

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

In re: ) Jointly Administered  
)  
LOEWEN GROUP INTERNATIONAL, INC., *et al.*, ) Case No. 99-1244  
)  
Debtors. ) Chapter 11

**FINAL APPLICATION OF HOULIHAN LOKEY HOWARD &  
ZUKIN FINANCIAL ADVISORS, INC. FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of Applicant: Houlihan Lokey Howard & Zukin  
Financial Advisors, Inc. ("Houlihan  
Lokey")

Authorized to provide professional services to: The Official Creditors Committee (the  
"Committee")

Date of Order Authorizing Employment: October 8, 1999

Period for which compensation is sought: June 23, 1999 through January 3, 2002 (the  
"Application Period")

Amount of Compensation Sought as Actual, Reasonable and Necessary \$4,494,731.19

Amount of Expense Reimbursement Sought as Actual Reasonable and Necessary \$121,279.25

Houlihan Lokey is not seeking any compensation for the preparation of this Application.

This is a(n): \_\_\_\_\_ monthly \_\_\_\_\_ interim  X  final application.

Interim Fee Application Period, Docket No.	Total Fees billed	Total Expenses billed	Total Fees Paid	Total Expenses Paid	Holdback	Fees sought
First 7/23/99-8/31/99 Docket No. 771	\$258,064.52	\$21,366.77	\$258,064.52	\$21,366.77	\$0.00	\$0.00
Second 9/1/99-9/30/99 Docket No. 2637	\$181,935.48	\$7,345.54	\$181,935.48	\$7,345.54	\$0.00	\$0.00
Third 10/01/99-10/31/99 Docket No. 2747	\$154,731.19	\$16,728.83	\$154,731.19	\$16,728.83	\$0.00	\$0.00
Fourth 11/01/99-11/30/99 Docket No. 2891	\$150,000.00	\$5,080.35	\$150,000.00	\$5,080.35	\$0.00	\$0.00
Fifth 12/1/99-12/31/99 Docket No. 3031	\$150,000.00	\$5,064.66	\$150,000.00	\$5,064.66	\$0.00	\$0.00
Sixth 1/01/00-1/31/00 Docket No. 3281	\$150,000.00	\$7,223.45	\$150,000.00	\$7,223.45	\$0.00	\$0.00
Seventh 2/01/00- 2/29/00 Docket No. 3438	\$150,000.00	\$7,078.40	\$150,000.00	\$7,078.40	\$0.00	\$0.00
Eighth 3/1/00-3/31/00 Docket No. 3624	\$150,000.00	\$5,983.98	\$150,000.00	\$5,983.98	\$0.00	\$0.00
Ninth 4/01/00-4/30/00 Docket No. 3786	\$150,000.00	\$10,178.55	\$150,000.00	\$10,178.55	\$0.00	\$0.00
Tenth 5/1/00-5/31/00 Docket No. 4697]	\$150,000.00	\$4,253.17	\$150,000.00	\$4,253.17	\$0.00	\$0.00
Eleventh 6/1/00-6/30/00 Docket No.4804]	\$150,000.00	\$2,722.11	\$150,000.00	\$2,722.11	\$0.00	\$0.00
Twelfth 7/01/00-7/31/00 Docket No.5001]	\$150,000.00	\$774.94	\$150,000.00	\$774.94	\$0.00	\$0.00
Thirteenth 8/01/00-8/31/00 Docket No.8207]	\$150,000.00	\$375.48	\$120,000.00	\$375.48	\$30,000.00	\$30,000.00
Fourteenth 9/1/00-9/30/00 Docket No.5771]	\$150,000.00	\$2,451.33	\$120,000.00	\$2,451.33	\$30,000.00	\$30,000.00

Fifteenth 10/1/00-10/31/00 [Docket No.5771]	\$150,000.00	\$1,795.43	\$120,000.00	\$1,795.43	\$30,000.00	\$30,000.00
Sixteenth 11/1/00-11/30/00 [Docket No.6435]	\$150,000.00	\$516.91	\$120,000.00	\$516.91	\$30,000.00	\$30,000.00
Seventeenth 12/1/00- 12/31/00 [Docket No.6425 ]	\$150,000.00	\$277.90	\$120,000.00	\$277.90	\$30,000.00	\$30,000.00
Eighteenth 1/07/01-1/31/01 [Docket No.6772 ]	\$150,000.00	\$3,555.79	\$120,000.00	\$3,555.79	\$30,000.00	\$30,000.00
Nineteenth 2/01/01-2/28/01 [Docket No.7258]	\$150,000.00	\$2,020.34	\$120,000.00	\$2,020.34	\$30,000.00	\$30,000.00
Twentieth 3/1/01-3/31/01 [Docket No. 8213]	\$150,000.00	\$6,286.47	\$120,000.00	\$6,286.47	\$30,000.00	\$30,000.00
Twenty First 4/1/01-4/30/01 [Docket No.7599]	\$150,000.00	\$2,370.49	\$120,000.00	\$23,709.49	\$30,000.00	\$30,000.00
Twenty Second 5/01/01-5/31/01 [Docket No.7258]	\$150,000.00	\$343.88	\$120,000.00	\$343.88	\$30,000.00	\$30,000.00
Twenty Third 6/01/01-6/31/01 [Docket No.7993]	\$150,000.00	\$2,099.32	\$120,000.00	\$2,099.32	\$30,000.00	\$30,000.00
Twenty Fourth 7/1/01-7/30/01 [Docket No.7994]	\$150,000.00	\$1,448.72	\$120,000.00	\$1,448.72	\$30,000.00	\$30,000.00
Twenty Fifth 8/1/01-8/30/01 [Docket No.8712 ]	\$150,000.00	\$219.35	\$120,000.00	\$219.35	\$30,000.00	\$30,000.00
Twenty Sixth 9/1/01-9/31/01 [Docket No.8713]	\$150,000.00	\$310.99	\$120,000.00	\$310.99	\$30,000.00	\$30,000.00
Twenty Seventh 10/1/01-10/31/01 [Docket No.8784 ]	\$150,000.00	\$104.42	\$120,000.00	\$104.42	\$30,000.00	\$30,000.00
Twenty Eighth and Final 11/01/01-12/31/01	\$300,000.00	\$3,301.68	\$0.00	\$0.00	\$60,000.00	\$303,301.68
<b>Total</b>	<b>\$4,494,731.19</b>	<b>\$121,279.25</b>	<b>\$3,744,731.19</b>	<b>\$139,316.57</b>	<b>\$510,000.00</b>	<b>\$753,301.68</b>

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

<b>In re:</b>	)	<b>Jointly Administered</b>
	)	
<b>LOEWEN GROUP INTERNATIONAL, INC., et al.,</b>	)	<b>Case No. 99-1244</b>
	)	
<b>Debtors.</b>	)	<b>Chapter 11</b>

**FINAL APPLICATION OF HOULIHAN LOKEY HOWARD &  
ZUKIN FINANCIAL ADVISORS, INC. FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (“Houlihan Lokey”), as financial advisor to the Official Creditors Committee (the “Committee”) of The Loewen Group International, Inc. and its related and affiliated debtors and debtors-in-possession (the “Debtors”) in the above-entitled Chapter 11 cases, hereby submits its application for final allowance of compensation for services rendered and for reimbursement of expenses in these cases (the “Application”) pursuant to 11 U.S.C. §§ 327(a), 328 and 331, Rule 2016(a) of the Rule of Bankruptcy Procedure (“Bankruptcy Rules”) and the Local Rules and the Orders of this Court.

By this Application, Houlihan Lokey seeks (i) final allowance of fees and expenses that were previously approved without objection in the aggregate amount of \$2,038,531.94 for the period from July 23, 1999 through July 31, 2000; (ii) final allowance of fees and expenses that were previously approved without objection in the aggregate amount of \$1,060,993.18 for the period from August 1, 2000 through February 29, 2001, including the payment of \$850,993.18 with respect to expenses and the 80% of monthly post-petition fees not subject to hold-back provisions; and (iii) final allowance of fees and expenses in the aggregate amount of

\$1,516,485.32 for the period from March 1, 2001 through December 31, 2001, including payment of \$973,183.64 already received with respect to expenses and the 80% of monthly post-petition fees not subject to hold-back provisions. Houlihan Lokey will not be seeking reimbursement of \$14,516.13 in monthly fees incurred during January 2002. Pursuant to Local Rule 2016-2(f), this Application is supported by the Certification of Jonathan B. Cleveland, which is annexed hereto as Exhibit A.

In support of this Application, Houlihan Lokey states as follows:

### **Background**

1. On June 23, 1999 (the “Petition Date”), the Debtors filed their respective voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). Pursuant to sections 1007 and 1108 of the Bankruptcy Code, the Debtors continued to operate their businesses and manage their properties and assets as debtors in possession. The Debtors’ chapter 11 cases (the “Chapter 11 Cases”) were consolidated for procedural purposes only. The Official Creditors Committee was appointed on or about July 25, 1999. No trustee or examiner was appointed in these cases.

2. On or about September 7, 1999 the Committee filed an Application Authorizing Employment and Retention of Houlihan Lokey Howard & Zukin Financial Advisors as Financial Advisor (the “Retention Application”). A copy of the Retention Application is annexed hereto as Exhibit B. Pursuant to §§ 327(a) and 328 of the United States Bankruptcy Code and Rules 2014(a), 2016 and 5002 of the Bankruptcy Rules of Procedure, on October 8,

1999, the Court entered an Order approving the Retention Application (the “Retention Order”). A copy of the Retention Order is annexed hereto as Exhibit C.

3. On September 10, 2001 the Debtors filed the Fourth Amended Plan of Reorganization of The Loewen Group International, Inc. and its subsidiaries (the “Plan”) and related Disclosure Statement (the “Disclosure Statement”).

4. On December 5, 2001, the Court entered an Order (the “Confirmation Order”) confirming the Plan. On January 3, 2002, the Plan became effective in accordance with its terms, and the Debtors emerged from bankruptcy.

#### **Terms and Conditions of Compensation of Houlihan Lokey Howard & Zukin**

5. The terms and conditions of Houlihan Lokey’s engagement in these cases, which were embodied in the Retention Application and approved by the Court, are based upon Houlihan Lokey’s retainer agreement with the Debtors of August 3, 1999 (the “Retainer Agreement”), a copy of which is annexed hereto as Exhibit D. Pursuant to the Retainer Agreement, the Debtors agreed to compensate Houlihan Lokey for post-petition work by: (i) paying a monthly fee of \$200,000 during the first two months of its engagement during the Application Period; and (ii) paying a monthly fee of \$150,000 thereafter. In addition, the Retainer Agreement entitled Houlihan Lokey to receive reimbursement of all reasonable and necessary out-of-expenses.

6. As detailed in the Retention Application, the terms of the Retainer Agreement were comparable to the terms of Houlihan Lokey and other financial advisors and investment bankers in similar engagements, both in and outside of bankruptcy. Moreover, these terms, including the payment of monthly retainer fees, were not only similar to those routinely

approved by the courts within this District, but were expressly contemplated by the Bankruptcy Code.

7. Subject to Bankruptcy Court approval, Houlihan Lokey seeks payment for compensation, plus reimbursement of actual and necessary expenses incurred by Houlihan Lokey during the Application Period.

8. By this Application, Houlihan Lokey requests that this Court authorize and award final compensation in the amount of \$4,616,010.44, which includes (i) Monthly Fees in the amount of \$4,494,731.19 and (b) the reimbursement of actual and necessary expenses Houlihan Lokey incurred in connection with the rendition of such professional services for the Committee in the amount of \$121,279.25.

#### **Summary of Services Provided by Houlihan Lokey**

9. Houlihan Lokey is a nationally recognized investment banking and financial advisory firm with 10 offices worldwide and with more than 250 professionals. Houlihan Lokey's Financial Restructuring Group, which has worked on this engagement, has a staff of over 60 professionals dedicated to financial restructuring engagements. In this area, Houlihan Lokey has provided financial advice, valuation analyses and investment banking services to debtors, bondholder groups, secured and unsecured creditors, acquirors, employee stock ownership plans, equity holders and other parties involved with financially distressed companies, both in and outside of bankruptcy.

10. During this period, although other professionals at Houlihan Lokey have provided assistance on discrete issues from time to time, the following professionals have performed substantial services on behalf of the Committee

Jeffrey I. Werbalowsky, Senior Managing Director  
Eric Siegert, Managing Director  
Jonathan B. Cleveland, Director  
David P. Trucano, Senior Associate  
Matthew Mazzucchi, Senior Associate  
Fredrick F. Vescio, Analyst

A biography of each of the above individuals is attached hereto as Exhibit E.

11. During the Application Period, Houlihan Lokey's work on behalf of the Debtors involved six separate categories of work, which included:

- (a) **Strategic Discussions, Planning & Review.** This category includes day-to-day discussions with the Committee's attorneys, Committee members, management of the Debtors and the Debtors' professionals, including their financial advisors – Dresdner Kleinwort Wasserstein and Zolfo Cooper, the reading and review of various documentation throughout the case and communication among Houlihan Lokey professionals on case matters. Activities principally include providing advice to the Committee on a variety of hybrid financial/legal issues, approaches and strategies related to case planning and out-of-ordinary course of business events.

The Committee generally conducted periodic status calls, lasting one or two hours, in which assignment of tasks, updates regarding various issues and Court motions, and discussions regarding case strategies takes place. Over the course of each week, specific professionals often congregated on additional calls or participated in other forms of correspondence or research for the purposes of addressing any number of tasks or issues. Houlihan Lokey also worked closely



with the Debtor in connection with reviewing various operational and plan strategies as well as other overall issues affecting the Debtors. In addition, work classified under this category has included preparation and attendance at periodic meetings between the Committee and the Debtors in Vancouver, B.C. and New York, NY to update the Committee on performance, liquidity, strategic alternatives and valuation.

- (b) **Financial and Operational Due Diligence.** This category represents time spent meeting with the Debtors' management and professionals learning the history of the Debtors' business and planned operational strategies. Also included is time spent reviewing documentation related to the Debtors' assets, liabilities and material contracts, visiting its corporate headquarters in Vancouver, B.C and various operational facilities in Seattle, WA, Houston, TX, New Orleans, LA, and Fort Lauderdale, FL, conference calls with industry experts and public equity and fixed income analysts, and other activities fundamental to understanding the Debtors' current business, capital structure, position within the death care industry and research to keep up with current trends in the industry. Work under this category included the preparation and presentation of various presentations to the Committee by Houlihan Lokey, and a review of the operational initiatives and corrections to the original business projections the Company prepared with the help of Dresdner Kleinwort Wasserstein ("DKW") and Zolfo Cooper LLC ("Zolfo Cooper").
- (c) **Valuation and Evaluation of Financing and M&A Alternatives.** This category comprises analyses performed in assessing the Company's restructured balance

sheet and its ability to service debt based on projected future cash flows, along with valuation and M&A-related analysis. In addition to preparing and refining valuation analyses of the Debtor during the duration of the case, Houlihan Lokey has prepared valuation analyses of certain of the Debtor's operating units held for sale, including numerous funeral home and cemetery operations and certain insurance assets. The valuations used commonly accepted valuation techniques and market data regarding comparable companies, recent transaction values, and other pertinent industry data. Additionally included in this category is the analysis of various financing alternatives for the Company, as well as an analysis of M&A transactions involving comparable companies in the market place.

- (d) **Financial Analysis and Monitoring.** This category encompasses monitoring the Debtors' financial performance relative to its financial projections, financial covenants and available liquidity. Analyses included, but were not limited to, modeling and testing of Debtors' budgets and monthly cash flow reports. Through frequent conference calls with and memos to the Committee, Houlihan Lokey provides it with financial and operational updates regarding the Debtors' performance.
- (e) **Correspondence Meetings and Discussions with Parties-in-interest.** This category encompasses correspondence and preparation for meetings with various parties-in-interest in these Chapter 11 cases. In particular, Houlihan Lokey has conducted numerous meetings, both in person and via conference call, with various parties-in-interest since the Petition Date.

- (f) **Case Administration.**<sup>1</sup> This category includes various services related to Chapter 11 non-plan issues, retention matters, fee application preparation, addressing Debtors and counsel questions, Chapter 11 procedures, communications and administrative functions and other matters not falling into any of the other categories listed above. No time is billed for significant administration support required during each application period.

### **Houlihan Lokey's Final Application**

12. The professional services and related expenses that are the subject of Houlihan Lokey's Final Application were rendered and incurred in connection with these cases, and in discharge of Houlihan Lokey's professional responsibilities as financial advisor for the Committee in these Chapter 11 cases. Houlihan Lokey's services have been substantial, necessary, and beneficial to not only the unsecured creditors, but the Debtors and their estates, and other parties in interest. Houlihan Lokey believes that the fees and expenses requested by their Final Application are reasonable and necessary – given the variety and complexity of the issues involved in these cases and the need to act or respond on an expedited basis to those issues and are contemplated by the Bankruptcy Code, this Court's Retention Order.

13. A summary of the Monthly Fees owed to Houlihan Lokey pursuant to the Retainer Agreement is annexed hereto as Exhibit F. While Houlihan Lokey does not maintain hourly records, and its Retention Agreement was premised upon a monthly fee arrangement. For informational purposes, annexed hereto as Exhibit G is a summary of estimated hours worked during Houlihan Lokey's engagement. As Houlihan Lokey does not have the systems in place to

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<sup>1</sup> While specific work could qualify under more than one of these categories. Houlihan Lokey has assigned each of its various tasks/services to the most representative category. As an example, work performed evaluating projected cash flows would pertain on some basis to all of the categories outlined above (except perhaps, case administration) and would not be specifically assignable to any one.

allow its professional staff to regularly log hours worked, Houlihan Lokey firmly believes the hours provided are materially 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 nine domestic Houlihan Lokey offices.

14. A summary of expenses incurred by Houlihan Lokey is attached hereto as Exhibit H. All requested expenses are in compliance with Local Rule Number 2016- 2. Houlihan Lokey has maintained detailed records of actual and necessary expenses incurred during this case.

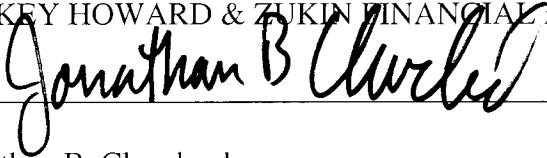
15. Accordingly, Houlihan Lokey requests allowance of compensation in the amount of \$4,494,731.19, of which \$750,000.00 remains unpaid, and the reimbursement of expenses in the amount of \$121,279.25, of which \$3,301.68 remains unpaid.

WHEREFORE, Houlihan Lokey requests that the Court enter an Order, substantially in the form of the Order annexed hereto as Exhibit I, allowing compensation for financial advisory services rendered to the Committee during the these cases in the amount of \$4,494,731.19, and the reimbursement of expenses in the amount of \$121,279.25.

Dated: February 27, 2002

HOULIHAN LOKEY HOWARD & ZUKIN FINANCIAL ADVISORS, INC.

By: \_\_\_\_\_

  
Jonathan B. Cleveland  
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