

**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.)	

**MOTION FOR ORDER AUTHORIZING PROCEDURE FOR DETERMINING
EXTENT, VALIDITY AND PRIORITY OF MECHANICS' AND ARTISAN'S LIENS**

COME NOW Farmland Industries, Inc. et al., Debtors and Debtors in Possession ("Debtors"), and submit their Motion For Order Authorizing Procedure for Determining Extent, Validity and Priority of Mechanics' and Artisan's Liens (the "Motion"). In support of this Motion, the Debtors respectfully represent as follows:

Jurisdiction and Venue

1. On May 31, 2002, the Debtors filed voluntary petitions under Chapter 11 for reorganization relief under the United States Bankruptcy 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 Bankruptcy Code §§ 1107(a) and 1108.

2. No trustee or examiner has been appointed. Two committees have been established.

3. This Court has jurisdiction pursuant to 28 U.S.C. § 1334 and 157 and the Amended General Order of the United States District Court for the Western District of Missouri, as amended. Venue of these Chapter 11 bankruptcy cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. Debtor Farmland Industries, Inc. (“Farmland”), a Kansas corporation headquartered in Kansas City, Missouri, is organized and operated as a cooperative system of agricultural and food related businesses. Farmland, in conjunction with other Debtor facilities and other non-debtor consolidated subsidiaries (a) manufactures and markets fertilizer, (b) operates a petroleum refinery, (c) operates an integrated food and food processing business, (d) engages in the wholesale and retail farm supply business, and (e) engages in the transportation brokerage business.

5. Over sixty known liens have been filed against twelve sites owned by the Debtors in the states of Iowa, Kansas, Nebraska, Oklahoma and Illinois for improvements to real property, fixtures and equipment prior to the Debtors’ petition date.

6. Some claimants have filed motions for relief in this Court seeking permission to proceed with the state court lawsuits to perfect or enforce their liens. This Court has previously stated that the Debtors shall have until the November 5, 2002 docket to present a process for methodically addressing the extent, validity and priority of mechanics’ and artisans’ liens (“Mechanics’ Liens”).

7. Farmland continues in the process of determining which of its properties have equity and/or otherwise essential to its ongoing operations and a part of its business reorganization scheme. In part, the outcome of this analysis depends on the value of each asset, including the amount of valid, perfected encumbrances. Therefore, such analysis requires the obtaining and review of title reports, appraisals, mechanics’ and artisans liens statements, invoices, related lien waivers, and relevant state law.

8. In general, Mechanics' Liens are preserved during the pendency of these proceedings by 11 U.S.C. § 108(c).

9. Some contractors that assert liens may claim economic hardship, however these contractors are in no worse position than Farmland's other creditors who must wait for Farmland to confirm a plan of reorganization in order to realize on their claims.

Relief Requested

10. Debtors seek to file a separate adversary complaint with the Bankruptcy Court with respect to each of the Debtors' properties that are subject to contractors' liens ("the Adversary Complaints"). The Adversary Complaints will name as defendants, each party claiming an interest in the property as disclosed by title reports or otherwise known to the Debtors and will seek determination of the extent, validity and relative priority of all these claims pursuant to 28 U.S.C. § 1334 and § 157 and Fed. R. Bkr. Proc. 7001(2).

11. Debtors propose a period of sixty to ninety days to obtain and review the title reports for the 12 properties. These title reports are essential to finalizing the Adversary Complaints which should name all lien claimants disclosed in the public records or known to Debtors.

12. Debtors seek thirty days after the obtaining of the title reports to review the reports and finalize and file the Adversary Complaints and summons.

13. Debtors believe that a discovery period of sixty days after the Adversary Complaints have been filed is appropriate for the exchange of documents, including mechanics' liens and artisans liens statements, invoices, lien waivers, contracts, and change orders.

14. Debtors' counsel will then need an additional ninety days to review the documents once they are delivered by the various litigants given the volume of mechanics' liens involved and the seemingly large volume of paper that will be produced in this period.

15. No more than ninety days after the exchange of documents, Debtors will commence settlement meetings with the lien claimants with the primary purpose of settling their claims and the secondary goal of narrowing any issues for trial with respect to unsettled claims.

16. Debtors propose trial settings on the Adversary Complaints one year after the filing of the Adversary Complaints. Debtors note that while the procedure is longer than that in the typical adversary proceeding, it is relatively quick in comparison to state court proceedings for determining lien issues.

17. Debtors assert that this procedure will also have an added, significant advantage to the Debtors (and to all parties) of bringing all parties and all issues with regard to the Properties and Mechanics' Liens together in a single forum.

18. Debtors further assert that this single forum will result in more consistent results and will minimize disruption and distraction from the Debtors' reorganization efforts.

19. Debtors propose to provide notice of all Adversary Complaints to counsel for the Lenders and counsel for both Committees, irregardless of whether any of their clients are actual named defendants to the adversary proceedings.

20. The sole purpose of the adversary proceedings will be to determine the extent, validity and priority of the Mechanics' Liens, not to expedite any payment or other rights the claimants might assert if determined to have a valid lien.

21. This Motion is being filed under exigent circumstances. Debtors believe that it is in the best interests of the estates and the parties in interest that the Motion be heard as

expeditiously as possible. Debtors respectfully request that a hearing regarding this Motion be set on 19 days notice rather than 20 days, as required by Standing Order No. 1 in these proceedings, such that it will be taken up at the hearing scheduled for November 5, 2002, at 2:30 p.m

WHEREFORE, for the foregoing reasons, Debtors respectfully request that this Court enter its Order approving the process proposed by the Debtors and for such other and further relief as the Court deems just and proper.

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above referenced Motion For Order Authorizing Procedure For Determining Mechanics' Lien Extent, Validity and Priority was served on those which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on October 17, 2002

/s/ Cynthia Dillard Parres