

**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-jvw</b>
	)	<b>Joint Administration</b>
<b>Debtors.</b>	)	

**ORDER APPROVING AUTHORIZATION TO INCUR POST-PETITION PREMIUM  
FINANCING FROM AFCO CREDIT CORPORATION**

THIS MATTER having come before the Court upon the Debtors' Motion for Order Seeking Authorization to Incur Post-Petition Premium Financing From AFCO Credit Corporation, and the Court having considered the arguments of counsel and for good cause shown, the Court having found that the Court has jurisdiction over this matter, the parties and property affected hereby 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. The Court therefore enters the following findings of fact and conclusions of law:

1. It is necessary for the Debtors to have in place comprehensive insurance policies protecting the Debtors and their assets. The Debtors' existing insurance policies will begin to expire on October 30, 2002.

2. Given the status of the Debtors' financial condition and the need to preserve cash, Debtors' management has made a prudent business decision that the Debtors should finance their insurance premiums for the coming year.

3. The Debtors seek authority (i) to finance up to \$12.8 million to be secured by all unearned premiums and dividends which may become payable under the insurance policies and, on commercial policies, loss payments which will reduce the unearned premium on the policies, (ii) to

execute a financing agreement with AFCO Credit Corporation, and (iii) to make an initial down payment due by October 30, 2002 in order to retain insurance coverage.

4. It is essential to avoid immediate, irrevocable harm to the Debtors' businesses and cash flows that the Debtors obtain the requested authority for their insurance premium financing.

5. The terms of the proposed Premium Financing Agreement are reasonable and no more favorable terms are available.

6. The Debtors are unable to obtain unsecured credit under 11 U.S.C § 503(b)(1).

7. The Debtors have exercised sound business judgment that satisfies the requirements of 11 U.S.C. § 364(c) to borrow pursuant to the proposed Premium Financing Agreement and the terms of the proposed Premium Financing Agreement are fair and reasonable.

8. The premium financing from AFCO represents an arm length transaction between the Debtors and the Lender that has been negotiated in good faith.

IT IS THEREFORE HEREBY ORDERED that the Debtors are authorized, pursuant to 11 U.S.C § 364 of the Bankruptcy Code, to obtain premium insurance financing up to \$12.8 million to be secured by insurance premiums, to execute the Premium Financing Agreement with AFCO Credit Corporation and to perform according to its terms;

IT IS FURTHER ORDERED that the full rights of AFCO pursuant to the Premium Financing Agreement and controlling state law be and the same hereby are fully preserved and protected and are and shall 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; and

IT IS FURTHER ORDERED that in the event that the Debtors 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.

Date: \_\_\_\_\_

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UNITED STATES BANKRUPTCY JUDGE

ORDER SUBMITTED BY:

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