**

AFFIDAVIT OF MATTHEW R. NIEMANN IN SUPPORT OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' APPLICATION FOR ORDER AUTHORIZING THE *NUNC PRO* TUNC EMPLOYMENT OF HOULIHAN LOKEY HOWARD & ZUKIN FINANCIAL ADVISORS, INC. AS FINANCIAL ADVISOR, INCLUDING DISCLOSURE, PURSUANT TO '' 328(a) AND 1103(a) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2014 AND 2016

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

Matthew R. Niemann, being duly sworn, deposes and says:

1. I am a Senior Vce President of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"), and am duly authorized to make this Affidavit on behalf of Houlihan Lokey. I make this Affidavit in support of the Application of the Official Committee of Unsecured Creditors (the "Committee") for an Order Authorizing the Employment, *Nunc Pro Tunc*, to June 10, 2002, of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. as Financial Advisor Pursuant to ''328(a) and 1103(a) of the Bankruptcy Code (the "Application"). The facts set forth in this Affidavit

are personally known to me, and if called as a witness, I could and would testify thereto. Unless otherwise defined, all capitalized terms used herein have the meanings given to them in the Application.

2. Houlihan Lokey is a nationally recognized investment banking/financial advisory firm with 9 offices worldwide, and more than 275 professionals. Houlihan Lokey provides investment banking and financial advisory services and execution capabilities in a variety of areas, including financial restructuring, where Houlihan Lokey is one of the leading investment bankers and advisors to debtors, secured and unsecured creditors, acquirors, and other parties-in-interest involved in financially distressed companies, both in and outside of bankruptcy. Houlihan Lokey's Financial Restructuring Group, which has over 60 professionals dedicated to such engagements, will be providing the agreed-upon financial advisory services to the Debtors. Houlihan Lokey has served as a financial advisor in some of the largest and most complex restructuring matters in the United States.

3. Houlihan Lokey has agreed to provide financial advisory services to the Committee in the above-captioned Chapter 11 cases before this Court, pursuant to the terms and conditions of the Engagement Letter dated June 10, 2002, between the Committee and Houlihan Lokey, with the agreement of the Debtors (the "Engagement Letter"). A copy of the Engagement Letter is attached as Exhibit A to the Application. No agreement exists to share any compensation received by Houlihan Lokey for its services with any person or firm.

4. The terms and conditions of the Engagement Letter were fully negotiated between the Committee, its legal counsel and Houlihan Lokey, and reflected the parties' mutual agreement as to the substantial efforts that will be required in this engagement. As is customary in similar engagements, both in and outside of bankruptcy, the Engagement Letter provides for Houlihan Lokey to receive a Monthly Fee and a Transaction Fee (as defined in the Engagement Letter). The

terms contained in the Engagement Letter are similar to the terms agreed to by Houlihan Lokey and other financial advisory firms in similar restructuring engagements, both in and outside of bankruptcy.

5. Houlihan Lokey is a "disinterested person" as that term is defined in Section 101(14) of the Bankruptcy Code in that Houlihan Lokey;

a. is not a creditor, equity security holder or insider of the Debtors;

b. is not and was not an investment banker for any outstanding security of the Debtors;

c. has not been, within three (3) years before the date of the filing of the Debtors' Chapter 11 petition, (i) an investment banker for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors; and

d. is not and, was not, within two (2) years before the date of the filing of the Debtors' Chapter 11 petition, a director, officer, or employee of the Debtors or of any investment banker as specified in subparagraph (b) or (c) of this paragraph.

6. To the best of my knowledge, information and belief formed after reasonable inquiry, other than in connection with these cases and as set forth in paragraph 7, neither I, Houlihan Lokey and its affiliates nor any of our professionals or employees: (i) have any connection with the Debtors, their creditors, any other party with an actual or potential interest in these Chapter 11 cases, the Debtors' respective attorneys, accountants and other professionals, the United State Trustee or the United States Bankruptcy Court; or (ii) pursuant to 11 U.S.C. § 1103(b), represent any other entity having an adverse interest in connection with these cases. Specifically:

a. Houlihan Lokey is not, and has not been employed by the Debtors or any other entity in matters related to these Chapter 11 cases.

b. From time to time, Houlihan Lokey has provided services, and likely will continue to provide services, to certain creditors of the Debtors and various other parties adverse to the Debtors in matters unrelated to these Chapter 11 cases. As described below, however, Houlihan Lokey has undertaken a detailed search to determine, and to disclose, whether it has been employed by any significant creditors (including banks), equity security holders, insiders or other parties-in-interest in such unrelated matters;

c. Houlihan Lokey provides services in connection with numerous cases, proceedings and transactions unrelated to these Chapter 11 cases, including representing debtors and creditors' committees in Chapter 11 proceedings and in out-of-court restructurings. These unrelated matters involve numerous attorneys, professionals and creditors, some of whom are attorneys, professionals and creditors of the Debtors in these Chapter 11 cases;

d. Houlihan Lokey personnel may have business associations with certain creditors of the Debtors unrelated to these Chapter 11 cases. In addition, in the ordinary course of its business, Houlihan Lokey will work with and engage counsel or other professionals in unrelated matters who now represent, or in the future may represent, creditors or other interested parties in these Chapter 11 cases;

e. Houlihan Lokey has thousands of clients, past and present, which are located throughout the United States, Asia and Europe, in a variety of industries, including certain parties who are identified as creditors of the Debtors. As far as I have been able to determine, however, Houlihan Lokey has not advised any of these parties, or any other party-in-interest in connection with these Chapter 11 cases; and

f. Houlihan Lokey is affiliated with two investment funds, Sunrise Capital Partners, LP and Century Park Capital Partners, LP. While neither of these funds have any investments in the Debtors, it is possible that they may have made, or currently hold investments in certain of the creditors in these Chapter 11 cases. Houlihan Lokey will

continue its review of any potential investments in such creditors, and will supplement this Affidavit if necessary.

7. To determine its relationship with parties-in-interest in these cases, Houlihan Lokey researched its client databases to determine whether it has any relationships with the following entities (collectively, the "Interested Parties"):

a. the Debtors, their professionals and their non-debtor affiliates;

b. the directors and officers of the Debtors;

c. the largest unsecured creditors of each of the Debtors;

d. the attorneys and other professionals of the Debtors;

e. the prepetition and postpetition lenders of the Debtors;

f. largest shareholders of the Debtors; and

g. other potentially adverse parties.

Specifically, in November 2001, on behalf of Deutsche Banc Alex. Brown, Houlihan Lokey prepared a written report on the fair market value of Farmland Industries' interest in Farmland National Beef Packing Company, L.P., a non-debtor affiliate of the Debtors in these cases. Houlihan Lokey has no other relationship with the Debtors, and to the extent that Houlihan Lokey's research of its relationships with any other Interested Parties indicated that Houlihan Lokey has provided or is providing services, or has any relationship to any of these entities in matters unrelated to these Chapter 11 cases, Houlihan Lokey has so indicated on the attached Schedule 1.

8. To the best of my knowledge, information and belief, Houlihan Lokey is disinterested and holds no materially adverse interest as to the matters upon which Houlihan Lokey is to be retained.

To the extent I discover any facts bearing on the matters described herein during the period of Houlihan Lokey's retention, I will supplement the information contained in this Affidavit.

9. Houlihan Lokey will apply to the Court for payment of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court and the Engagement Letter, and pursuant to any additional procedures that may be established by the Court in these cases. Consequently, it is customary in engagements such as these that Houlihan Lokey not maintain or provide detailed time records in connection with any of its fee applications.

Dated: June ___, 2002

/s/ Matthew R. Niemann
MATTHEW R. NIEMANN

Sworn to and subscribed to before me on this ____ day of June, 2002.

_____
Notary Public

My Commission Expires:

Schedule 1

SCHEDULE 1

Farmland Industries, Inc.

Parties-In-Interest To Whom Houlihan Lokey Has Provided Services

AGCO Corporation (Goodwill Impairment)
Americold Corporation (Fairness)
Aurora (Litigation)
Boeing (Consulting)
Callaway Golf Corporation (Fairness)
Chevron Corporation (ESOP)
Fmc Corporation (ESOP/Fairness)
Foothill Capital Corporation (Non-Transaction Based Opinion)
Fried Frank Harris Shriver Jacobson (Litigation)
Harris Trust & Savings Bank (Finanical Advisory)
J.R. Simplot Company (Non-Transaction Based Opinion)
R.N. Koch, Inc. (Consulting)
Lynch (Litigation)
KPMG Peat Marwick LLP (Non-Transaction Based Opinion)
Sempra Energy (Stock Option Valuation/ Consulting)
Wilbur Ellis Company (Non-Transaction Based Opinion)

Exhibit C

Order

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

In re:	)	**Chapter 11**
FARMLAND INDUSTRIES, INC., et al.	)	**Case No. 02-50557-JWV**
Debtors.	)	**(Jointly Administered)**

ORDER PURSUANT TO SECTIONS 328 AND 1103 OF THE UNITED STATES BANKRUPTCY CODE APPROVING APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR AN ORDER AUTHORIZING THE RETENTION OF HOULIHAN LOKEY HOWARD & ZUKIN FINANCIAL ADVISORS, INC. AS FINANCIAL ADVISORS

This matter is before the Court upon consideration of the Application of the Official Committee of Unsecured Creditors' Application for Order Authorizing the Employment, *Nunc Pro Tunc* to June 10, 2002, of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. as Financial Advisor Pursuant to §§328(a) and 1103(a) of the Bankruptcy Code (the "Application")[2] in the above-captioned Chapter 11 cases, pursuant to sections 328 and 1103 of Title 11 of the United States Code (the "Bankruptcy Code") and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing the Official Committee of Unsecured Creditors (the "Committee") to retain and employ Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"), pursuant to the terms of its engagement letter (attached as Exhibit A to the Application) (the "Engagement Letter"); and upon the affidavit of Matthew R. Niemann which is annexed as Exhibit B to the Application.

The Court being satisfied that the employment of Houlihan Lokey is necessary and in the best interest of the Committee, that Houlihan Lokey does not and hereafter will not represent in connection with these cases, any other entity having an interest adverse to the Committee; that Houlihan Lokey is "disinterested" as defined in Section 101(14) of the Bankruptcy Code; that the terms and conditions of Houlihan Lokey's employment are reasonable and sufficient cause appearing therefore; it is

ORDERED, that pursuant to sections 328 and 1103 of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016, the Committee is authorized to employ, retain, compensate and reimburse Houlihan Lokey as its financial advisor pursuant to the Engagement Letter, *nunc pro tunc* as of June 10, 2002, on the terms and conditions set forth in the Engagement Letter (which terms are approved as if fully set forth herein) and the Application.

ORDERED, that Houlihan Lokey shall file interim and final fee applications pursuant to the applicable provisions of the Bankruptcy Code, Bankruptcy Rules and the Local Rules and Orders of this Court, provided, however, that Houlihan Lokey shall not be required to maintain time records.

ORDERED, that the Committee and the Debtors are authorized and empowered to take such actions as may be necessary and appropriate to implement the terms of this Order.

Dated: _____

_____
HONORABLE JERRY W. VENTERS
UNITED STATES BANKRUPTCY JUDGE

[2] Capitalized terms not defined in this Order shall have the meanings given to them in the Application.