

**IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF MISSOURI**

<b>In re:</b>	)	<b>In Proceedings Under Chapter 11</b>
	)	
<b>FARMLAND INDUSTRIES, INC., et al.,</b>	)	<b>Case No. 02-50557-jwv</b>
	)	<b>Joint Administration</b>
<b>Debtors.</b>	)	

**MOTION FOR ORDER APPROVING AND AUTHORIZING  
STIPULATION FOR ADEQUATE PROTECTION**

COME NOW Farmland Industries, Inc., by and through its counsel, pursuant to 11 U.S.C. Section 361, and for its application seeking authorization to enter into a Stipulation for Adequate Protection with secured creditor Afco Credit Corporation, (“Afco”), state as follows:

1. On May 31, 2002 (the “Petition Date”), the Debtors filed voluntary petitions in this Court for reorganization relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as Debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334 and the Amended General Order of the United States District Court for the Western District of Missouri as amended. Venue of this case and motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. In the ordinary course of Debtors' business, the Debtors must maintain insurance policies, including general liability and property coverage.

4. Prior to the filing of these cases, Debtors entered into a premium finance agreement with Afco in which Afco agreed to finance the Debtors' various policies.

5. The financed policies are extremely valuable to Debtors and it is essential to Debtors to maintain them in the interest of the protection of Debtors' businesses. The policies will be canceled unless these payments are made.

6. The aforementioned premium finance agreements include security agreements granting Afco a security interest in the gross unearned premiums which would be payable in the event of cancellation of the insurance policies and which further authorize Afco to cancel the insurance policies after providing notice to the Debtors in the event of default in the payment of any installment due.

7. The Debtors contend and believe that it is in the Debtors' and their estates best interests to continue to make the premium finance payments described therein as this is the only method by which the Debtors can maintain insurance coverage as required by state and federal law.

8. Debtors have consulted with counsel for Lenders and with counsel for both Official Committees in these proceedings, and it is Debtors' understanding that these constituencies do not object to, but rather approve the Adequate Protection Stipulation with Afco.

9. This motion is being filed under exigent circumstances. Debtors respectfully request that the hearing of this Motion be set on the next docket, which is scheduled for June 20, 2002.

WHEREFORE, the Debtors pray the Court enter its order approving the Stipulation For Adequate Protection Payments to Afco, approving the payment terms and for such other and further relief as the Court deems just and proper.

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

By: /s/ Cynthia Dillard Parres

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<b>Debtors.</b>	)	

**STIPULATION**

It is hereby stipulated, by and between the debtor, Farmland Industries, Inc., and Afco Credit Corporation (“Afco”), as represented by their attorneys below, that:

1. Afco is a secured creditor having a valid, perfected security interest in all return and unearned premiums under certain policies of insurance, to wit: policy numbers KTKCMB123D685801, ST2607029, MMIB71076503011, 990210077643, HG374701, HG377701, DO932291P0057201, 2450029257, DP932301, 2450029284, DP932401, CLP10093, MSP7422, KTXXCMB296T947301, BM1098356592, XLPRP001, 9001, FARM00309P, XLUMB00190, 8750502, AND FARML 9965 issued by Travelers Insurance, National Union Fire Insurance Company, Liberty Mutual, AXA, Great Lakes UK, Lloyds of London, Partner Re, U.S. Fire Insurance Company, Lexington Insurance Company, Essex Insurance Company, Travelers Indemnity, C.N.A., TIG Insurance Company, XL Insurance, Ace Ltd., and Ace Insurance Company (the “Financed Insurance”);

2. Afco’s security interest stems from its loan of funds to Farmland Industries, Inc. on November 20, 2001 and December 21, 2001. Afco, at the debtor’s request, loaned the sums of \$6,728,642.68 and \$384,000 for the purpose of paying for the insurance coverage of Farmland Industries, Inc., set forth in paragraph (1) *supra*, for the benefit of the borrower, Farmland Industries, Inc.;

3. As of May 31, 2002, the date of filing of the petition in this Court, debtor owed the total sum of \$2,545,436.32, which the parties acknowledge was then due Afco;

4. Afco has certain rights pursuant to the contract between the parties dated November 20, 2001 and December 21, 2001 and pursuant to controlling State law. Among those rights, upon debtor's default, is the right to cancel the Financed Insurance, to obtain all of the return premiums from Travelers Insurance, National Union Fire Insurance Company, Liberty Mutual, AXA, Great Lakes UK, Lloyds of London, Partner Re, U.S. Fire Insurance Company, Lexington Insurance Company, Essex Insurance Company, Travelers Indemnity, C.N.A., TIG Insurance Company, XL Insurance, Ace Ltd., and Ace Insurance Company, to retain the sums due it, and to then return any excess, if there be such, to Farmland Industries, Inc.;

5. The filing of the petition in this Court on May 31, 2002 stayed Afco from enforcing any of the rights which it has with regard to Farmland Industries, Inc.,'s default;

6. Afco has indicated that it intends to move this Court pursuant to 11 U.S.C. § 362 to vacate the automatic stay in order to allow it to exercise the rights that it has under the contracts dated November 20, 2001 and December 21, 2001 and under State law;

7. Afco will forebear from making said motion, subject to the terms of this stipulation;

8. Farmland Industries, Inc. shall pay to Afco the total sum of \$2,518,886.10 as and for adequate protection payments, as follows: by a payment of \$828,445.51 upon the execution of this stipulation and its approval by the Court and thereafter in two equal monthly installments of \$801,895.54, on July 1, 2002 and August 1, 2002 and thereafter in equal monthly installments of \$43,324.88 on September 1, 2002 and October 1, 2002;

9. In the event of a default in any payment required by paragraph "8," then, upon five days' notice to counsel for the debtor and the debtor unless the debtor cures the default within such time frame or the Court orders otherwise, the automatic stay shall be vacated, without further application to the Court, and Afco shall be free to exercise all rights that it has under the contracts between the parties dated November 20, 2001 and December 21, 2001 and under all applicable laws, regulations and statutes. The parties hereto acknowledge that among those rights is the right to cancel the Financed Insurance, and to obtain all unearned and return payments payable thereunder which shall be paid directly to Afco. Notice provided hereunder shall be deemed to be Notice of Intent to Cancel as required under controlling State law and the parties hereto agree that no additional notice shall be required to satisfy the requirements thereof. Out of the funds obtained upon cancellation, Afco is authorized to retain the sum of \$2,545,436.32, less any sums paid by the debtor pursuant to paragraph "8" hereof. In the event that there are any funds in excess of the sum then due which are obtained by Afco, then upon clearing of such funds, Afco shall pay to the debtor such excess amount. In the event that Afco obtains any amount less than the sum then due, then such deficiency balance shall be due to Afco. Afco reserves the right to assert and enforce any deficiency claim in any lawful manner, including the right to assert an administrative claim in these proceedings for the deficiency balance;

10. In the event that any of the financed insurance policies expire or are canceled for any reason, or if the insurance carrier shall otherwise require, the debtor agrees to take all reasonable steps to cooperate with any audit conducted by such insurance carrier and shall make all books and records available for such audit.

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