IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

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

ORDER AUTHORIZING SALE OF MAJOR PLANT COMPONENTS LOCATED IN LAWRENCE, KANSAS, FREE AND CLEAR OF LIENS, CLAIMS AND INTERESTS, PURSUANT TO 11 U.S.C. § 363

This matter came before the Court on the Debtors' Motion for Order Authorizing Sale of Major Plant Components Located in Lawrence, Kansas, Free and Clear of Liens, Claims and Interests, Pursuant to 11 U.S.C. § 363 (the "Motion"). The Court has now considered the entire record in this matter, including the arguments presented by counsel for the various parties reflected in the record at the hearing held on November 4, 2003.

FINDINGS OF FACT

Based on the foregoing, the Court finds as follows:

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended General Order of the United States District Court for the Western District of Missouri. Venue in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for relief sought herein include 11 U.S.C. §§ 105(a) and 363 and Rules 2002, 6004 and 9006 of the Federal Rules of Bankruptcy Procedures (the "Bankruptcy Rules").

2. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such.

3. As of the Petition Date, Farmland Industries, Inc. ("Farmland" or "Seller") owned a fertilizer plant (the "Plant") located in Lawrence, Kansas. The Plant is made up of several large components, including an ammonia plant, two nitric acid plants, and a urea plant (the "Major Plant Components"). The Debtors have exited the fertilizer business and the Plant is no longer in operation.

4. On July 22, 2003, the Court entered an Order (the "Procedures Order") approving certain sale procedures (the "Auction and Bid

Procedures") for the solicitation of competing bids and auction sale of the Major Plant Components.

5. Seller entered into an Agreement for the Purchase and Sale of Assets, dated as of October 16, 2003 (the "LCEC Purchase Agreement"), with Louisiana Chemical Equipment Co., L.L.C. ("LCEC") for certain assets including a Lot 96 Ammonium Nitrate Plant and Number 5 and Number 6 Nitric Acid Plants (the "Assets"), for a purchase price of (i) $620,000 if Seller removes and disposes of the asbestos from inside the battery limits of the plants; or (ii) $520,000 if LCEC assumes responsibility for such removal and disposal.

6. In accordance with the Procedures Order, on October 22, 2003, Seller filed with the Court a Notice of Hearing, Auction and Bid Procedures for Sale of Major Plant Components in Lawrence, Kansas, stating that Seller would seek to sell the Assets to LCEC, subject to higher and better offers in accordance with the Auction and Bid Procedures, and served such Notice on (i) all other prospective offerors and parties in interests known to the Debtors; (ii) all entities who receive electronic notice in the Debtors' bankruptcy proceedings; and (iii) all parties pursuant to Bankruptcy Rules 6004(a), 6004(c) and 9014.

7. Seller marketed the Assets and conducted the sale process in accordance with the Procedures Order. Creditors, parties in interest, and other entities have been afforded a reasonable opportunity to bid for the Assets.

8. As of the Competing Bid Deadline of October 30, 2003, Seller received one (1) Competing Bid from JAS Marketing, Inc. ("JAS" or "Buyer"). JAS executed an Agreement for the Purchase and Sale of Assets, dated as of October 30, 2003 (the "Purchase Agreement"), for the Assets, for the purchase price of (i) $725,000 if Seller removes and disposes of the asbestos from inside the battery limits of the plants; or (ii) $625,000 if JAS assumes responsibility for such removal and disposal. JAS deposited with Seller 10% of the purchase price with the submission of its Competing Bid. Under the terms of the Purchase Agreement, JAS would pay 40% of the purchase price upon the entry of an order approving the sale of the Assets, and would pay the remaining 50% of the purchase price on or before March 30, 2004.

9. On November 3, 2003, Seller held an Auction for the sale of the Assets at the offices of Bryan Cave LLP in Kansas City, Missouri.

10. Seller, in consultation with its advisors and the professionals retained by the Official Committees, determined the Competing Bid submitted by JAS to be the highest and best offer for the Assets, subject to the requirement that JAS provide adequate security for that portion of the purchase price payable by March 30, 2004, in a form satisfactory to Seller and the Official Committees (the "Required Security") on or before November 6, 2003 at 5:00 p.m.

11. The Purchase Agreement was negotiated and has been undertaken by Seller and Buyer at arm's length, without collusion and in good faith within the meaning of Section 363(m) of the Bankruptcy Code. The entire sale process was conducted in good faith within the meaning of Section 363(b) of the Bankruptcy Code. As a result of the foregoing, Seller and Buyer are entitled to the protections of Section 363(m) of the Bankruptcy Code.

12. The consideration to be realized by Seller pursuant to the Purchase Agreement is fair and constitutes reasonably equivalent value for the Assets.

ORDER

In light of the Court's findings and conclusions, **IT IS HEREBY ORDERED:**

A. The terms and conditions of the Purchase Agreement are approved and the sale of the Assets is authorized under Sections 105 and 363(b) of the Bankruptcy Code and Seller is directed to effectuate the terms thereof.

B. Pursuant to section 363(b) of the Bankruptcy Code, Seller is authorized to sell the Assets to Buyer upon the terms and subject to the conditions set forth in the Purchase Agreement.

C. The sale of the Assets to Buyer shall be free and clear of liens and all other claims whatsoever pursuant to section 363(f) of the Bankruptcy Code, whether known or unknown, including, but not limited to, any existing right(s) of first refusal or similar protective right alleged by any party, except as specifically referenced herein, any liens and claims of any of the Debtors' creditors, vendors, suppliers, employees or lessors, and Buyer shall not be liable in any way for any claims that any of the foregoing or any other third party may have against the Debtors or the Assets. Any and all alleged liens and claims on such Assets shall be transferred, affixed, and attached to the proceeds of such sale, with the same validity, priority, force, and effect as such liens had been upon the Assets immediately prior to the sale.

D. Proceeds of the sale of the Assets shall be applied as Net Asset Sale Proceeds pursuant to the provisions of the First Amended Debtor-in-Possession Credit Agreement and Adequate Protection Stipulation dated June 5, 2002, as amended, and the liens granted in favor of the Lenders thereunder will attach to the sale proceeds, to the extent such claims have not been fully satisfied. The remaining proceeds of the sale of the Assets shall be distributed by the Debtors only through a plan of reorganization.

E. Subject to the payment by Buyer to Debtors of the purchase price for the Assets, the sale of the Assets by Seller to Buyer shall constitute a legal, valid and effective transfer of the Assets and shall vest Buyer with all right, title, and interest of Seller and the Debtors in and to the Assets, free and clear of all liens pursuant to section 363(f) of the Bankruptcy Code.

F. Buyer shall be entitled to the protections provided to a good-faith purchaser under section 363(m) of the Bankruptcy Code.

G. Buyer has not assumed or otherwise become obligated, as a successor or otherwise, for any of the Debtors' liabilities, debts or obligations, other than as set forth in section 2.2 of the Purchase Agreement. Consequently, all holders of liabilities that are not Assumed Liabilities ("Unassumed Liabilities") are hereby enjoined from asserting or prosecuting any claim or cause of action against Buyer or the Assets to recover on account of any Unassumed Liabilities. All persons and entities holding liens or claims of any kind and nature with respect to the Assets are hereby barred from asserting or prosecuting any such lien or claim against Buyer, its successors or assigns, or the Assets for any liability, other than the Assumed Liabilities.

H. Seller is hereby authorized and directed to execute and deliver any and all instruments as may be required to effectuate the transactions contemplated by the Motion or the terms of this Order, including the execution of Bills of Sale, for the Assets sold.

I. Pursuant to Fed. R. Bankr. Proc. 6004(g) and 6006(d), this Order shall not be stayed, and in the absence of any entity obtaining a stay pending appeal, the Debtors and the buyers are free to close at any time. In the absence of any entity obtaining a stay pending appeal, if Seller and Buyer close the sale transactions, Buyer shall be entitled to the protection of section 363(m) of the Bankruptcy Code as to all aspects of the transaction if this Order or any authorization contained herein is reversed or modified on appeal.

J. The sale of the Assets to Buyer under the Purchase Agreement constitutes a transfer for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of the State of Kansas.

K. This Court shall retain exclusive jurisdiction through the earlier of dismissal or closing of this case to interpret and enforce the provisions of the Purchase Agreement, the Procedures Order, and this Order in all respects and further to hear and determine all matters arising from the construction or implementation of this Order or the Purchase Agreement and any and all disputes between Seller and Buyer.

L. The provisions of this Order are nonseverable and mutually dependent. Nothing contained in any plan of reorganization confirmed in this case or in any order confirming such plan shall conflict with the provision of the Purchase Agreement.

M. This Order shall inure to the benefit of Buyer, Seller and their respective successors and assigns, including but not limited to any successor chapter 11 or chapter 7 trustee who may be appointed in the Debtors' cases and shall be binding upon any trustee, party, entity or other fiduciary that may be appointed in connection with these cases or any other or further cases involving the Debtors, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

N. Pursuant to section 1146(c) of the Bankruptcy Code, the transactions contemplated by the Purchase Agreement are under or in contemplation of a plan to be confirmed under section 1129 of the Bankruptcy Code, in that the net proceeds of the sale of the Assets are essential and required to fund a chapter 11 plan for Debtors, and therefore, are exempt from any transfer, stamp or similar tax or any so-called "bulk-sale" law in all necessary jurisdictions arising as a result of or in connection with Seller's sale and transfer of the Assets to Buyer.

O. If for any reason the Buyer fails to provide the Required Security on or before November 6, 2003 at 5:00 p.m., the next highest and best offeror, LCEC, will automatically be deemed to have submitted the highest and best offer, on the terms and conditions of the LCEC Purchase Agreement, and Seller shall be authorized to effect the sale of the Assets to LCEC without further order of the Court. In the event of the consummation of any such sale to LCEC, (i) all references to "Buyer" herein shall be deemed a reference to LCEC and all references to "Purchase Agreement" shall be deemed a reference to the LCEC Purchase Agreement, so that LCEC shall receive all of the benefits and rights of the Buyer herein as though LCEC were the Buyer herein.

P. Pursuant to Bankruptcy Rule 7062, this Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing.

Q. The Purchase Agreement and any related agreements may be modified, amended or supplemented by agreement of Seller and Buyer without further action of the Court; provided that any such modification, amendment or supplement is not material and substantially conforms to and effectuates the Purchase Agreement.

Dated: November 7, 2003

/s/ Jerry W. Venters
UNITED STATES BANKRUPTCY JUDGE

ORDER SUBMITTED BY:

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cc: Frazen to Serve Order