

**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-jvw
)	Joint Administration
Debtors.)	

**EMERGENCY MOTION SEEKING AUTHORIZATION TO INCUR POST-PETITION
PREMIUM FINANCING FROM AFCO CREDIT CORPORATION**

The above-captioned Debtors and Debtors-in-Possession (collectively, the "Debtors"), by and through their attorneys, for their Motion Seeking Authorization to Incur Post-Petition Premium Financing From AFCO Credit Corporation, (the "Motion"), respectfully 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. §§ 157 and 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. 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.

4. Given the nature of the Debtors' businesses it is necessary that they have in place comprehensive policies of liability and casualty insurance protecting the Debtors and their assets. The Debtors' existing insurance policies will expire as follows: D & O Insurance on October 30, 2002; Property Insurance on November 1, 2002; and Casualty Insurance on December 1, 2002. Given the status of the Debtors' financial condition and the need to preserve cash, management has decided that it would be a prudent business practice to finance the Debtors' insurance premiums for the coming year.

5. Prior to the filing of these cases, Debtors entered into premium finance agreements dated November 20, 2001, and December 21, 2001, with AFCO Credit Corporation (the "Lender") in which AFCO agreed to finance the Debtors' various policies for 2001-2002.

6. The aforementioned premium finance agreements included 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. On June 21, 2002, this Court entered its Order Granting Stipulated Motion for Adequate Protection with AFCO Credit Corporation under which the Debtors were authorized to make adequate protection payments under the November 20, and December 21, 2001 agreements.

8. The Debtors request authority to execute a new Premium Financing Agreement in substantially the form previously granted adequate protection by this Court and attached hereto as

Exhibit 1 (the "Premium Financing Agreement"), pursuant to which the Debtors would obtain financing from the Lender on a secured basis in an amount sufficient to provide adequate funding to maintain insurance on the Debtors and the Debtors' assets during 2003.

9. Given the fluctuations in the insurance market, the Debtors are still negotiating the final costs of their insurance policies and will unlikely reach a final agreement until very close to the October 30, 2002 deadline. However, the Debtors' insurance agent, Marsh U.S.A., believes the maximum aggregate amount for renewal pricing will not exceed \$16 million. The Debtors will have to make a 20% percent cash down payment. Accordingly, the Debtors request Court approval to obtain financing for the foregoing policies in the total aggregate amount not to exceed \$12.8 million dollars.

10. The Premium Financing Agreement, once in final form, which will be substantially in the form of the November 20 and December 21, 2001 agreements, will permit the Debtors to borrow on a secured basis up to an aggregate amount of \$12.8 million. A copy of the proposed form of the Premium Financing Agreement is attached as Exhibit 1 to this Motion and is incorporated herein by reference. The financing shall be secured by all unearned premiums and dividends which may become payable under the insurance policies and loss payments which will reduce the unearned premium on the policies, which will be listed in the Premium Financing Agreement.

11. Pursuant to the Premium Financing Agreement, the Lender will provide insurance premium funding to the Debtors in an aggregate amount not to exceed \$12.8 million. Debtors will pay the Lender in nine equal monthly installment payments after an initial 20% down payment.

12. The Debtors ask that they be granted access to the proposed premium financing on an expedited basis pursuant to a final order (the "Order"), so that Debtors have authority to finance

up to \$12.8 million secured by insurance premiums, to execute the Premium Financing Agreement and to make the initial down payment due by October 30, 2002 to enable the Debtors to remain insured. The proposed Order is attached hereto as Exhibit 2 and incorporated herein by reference.

13. It is essential to avoid immediate and irreparable harm to the Debtors' businesses and cash flow that the Debtors immediately obtain the requested authority for insurance premium financing to protect the estates' assets. Any disruption in insurance for even a few days could result in an immediate and severely adverse impact on the Debtors' assets should an event of loss occur during an uninsured period.

14. In seeking Court approval of the Premium Financing Agreement, the Debtors further request that the Court enter its Order preserving and protecting the full rights of AFCO pursuant to the Premium Financing Agreement and controlling state law, and that AFCO's rights remain unimpaired by the pendency of the bankruptcy case or any subsequent conversion of this proceeding to a Chapter 7 or any subsequent appointment of a trustee.

15. In seeking Court approval of the Premium Financing Agreement, the Debtors also request that, in the event that there is a default under any of the terms of the Premium Financing Agreement, time being of the essence, AFCO shall provide to Debtors' counsel, the Bank's counsel, and the Committees' counsel by telecopier or overnight delivery service, written notice adequately identifying any such default and delineating steps needed to properly cure. In such event, the Debtors, the Bank, or the Committees shall have ten (10) days to cure the specified default. In the event that during such ten (10) day period, the default has not been cured, AFCO may seek relief from the automatic stay upon five business days notice to Debtors' counsel, the Bank's counsel, and the

Committees' counsel to exercise such rights as it may otherwise have under state law, but for the pendency of this proceeding including canceling all insurance policies listed on the Premium Financing Agreement or any amendment thereto, and receiving and applying all unearned insurance premiums to the account of the Debtors. In the event that , after such application of unearned premiums, any sums still remain due to AFCO pursuant to the Premium Financing Agreement, such deficiency shall be deemed an administrative expense of the estates.

16. If premium financing is not approved, the consequences could include a rapid decline in the value the Debtors' businesses or assets should an uninsured event occur during any lapse in insurance coverage.

17. The Debtors are not able to obtain unsecured credit on an administrative super-priority basis or allowable under 11 U.S.C. § 503(b)(1) as an administrative expense.

18. Because the Debtors have exercised sound business judgment and satisfied the legal prerequisites under 11 U.S.C. § 364(c) to borrow under the Premium Financing Agreement, and because the terms of the Premium Financing Agreement are fair and reasonable, the Debtors should be granted authority to finance up to \$12.8 million for their insurance needs.

19. Premium financing on terms more favorable than those offered by AFCO is not available to the Debtors.

20. No previous application for the relief requested herein has been made to this or any other Court.

21. This motion is being filed under exigent circumstances. Debtors respectfully request that a hearing regarding this Motion be set on October 29, 2002.

PRAYER FOR RELIEF

WHEREFORE, the Debtors respectfully request that the Court:

- (a) at the conclusion of the hearing, enter a Final Order substantially in the form of the Final Order attached hereto as Exhibit 2 authorizing the Debtors to obtain premium financing from AFCO in a total aggregate amount not to exceed \$12.8 million for D&O, property and casualty insurance policies;
- (b) authorize the Debtors to execute the final Premium Financing Agreement in substantially the form attached hereto as Exhibit 1; and
- (c) authorize 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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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Motion Seeking Authorization to Incur Post-Petition Premium Financing From AFCO Credit Corporation was served on all parties not receiving electronic notice, on this 23rd day of October, 2002.

/s/ Cynthia Dillard Parres

EXHIBIT 1

[Form of Agreement]

EXHIBIT 2

[Form of Order]