UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

In Re:	)	**In Proceedings Under Chapter 11**
	)	
FARMLAND INDUSTRIES, INC., et al.,	)	**Case No. 02-50557**
	)	**Joint Administration**
Debtors.	)	

DEBTORS' EXPEDITED MOTION FOR LEAVE TO FILE DOCUMENTS RELATING TO THE DEBTORS' KEY EMPLOYEE RETENTION AND INCENTIVE TARGET PLAN UNDER SEAL

Farmland Industries, Inc., et al., Debtors and Debtors in Possession, pursuant to 11 U.S.C. § 107(b) and for their Expedited Motion for Leave to File Documents Relating to the Debtors' Key Employee Retention and Incentive Target Plan Under Seal (the "Motion"), respectfully state as follows:

1. Simultaneously with the filing of this Motion, the Debtors' are filing their Expedited Motion of the Debtors Pursuant to Sections 105(a), 363(b)(1), and 365 of the Bankruptcy Code for an Order Approving the Adoption of a Key Employee Retention and Incentive Target Plan, Including the Assumption and Modification of Certain Employment Agreements (the "KERIT Motion").

2. Pursuant to the KERIT Motion, the Debtors are requesting authorization to implement an integrated Key Employee Retention and Incentive Target Plan (the "KERIT Plan") in order to retain necessary employees and incentivize them to maximize value for creditors and these estates.

3. Attached as Exhibit A to the KERIT Motion is a copy of the summary document outlining the provisions of the KERIT Plan. Both the KERIT Motion and the KERIT Plan refer to Schedules 1 and 2 to the KERIT Plan. Schedule 1 is a copy of the Debtors' variable compensation plan for fiscal year 2003 (the "V-Comp Plan"). Schedule 2 is a list of all KERIT

Plan participants and information regarding their compensation and allotted severance payments under the KERIT Plan. Pursuant to 11 U.S.C. § 107(b), the Debtors seek leave to file Schedules 1 and 2 and the information contained therein under seal with this Court.

4. The Debtors seek leave to file Schedules 1 and 2 under seal to prevent disclosure of the information contained in those Schedules to third parties, as the information is sensitive, confidential and not appropriate for public dissemination. The Debtors' V-Comp Plan, described in Schedule 1, is proprietary in nature and relates to the Debtors' competitive compensation structure. Schedule 2 lists the personal salaries and other compensation information of individual employees of the Debtors. Clearly, the information in Schedules 1 and 2 is of a confidential nature and constitutes "commercial information" within the purview of 11 U.S.C. § 107(b). In re Orion Pictures Corp., 21 F.3d 24, 27 (2d Cir. 1994). The Debtors wish to avoid making the Schedules publicly available, as the information contained therein could easily be used for improper purposes by third parties, including the Debtors' competitors.

5. The Debtors will provide Schedules 1 and 2 to this Court for use in reviewing the terms of the KERIT Motion. In addition, the Debtors will provide the Schedules to the Official Committee of Unsecured Creditors, the Official Committee of Bondholders, the United States Trustee and the Debtors' prepetition and postpetition lenders, with the understanding that all of the information contained in Schedules 1 and 2 be held in strict confidence. The Debtors will also provide the Schedules to such other necessary parties as this Court may direct.

6. The Debtors request that the time required for notice of this Motion be shortened so that it may be heard along with the KERIT Motion at the scheduled hearing on October 29, 2002 at 1:30 p.m. The Debtors have also requested that the KERIT Motion be heard

on shortened notice due to the immediate need for the relief requested therein. No party in interest will be adversely affected by shortening the time for notice of this Motion. This Court has the power to shorten the time for notice of the hearing on the Motion pursuant to Federal Rule of Bankruptcy Procedure 9006(c).

WHEREFORE, for the foregoing reasons, the Debtors respectfully request that this Court enter its Order (i) approving the Debtors' request to file the Schedules under seal, (ii) reducing the required time for notice of the hearing on this Motion to six days, and (iii) granting such other and further relief as this Court deems just and proper.

Dated: October 23, 2002

Respectfully submitted,

FARMLAND INDUSTRIES, INC.. ET AL.

By: /s/ Laurence M. Frazen

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above referenced Expedited Motion for Leave to File Documents Relating to the Debtors' Key Employee Retention and Incentive Target Plan Under Seal was served on those parties which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on October 23, 2002.

/s/ Laurence M. Frazen

EXHIBIT A

Farmland Industries, Inc.
Key Employee Retention and Incentive Target Plan

1. Purpose. This Plan shall be known as the Farmland Industries Key Employee Retention and Incentive Target Plan (the "KERIT Plan") with respect to Farmland Industries, Inc. and its subsidiaries who are Chapter 11 debtors (collectively, "Farmland"), and a select group of employees (the "Key Employees") identified in Schedule 2 hereto, as the same may be modified from time to time in accordance with the provisions of the KERIT Plan. The KERIT Plan shall be effective as of the date it is approved by the Bankruptcy Court (the "Effective Date"). The KERIT Plan is intended to qualify as a compensation plan that is exempt from the application of the Employee Retirement Income Security Act of 1974, as amended, by reason of Section 4 of such Act.

2. Eligibility and Participation. Farmland will notify those employees it determines to be eligible for participation in the KERIT Plan in writing of their participation.

The Key Employees are divided into six (6) tiers, based on their positions within the Farmland organization, as follows:

- Tier I: Chief Executive Officer / President (1 person)
- Tier II: Executive Vice Presidents and other Executives (7 persons)
- Tier III: Vice Presidents and General Managers (14 persons)
- Tier IV: Division Vice Presidents, Directors and Plant Managers (40 persons)
- Tier V: Managers (15 persons)
- Tier VI: Managers and Professionals (19 persons)

3. KERIT Plan Committee. A committee of seven (7) persons (the "KERIT Committee") shall be formed to review and advise Farmland regarding certain aspects of the KERIT Plan. The KERIT Committee shall be comprised of two (2) representatives from the Bondholders' Committee, two (2) representatives from the Unsecured Creditors' Committee, and three (3) Key Employees chosen by Farmland. The KERIT Committee shall serve on an ongoing basis with respect to certain KERIT Plan issues as set forth herein. If Farmland deems any decision of the KERIT Committee under this KERIT Plan to be unreasonable, the Court shall determine on an expedited basis any such dispute or disagreement, which determination shall be final and non-appealable.

4. Termination of Participation. A Key Employee's participation in the KERIT Plan shall automatically terminate, without notice to or consent from such employee, upon the first to occur of the following events with respect to such employee:

a. termination of employment for Cause (as defined below);

b. death;

c. Disability (as defined in any Employment Agreement (as defined below) applicable to such employee, or if none, under Farmland's long-term disability plan); or

d. voluntary termination of employment by the employee for any reason other than for "Good Reason". "Good Reason" shall mean the occurrence of one or more of the following with respect to such employee: (i) a significant reduction or diminution in responsibilities, duties or authority; (ii) a material reduction in compensation or benefits; and/or (iii) any other event so defined in any applicable Employment Agreement;

provided, however, that such employee or his or her estate shall receive any payments in accordance with paragraph 6(b) by reason of such employee's death or Disability.

5. **Incentive Pay Program.** The Incentive Pay Program has two (2) components: (i) a Fixed Incentive Pay component, and (ii) a Variable Compensation component, each as set forth below.

a. **Fixed Incentive Pay.** Under this component of the KERIT Plan, each Key Employee will receive fixed incentive payments (the "Fixed Incentive") to induce them to remain with Farmland throughout the reorganization process.

(i) Each Key Employee will receive a total Fixed Incentive in an amount equal to the applicable percentage of such employee's annual base rate salary as of the Effective Date, in accordance with the following tiered structure:

Tier	Percentage of Base Salary
Tier I	60%
Tier II	42.5%
Tier III	30%
Tier IV	20%
Tier V	17.5%
Tier VI	15%

(ii) Each Key Employee's Fixed Incentive shall be paid in installments, according to the following schedule of payment dates (the "Payment Dates"):

Tier	Within 15 Days of Court Approval of KERIT	December 15, 2002	May 1, 2003	Effective Date of Plan of Reorganization
Tier I	20%	30%	25%	25%
Tier II	20%	30%	25%	25%
Tier III	20%	30%	25%	25%
Tier IV	20%	30%	25%	25%
Tier V	20%	30%	25%	25%
Tier VI	20%	30%	25%	25%

(iii) If a Key Employee is terminated without Cause (as defined below), then the amount of Fixed Incentive due to such Key Employee shall be fully vested and payable to such Key Employee, on the same terms and timing as non-terminated Key Employees.

(iv) Key Employees who voluntarily resign or who are terminated for Cause (as defined below) shall forfeit all remaining or unpaid Fixed Incentive payments.

(v) All Fixed Incentive amounts due to Key Employees shall be paid in cash.

(vi) Employees who are hired or promoted to replace Key Employees participating in the Incentive Pay Program who voluntarily terminated their own employment or who were terminated for Cause (as defined below) may be eligible for payments under the KERIT Plan on a pro-rata basis, at the discretion of Farmland's management, upon approval of the KERIT Plan Committee.

b. **Variable Compensation Pay.** In addition to the Fixed Incentive, Key Employees participating in the KERIT Plan shall be eligible for variable incentive payments ("Variable Compensation"), all as more fully set forth in the Fiscal Year 2003 Variable Compensation Plan attached hereto as Schedule 1 and incorporated herein by reference (the "V-Comp Plan"), which V-Comp Plan shall be modified as follows (this document shall control in the event of any inconsistencies between the V-Comp Plan and this document):

(i) On page 8 of the V-Comp Plan, "value of consideration (in cash, debt and equity) delivered to secured and unsecured creditors

through the Plan of Reorganization" shall mean the sum of (i) the cumulative gross consideration (including cash and non-cash consideration which non-cash shall be valued at "Fair Value") realized by the estate from asset sales outside the ordinary course of business (including dispositions of businesses) through the date upon which a plan of reorganization is confirmed (the "Confirmation Date") plus (ii) the "Fair Value" of any assets or businesses retained by the estate, subsequent to the Confirmation Date. "Fair Value" as used herein shall mean such value as agreed to by the KERIT Committee and Farmland, or if no agreement has been reached, as determined by the Bankruptcy Court in conjunction with the confirmation hearing or such other valuation hearing for this purpose;

(ii) On page 8 of the V-Comp Plan, all references to "40%" shall be deleted and "50%" inserted in lieu thereof;

(iii) On page 8 of the V-Comp Plan, the second bullet concerning 20% opportunity based on the filing of a Plan and Disclosure Statement shall be deleted in its entirety;

(iv) On page 8 of the V-Comp Plan, the payments under the third bullet revised as 50% opportunity based on the value of consideration (as modified above), shall be payable on the effective date of a Plan of Reorganization;

(v) Any references throughout the V-Comp Plan regarding any further modifications thereto, any discretion or other decisions subject to the judgment of management in any manner shall also be subject to the review and approval of the KERIT Committee as set forth herein;

(vi) There shall be an additional $1.5 million in "Target" V-Comp incentive pay for the KERIT Participants as set forth in (and allocated pursuant to) the V-Comp Plan, which amount shall not be subject to any proration under the V-Comp Plan.

(vii) In determining the performance criteria and goals under the V-Comp Plan, all EBITDA measures (i.e. at threshold, target and maximum) shall be adjusted to reflect any asset sales or disposition of businesses (for example, if the nitrogen assets are sold, the EBITDA from those operations would be subtracted from the EBITDA measure for the remainder of the Inputs Group and the Corporate Group under the V-Comp Plan).

(viii) In the event an employee's position is eliminated (termination other than for Cause), the calculation of the "prorated amount to Plan"

from Page 3 of the V-Comp Plan shall be based on the financial criteria achieved in the Farmland FY 2003 Business Plan for the month end during which such employee's position is eliminated.

6. **Payments upon Termination of Employment.**

a. **Termination by Farmland Other Than for Cause, Death or Disability.** Except as otherwise provided in a Key Employee's Employment Agreement (as defined below), if applicable, in the event a Key Employee's employment is terminated by Farmland prior to a Payment Date applicable to such Key Employee, for any reason other than Cause (as defined below), death or Disability, the Key Employee shall be entitled to receive the amount of such Key Employee's Fixed Incentive (to the extent unpaid), which amount shall be paid to the Key Employee on the Payment Dates provided herein. A resignation for Good Reason shall be treated for purposes of the KERIT as a termination by Farmland other than for Cause.

Each Key Employee who is terminated and who is entitled to receive any Fixed Incentive Payments, Variable Compensation and/or Severance Payments, prior to such payments, shall be required to sign a written release waiving any and all claims the Key Employee may have against Farmland and its bankruptcy estates and creditors relating to his or her employment and/or termination, including, without limitation, any claims, other than claims for unpaid salary earned pre-petition, unpaid bonuses earned pre-petition, unpaid vacation earned pre-petition, unpaid deferred compensation earned pre-petition, unpaid pre-petition expense reimbursement and unpaid pre-petition retirement benefits.

"Cause", with respect to any Key Employee (including those with Employment Agreements) shall be defined as follows:

(i) willful refusal to perform, in any material respect, the Key Employee's duties or responsibilities for Farmland;

(ii) material breach of Key Employee's duties or responsibilities to Farmland;

(iii) gross negligence or willful disregard in the performance of Key Employee's duties or responsibilities;

(iv) willful disregard, in any material respect, of any financial or other budgetary limitations established in good faith by the Board of Directors of Farmland if continuing after written notice to the Key Employee;

(v) the engaging by the Key Employee in conduct that causes material and demonstrable injury, monetarily or otherwise, to Farmland, including, but not limited to, misappropriation or conversion of Farmland's assets; or

(vi) conviction of or entry of a plea of *nolo contendere* to a felony.

Any dispute between Farmland and the KERIT Committee over whether a Key Employee has been terminated for "Cause" shall be resolved by the Bankruptcy Court as provided above.

b. **Termination Due to Death or Disability.** In the event, prior to a Payment Date applicable to a Key Employee, such Key Employee's employment is terminated due to death or Disability, such Key Employee shall be entitled to receive a pro-rata amount of the portion of the Fixed Incentive that would otherwise have become payable upon the Payment Date applicable to such Key Employee immediately following such termination. Such pro-rata amount shall be based on such Key Employee's period of service compared to the Fixed Incentive period applicable to such Payment Date.

For example, the Key Employee's pro-rata amount shall be based on the fraction, the numerator of which is the number of days from the Payment Date immediately prior to the date of death or Disability until the date of death or Disability, and the denominator of which is the number of days from the Payment Date immediately prior to the date of death or Disability until the Payment Date immediately following the date of death or Disability.

In addition, Farmland, in consultation with (and upon approval by) the KERIT Committee, shall review the payments to be made to Key Employees who are terminated due to death or Disability, and when appropriate, may award the full amount of Fixed and Variable Compensation Incentive Payments to such Key Employees, giving full consideration to the value contributed during these reorganization proceedings and the length of time of such Key Employees' participation in Farmland's Chapter 11 case.

c. **Termination by Farmland for Cause; Voluntary Termination by a Participant.** In the event a Key Employee's employment is terminated by Farmland for Cause or a Key Employee voluntarily terminates employment with Farmland other than for Good Reason the Key Employee shall forfeit his or her entire right to all Fixed Incentive and Variable Compensation payments under the KERIT Plan.

7. **Severance Pay Program.** Any Key Employee who is involuntarily terminated without Cause shall be eligible to receive a severance benefit under the Severance Pay Program in accordance with the attached Schedule 2. Change of control or ownership of Farmland shall not constitute involuntary termination without Cause. Except as provided below, severance benefits for Key Employees in Tiers I through III shall be payable in installments of three months of severance pay every month subsequent to termination. *(For example, if a Key Employee is entitled to 12 months severance, it will be paid out in four consecutive monthly installments post-termination.)* Upon termination of employment, any group health benefits paid for by Farmland shall cease, but coverage shall remain available at the terminated employee's expense under COBRA.

a. **Mitigation.** Notwithstanding the foregoing, if a Key Employee in Tiers I through III commences employment post-termination, then Severance payments shall be adjusted to reflect the difference between the new monthly employment compensation and the monthly Severance Pay amount. *(For example, a Key Employee entitled to a $15,000 severance payment, i.e., $5,000 per month in severance, whose new employment salary is $3,000 per month, would receive $6,000 in total severance.)* There shall be no mitigation for Severance payments to Key Employees in Tiers IV through VI. If there are mitigating circumstances (e.g., moving costs, cost of living adjustments, etc.), then the KERIT Committee shall take such factors into consideration as to the impact on such mitigation on the remaining Severance.

b. **Severance Limit.** The KERIT Committee shall have the right to review all severance payments hereunder and must approve any revisions to the allocations set forth herein.

8. **Employment Agreements.** Three (3) of Farmland's Key Employees participating in the KERIT Plan have existing employment agreements with Farmland (the "Employment Agreements"). The Employment Agreements shall be modified and assumed consistent with the provisions of this KERIT Plan, provided there shall be no incentive pay components, administrative costs or other financial/economic commitments other than those set forth in this KERIT Plan arising from the modification and assumption of the Employment Agreements; provided further that in the case of any conflict between this KERIT Plan and the Employment Agreement, the KERIT Plan shall control.

9. **Administration.** Farmland (subject to review and approval of the KERIT Committee as provided herein) shall administer the KERIT Plan and shall have the power to do all things necessary or convenient to affect the intent and purposes of the KERIT Plan, including, without limitation, the power to:

a. provide rules for the management, operation and administration of the KERIT Plan;

b. reasonably construe the KERIT Plan, in good faith, to the fullest extent permitted by law, which shall be final and conclusive upon all persons; and

c. make reasonable determinations as to a Key Employee's eligibility for benefits under the KERIT, including determinations as to Cause for termination.

10. Discretionary KERIT Plan Payments. All unused or unallocated payments under the Incentive Pay Program and/or the Severance Pay Program shall be held in a discretionary fund to be administered by Farmland with the review and approval of the KERIT Committee to address any Key Employee retention issues not otherwise foreseeable or covered by the KERIT Plan.

11. Binding Authority. Subject to the review and approval of the KERIT Committee as provided herein, the decisions of Farmland, or its duly authorized delegate, shall be final and conclusive for all purposes of the KERIT Plan and shall not be subject to any appeal or review, unless otherwise determined by the Court.

12. Non-Property Interest. The KERIT Plan is unfunded and all liabilities hereunder shall be unsecured administrative expense claim obligations of Farmland.

13. Other Rights. Except as otherwise provided herein, the KERIT Plan shall not affect or impair the rights or obligations of Farmland or a Key Employee under any other written contract, arrangement or pension, profit sharing or other compensation plan, including the Employment Agreements (as modified herein), and all amounts payable under the KERIT Plan shall be characterized as special bonuses and not as additional salary for purposes of such other contracts, arrangements or plans.

14. Amendment or Termination. The KERIT Plan may not be amended, modified, suspended or terminated without the prior approval of the Bankruptcy Court.

15. Severability. If any term or condition of the KERIT Plan shall be invalid or unenforceable, the remainder of the KERIT Plan shall not be affected thereby and shall continue in effect and application to its fullest extent.

16. No Employment Rights. Neither the establishment nor the terms of the KERIT Plan shall be held or construed to confer upon any employee the right to a continuation of employment by Farmland, nor constitute a contract of employment, express or implied. Subject to any applicable Employment Agreement, Farmland reserves the right to dismiss or otherwise deal with any employee, including the Key Employees, to the same extent as though the KERIT Plan had not been adopted.

17. Transferability of Rights. Farmland shall have the right (upon KERIT Committee approval) to transfer its obligations under the KERIT Plan, with respect to one or more Key Employees, to any person, including any purchaser of all or any part of Farmland's

business. No Key Employee or spouse of a Key Employee shall have any right to commute, encumber, transfer or otherwise dispose of or alienate any present or future right or expectancy which the Key Employee may have at any time to receive payments of benefits hereunder, which benefits and the rights thereto are expressly declared to be nonassignable and nontransferable, except to the extent required by law. Any attempt by a Key Employee to transfer or assign a benefit or any rights granted hereunder shall (after consideration of such facts as Farmland deems pertinent) be grounds for terminating any rights of the Key Employee to any portion of the KERIT Plan benefits not previously paid.

18. **Governing Law.** The KERIT Plan shall be construed, administered and enforced according to the laws of the State of Missouri, except to the extent that such laws are preempted by the federal laws of the United States of America.

19. **Successors and Assigns.** This KERIT Plan shall be binding upon Farmland and any trustee subsequently appointed by the Bankruptcy Court either under Chapter 11 or upon a conversion of Farmland's Chapter 11 proceedings to a proceeding under Chapter 7 of the Bankruptcy Code.

Schedule 1

Farmland FY 2003 Variable Compensation Plan

(To be provided under seal to the Court and other necessary parties)

Schedule 2

Key Employee List and Severance Plan

(To be provided under seal to the Court and other necessary parties