

**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.)	

**EXPEDITED MOTION OF THE DEBTORS PURSUANT TO SECTIONS 105(a),
363(b)(1), AND 365 OF THE BANKRUPTCY CODE FOR AN ORDER APPROVING
THE ADOPTION OF A KEY EMPLOYEE RETENTION AND INCENTIVE
TARGET PLAN, INCLUDING THE ASSUMPTION AND MODIFICATION
OF CERTAIN EMPLOYMENT AGREEMENTS**

Farmland Industries, Inc. et al., Debtors and Debtors in Possession (collectively, the “Debtors”), by and through their undersigned attorneys, for their motion for an order approving and authorizing the adoption and implementation of a key employee retention and incentive target plan, including the modification and assumption of employment agreements for certain key executives (the “Motion”), respectfully represent as follows:

Background

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. An official committee of unsecured creditors and an official committee of bondholders (the “Official Committees”) have been appointed in these proceedings.

3. Debtor Farmland Industries, Inc. (“Farmland”), a Kansas corporation headquartered in Kansas City, Missouri, is organized and operated as a cooperative system of farm and food related businesses. Farmland, in conjunction with the debtor subsidiaries and

other non-debtor consolidated subsidiaries, manufactures and markets fertilizer and operates an integrated food and food processing business.

4. Collectively, the Debtors (through direct operations and various subsidiaries) operate farm and food related businesses that have annual sales of approximately \$11.7 billion.

Jurisdiction

5. 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. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this case and motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The statutory bases for the relief requested herein are 11 U.S.C. §§ 105(a), 363(b)(1) and 365, and Federal Rule of Bankruptcy Procedure 9006(c).

The Key Employee Retention and Incentive Target Plan

7. The Debtors' ability to operate their businesses and preserve and enhance the value of their estates depends on the employment, active participation and dedication of critical employees having the knowledge, experience, and skills necessary to support the Debtors' businesses (the "Key Employees"). The Debtors' estates will be substantially diminished if the Debtors lose Key Employees. The Key Employees are either directly involved in essential sales and operating functions of the Debtors, or they provide key support services related to the Debtors' finance, accounting, human resources, legal, communications or reorganization functions.

8. To restructure successfully, the Debtors depend upon the services of Key Employees who are intimately familiar with the Debtors' businesses and who have the

experience and knowledge necessary to operate those businesses and effect a successful reorganization. Given the nature of these proceedings, the Debtors cannot provide employment security, nor are the Debtors able to match the compensation (especially the equity-based incentives) provided by many of their competitors and other prospective employers outside of the industry. In addition, the Debtors' Key Employees are subject to increased concerns, demands and burdens because of the pendency of these Chapter 11 cases.

9. Pursuant to Sections 105(a), 363(b)(1) and 365 of the Bankruptcy Code, the Debtors seek authorization to implement a key employee retention and incentive target plan (the 'KERIT Plan'), as described below and in Exhibit A hereto, including the assumption of certain employment agreements (as modified).

10. The Debtors developed the KERIT Plan with the advice and assistance of their professional advisors and in consultation with the Official Committees, the prepetition lenders and the DIP Lenders. Both of the Official Committees have approved the implementation of the KERIT Plan as described herein.¹ In addition, the Board of Directors of Farmland has approved the KERIT Plan. The KERIT Plan is designed to assist the Debtors in retaining the services of the Key Employees.

11. The KERIT Plan covers ninety-six employees in six categories, or tiers:

- Tier I: Chief Executive Officer and President (1 person)
- Tier II: Executive Vice Presidents and other Executives (7 persons)
- Tier III: Vice Presidents and General Managers (14 persons)
- Tier IV: Division Vice Presidents, Directors and Plant Managers (40 persons)
- Tier V: Managers (15 persons)
- Tier VI: Managers and Professionals (19 persons)

¹ The prepetition lenders and the DIP Lenders also support the vast majority of the terms of the KERIT Plan.

12. The primary objectives of the KERIT Plan are to: (i) retain the management personnel essential to continuing operations and the completion of the Debtors' restructuring efforts; (ii) motivate Key Employees and encourage the attainment of a confirmed reorganization plan; and (iii) provide appropriate job security and financial incentives to Key Employees.

The Components

13. The KERIT Plan consists of four components: (i) a committee to advise Farmland and review certain aspects of the KERIT Plan; (ii) an Incentive Pay Program; (iii) a Severance Program; and (iv) the assumption of certain employment agreements (with modifications). The Debtors estimate that the total potential maximum incremental cost of the KERIT Plan is approximately \$8 million above their historical compensation and severance structure, considering the very remote possibility that all Key Employees are terminated other than "for cause", and assuming that all participants remain with the Debtors through the duration of the program (i.e., the effective date of a Chapter 11 plan).

A. The KERIT Committee

14. As part of the KERIT Plan, a committee will be formed to review certain aspects of the KERIT Plan and to provide advice for Farmland regarding certain retention issues (the "KERIT Committee"). The KERIT Committee will be comprised of seven persons, as follows: two representatives from the Official Committee of Unsecured Creditors; two representatives from the Official Committee of Bondholders; and three Key Employees chosen by Farmland. The KERIT Committee will provide input to Farmland regarding various employee retention issues as described more fully in the KERIT Plan. In the event that the KERIT Committee makes any decision or withholds any required consent that Farmland deems

to be unreasonable, the parties shall submit the matter to this Court for consideration, and this Court's decision on the matter shall be final, binding and non-appealable.

15. The KERIT Committee will provide certain oversight and advice with respect to the KERIT Plan. It will afford the creditors with information about employee issues and input in the decision making process on major retention concerns. The day-to-day administration and implementation of the KERIT Plan will be conducted by Farmland.

B. The Incentive Pay Program

16. The Incentive Pay Program component provides incentives for Key Employees to remain in the Debtors' employ during the pendency of these proceedings. Key Employees are currently compensated at salaries below the market median. Farmland's compensation philosophy has been to pay base salaries below the market's median—in the 25th to 50th percentile range—and provide variable pay opportunities that target cash compensation at or above the market's median levels—ranging from the median to the 75th percentile. Over the past several years, the postponement of salary increases and the failure of the Debtors to achieve financial results necessary to trigger variable pay awards have eroded the competitiveness of employee compensation. The total maximum incremental cost of this program beyond the Debtor's historical compensation program is approximately 0.07% of corporate revenues, or about \$8 million, assuming all Key Employees remain in the Debtors' employ through the duration of the case and satisfy all conditions for receipt of payments of all installments, and assuming that the Debtors achieve their target performance thresholds. The median cost of key employee retention plans as a percentage of total revenues among the Debtors' Chapter 11 peer group is 0.35%.

17. The Incentive Pay Program consists of two sub-components: (i) a fixed incentive payment (the “Fixed Incentive”); and (ii) a variable compensation payment (the “Variable Compensation”) that corresponds to the Debtors’ variable compensation plan currently in force and effect for the 2003 fiscal year.

(1) **Fixed Incentive**

18. Under the Fixed Incentive component, Key Employees would receive payments equal to varying percentages of their respective base salaries, according to the following tiered structure:

Tier	Percentage of Base Salary
Tier I	60.0%
Tier II	42.5%
Tier III	30.0%
Tier IV	20.0%
Tier V	17.5%
Tier VI	15.0%

Payments will be made in four installments, according to the following schedule: (i) 20% within 15 days of the Court’s approval of the KERIT Plan; (ii) 30% on December 15, 2002; (iii) 25% on May 1, 2003; and (iv) the final payment balance on the effective date of the Chapter 11 plan of reorganization (the “Effective Date”).

19. All Key Employees who are terminated without “cause” (as defined in the KERIT Plan) will receive the full amount of their applicable Fixed Incentive benefit in accordance with the above schedule.

20. Any Key Employee who voluntarily resigns from the Debtors’ employ or is terminated for cause will forfeit all remaining Fixed Incentive amounts. Employees who are newly hired or promoted into one of the applicable tiers to replace Key Employees who are

terminated for cause, or who voluntarily resign, are eligible for participation, on a pro-rata basis, in the applicable Incentive Pay Program tier in management's discretion and upon the approval of the KERIT Committee.

21. The total cost of the Fixed Incentive under the Incentive Pay Program for all tiers of the KERIT Plan will be approximately \$3 million, assuming that no Key Employees voluntarily resign or are terminated for cause prior to the confirmation of a plan of reorganization.

(2) **Variable Compensation**

22. In addition to the Fixed Incentive, Key Employees participating in the KERIT Plan will be eligible to receive Variable Compensation payments. Historically, the Debtors have provided a variable compensation program for their employees that is designed to supplement employees' base compensation in order to make the Debtors market-competitive in their salary structure. The Variable Compensation is a continuation of the Debtors' historical policy with an added incentive for Key Employees. The Variable Compensation is based on the performance of the Debtor entities and the effectiveness of the Key Employees in creating and preserving value for the Debtors' estates in the restructuring process. The additional Variable Compensation payment will provide Key Employees with an incentive to maximize value for the Debtors, their estates and creditors. The Variable Compensation is designed to align the interests of the Debtors, their creditors and the Key Employees themselves. It presents Key Employees with the opportunity to be rewarded for their hard work and success in these difficult and uncertain times.

23. The determination of the amount and method of payment of the Variable Compensation for which each Key Employee is eligible is explained in the Debtors' Variable

Compensation Plan for the 2003 fiscal year (the “V-Comp Plan”), which is attached to the KERIT Plan as Schedule 1,² as modified in accordance with § 5(b) of the KERIT Plan. Provided that no Key Employees are terminated prior to the completion of the Debtors’ fiscal year, the Debtors presently estimate that the total incremental cost of the Variable Compensation that would be paid based on the Debtors’ attainment of the “target” levels of performance established in the V-Comp Plan is approximately \$1.5 million over the approximately \$3.0 million that would be paid to Key Employees under the Debtors’ normal variable compensation plan.

C. The Severance Plan

24. The Severance Plan component provides Key Employees protection from involuntary termination by the Debtors in a “not-for-cause”³ situation. The Severance Plan serves as a continuation of the Debtors’ historical practice of providing certain severance benefits to employees who are involuntarily terminated without cause, with a few adjustments. Only Key Employees who are involuntarily terminated, without cause, by the Debtors are eligible to receive benefits under the Severance Plan.

25. Under the Debtors’ historical prepetition severance policy, each employee not under Contract with the Debtors is eligible to receive two weeks’ pay for each year of service with the Debtors, with a maximum of fifty-two weeks.

² Schedule 1 to the KERIT Plan has not been filed electronically along with the rest of this Motion. Due to the confidential and proprietary nature of the information contained in the Debtors’ V-Comp Plan, the Debtors request permission to provide the V-Comp Plan to the Court under seal. The Debtors will provide a copy of the V-Comp Plan to the Official Committees, the DIP Lenders, the prepetition lenders and the United States Trustee with the understanding that such information be kept confidential.

³ Under the terms of the KERIT Plan, a voluntary termination by the Key Employee for “good reason” (as defined in the KERIT Plan) is considered an involuntary termination “not-for-cause” by Farmland for purposes of the Severance Plan as well as the Incentive Pay Program.

26. Under the Severance Plan component of the KERIT Plan, each Key Employee will receive the respective amount shown in Schedule 2⁴ to the KERIT Plan if involuntarily terminated by the Debtors without cause. As reflected in Schedule 2, the amount that each Key Employee is eligible to receive as severance is the greater of (i) the amount that the Key Employee would receive under the Debtors' historical prepetition severance policy of two-weeks' compensation per year of service, or (ii) the number of months of severance allocated to such Key Employee's applicable tier.

27. For Key Employees in Tiers IV through VI, severance benefits will be paid as a continuation of each Key Employee's salary, as and when due. For Key Employees in Tiers I, II and III, severance benefits will be payable in monthly installments equal to three months' worth of severance until all severance obligations are fulfilled.⁵

28. Upon a Key Employee's termination of employment and qualification for severance payments, the Debtors will cease providing company-paid group health benefits, but health coverage will remain available to the Key Employee at the Key Employee's expense, through a COBRA election.

29. The Severance Plan serves as a continuation of the Debtors' historical policy and practice, and reassures Key Employees of job security. This component of the KERIT Plan provides protections for the Debtors and all creditors that Key Employees, whose

⁴ Schedule 2 to the KERIT Plan is a list of Key Employees and their allocated Severance amounts. Due to the confidential and sensitive nature of this information, Schedule 2 has not been filed electronically with this Motion. The Debtors request permission to provide this document to the Court under seal, and they will provide a copy of the document to the Official Committees, the DIP Lenders, the prepetition lenders and the United States Trustee with the understanding that the information be kept confidential.

⁵ For example, if a Key Employee in Tier III is entitled to twelve months of severance pay, the severance would be paid in four monthly installments following termination. Tiers I-III are subject to mitigation with respect to any unpaid amounts should they be employed prior to receiving all of their severance payments.

services are critical for the Debtors to achieve a successful reorganization, will not abandon the Debtors’ businesses for fear of experiencing an involuntary termination as part of the restructuring.

D. Assumption of Certain Employment Agreements

30. On and for some time prior to the Petition Date, the Debtors had employment agreements (collectively, the “Employment Agreements”) in force and effect with three employees (the “Contract Employees”), as follows:

	Employee	Title
Tier I	Robert Terry	Chief Executive Officer and President
Tier III	Brian Hennessy	Vice President / Controller
Tier III	Gary Kohake	Vice President of International Sales and Marketing, Farmland Foods

Copies of the Employment Agreements will be furnished to the Court and other interested parties as necessary under seal or with the understanding that such contracts and their contents be kept confidential.

31. During the pendency of these Chapter 11 proceedings, the Contract Employees are at risk that their Employment Agreements may be rejected by the Debtors, resulting in the termination of valuable rights of the Contract Employees. Accordingly, the Debtors seek to assume the Employment Agreements with the Contract Employees, as modified and governed by the KERIT Plan.

Description of Employment Agreements

32. Mr. Robert Terry serves as the Chief Executive Officer and President of Farmland under his respective Employment Agreement and the Amendment⁶ thereto (collectively, the “Terry Agreement”). In addition to his base salary, the Terry Agreement provides for the normal employee health, retirement, incentive and other benefits afforded to all of the Debtors’ senior management employees.

33. The Employment Agreements of Messrs. Kohake and Hennessy are similar in form to the Terry Agreement, with slight differences in the terms of compensation and other benefits.

34. Under the terms of the KERIT Plan, the Contract Employees will be provided with severance and incentive benefits in accordance with the KERIT Plan in lieu of their respective Employment Agreements. The Debtors seek to assume the Employment Agreements only to the extent that they do not conflict with the terms of the KERIT Plan. The KERIT Plan will control in case of any discrepancies with the Employment Agreements. The Contract Employees have agreed to Farmland’s assumption of the Employment Agreements with these modifications.

Implementation of the KERIT Plan is in the Best Interests of the Debtors, their Creditors and their Estates

35. The Bankruptcy Code allows the Debtors to “use, sell, or lease, other than in the ordinary course of business, property of the estate” upon bankruptcy court approval. 11 U.S.C. 363(b)(1). The use, sale, or lease of property of the estate, other than in the ordinary

⁶ The Amendment to the Terry Agreement is being executed in conjunction with the assumption of the contract, and it merely clarifies the obligations of the Debtors that already exist under the Terry Agreement. The Amendment does not create any new rights for Mr. Terry.

course of business, may be authorized by the court when there is a “sound business purpose” that justifies such action. See In re Lionel Corp., 722 F.2d 1063, 1071 (2d Cir. 1983); In re Delaware & Hudson R.R. Co., 124 B.R. 169, 176 (D. Del. 1991) (Section 363(b) “sound business purpose” test to evaluate motions).

36. Employee retention programs pursuant to Section 363(b)(1) have been authorized in this Circuit and in many other districts. See, e.g., In re Interco, Inc., 128 B.R. 229 (Bankr. E.D. Mo. 1991); In re Montgomery Ward Holding Corp., 242 B.R. 147 (D. Del. 1999); In re American West Airlines, Inc., 171 B.R. 674 (Bankr. D. Ariz. 1994).

37. Under Section 105(a) of the Bankruptcy Code, the Court has broad equitable powers to fashion any order or decree that is in the interest of preserving or protecting the value of the Debtors’ assets. See, e.g., In re Chinichian, 784 F.2d 1440, 1443 (9th Cir. 1986) (“Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy Code.”); Bird v. Crown Convenience (In re NWFx, Inc.), 864 F.2d 588, 590 (8th Cir. 1988) (“The overriding consideration in bankruptcy . . . is that equitable principles govern”); In re Cooper Properties Liquidating Trust, Inc., 61 B.R. 531, 537 (Bankr. W.D. Tenn. 1986) (“[T]he Bankruptcy Court is one of equity and as such it has a duty to protect whatever equities a debtor may have in property for the benefit of their creditors as long as that protection is implemented in a manner consistent with the bankruptcy laws”).

38. Motions to assume executory contracts are governed by Bankruptcy Code Section 365, which authorizes the Debtor, subject to court approval, to assume or reject any executory contract. 11 U.S.C. § 365(a). The Employment Agreements are executory contracts within the meaning of Section 365(a) of the Bankruptcy Code. The Eighth Circuit has adopted the widely accepted “Countryman” definition of “executory contract.” Executory Contracts in

Bankruptcy: Part I, 57 Minn.L.Rev. 439, 460 (1973). Under the Countryman definition, an executory contract is one in which the “obligations of both the [debtor] and the other party are so far unperformed that failure of either to complete performance would constitute a material breach excusing the performance of the other.” In re Interco Incorporated, 128 B.R. 229, 233 (citing Northwest Airlines, Inc. v. Klinger (In re Knutson), 563 F.2d 916, 917 (8th Cir. 1977)). Here, the Employment Agreements require the commitment, cooperation, and continued performance of material obligations by all parties.

39. The standard for determining whether an executory contract or unexpired lease should be assumed is the debtor’s “business judgment” that assumption is in its economic best interests. In re Food Barn Stores, Inc., 107 F.3d 558, 567 n.16 (8th Cir. 1996). In the present case, the Debtors have determined, in their good faith business judgment, that assumption of the Employment Agreements (as modified by the KERIT Plan) is in the best economic interests of these estates. In re Interco Incorporated, 128 B.R. 229, 233 (Bankr. E.D. Mo. 1991); see also In re Gateway Apparel, Inc., 210 B.R. 567, 570 (Bankr. E.D. Mo. 1997) (citing Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095, 1099 (2d Cir.1993), cert. dismissed, 511 U.S. 1026, 114 S.Ct. 1418, 128 L.Ed.2d 88 (1994)); In re Mottola, 1997 WL 860674, *2 (Bankr. E.D. Pa.) (citing Orion Pictures Corp.); In re Child World, Inc., 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992). The business judgment standard is satisfied when a debtor establishes that assumption or rejection of an unexpired contract will enhance the debtor’s estate. See In re Food Barn Stores, Inc., 107 F.3d 558, 567 n.16 (“Where the trustee’s request is not manifestly unreasonable or made in bad faith, the court should normally grant approval ‘[a]s long as the [proposed action] appears to enhance [the] debtor’s estate’”). Courts customarily look at the effects of assumption or rejection of an executory

contract on the debtor, the implications to the non-debtor party, the benefit to unsecured creditors and the significance of the executory contract to the debtor's reorganization in determining whether the business judgment test has been satisfied. See Gateway Apparel at 570.

40. The Debtors have determined in the exercise of their business judgment that the costs associated with adoption of the KERIT Plan, including assumption of the Employment Agreements, as modified, are more than justified by the benefits that will be realized. The KERIT Plan will boost morale and discourage resignations among Key Employees, dispel the perceived risks of working for the Debtors during this fragile period, and avoid the time, financial and productivity costs to the Debtors and these estates of replacing Key Employees. Payments under the KERIT Plan serve as an incentive for Key Employees to remain with the Debtors during the course of these Chapter 11 cases and to work diligently toward a successful conclusion.

41. The Debtors have developed the KERIT Plan in consultation and after negotiations with representatives of the creditor constituencies. All constituencies agree that the KERIT Plan is in the best interests of the Debtors, their estates and creditors.

42. If the KERIT Plan is not approved, the uncertainty of these proceedings may well result in resignations of Key Employees, particularly those whose skills are transferable to positions outside the Debtors' industry and where prospects for future security generally are much less uncertain and compensation benefits are higher. Failure to implement the KERIT Plan will likely reduce employee morale generally, which has already deteriorated due to the Debtors' publicized financial difficulties, workforce reductions, and employee attrition. Increased demands upon employee responsibilities and other burdens may cause even more damage to employee morale and resignations of additional employees. Despite the

Debtors' heightened need for continued services in critical service areas, Key Employees (and others) may choose to pursue alternative employment opportunities or be lured away by attractive offers from competitors or other employers seeking the service skills possessed by the Key Employees.

43. The loss of Key Employees will be very costly to the Debtors for many reasons, including:

- a. The Debtors have expended significant time and resources in recruiting, training and integrating the Key Employees, which is very difficult given the pressures facing the Debtors' industries;
- b. A Chapter 11 company is not a particularly appealing employment option for experienced job candidates, thus making it difficult to replace departing Key Employees;
- c. To find suitable replacements for any departing Key Employee, the Debtors will likely pay executive search firm fees, typically in the range of twenty-five percent to thirty-five percent of base salaries, in addition to signing bonuses, moving expenses and above-market salaries in order to induce qualified candidates to accept employment with a Chapter 11 debtor;
- d. Higher salaries, guaranteed bonuses, and other enhanced benefits will be necessary to attract replacement employees given the Debtors' current environment;
- e. The loss of Key Employees will lead (and indeed in the past has led) to additional employee departures;

- f. Productivity will be lost until new employees become familiar with the Debtors and their businesses, including their systems, procedures, personnel, vendor relationships and other important elements of the businesses; and
- g. Any loss of Key Employees will hinder, delay, and disrupt the Debtors in their pursuit of a timely and successful reorganization.

44. The most cost-effective way to protect against attrition and to improve employee morale is to offer financial incentives designed to encourage Key Employees to remain actively employed by the Debtors. In the Debtors' business judgment, adoption of the KERIT Plan and assumption of the Employment Agreements (as modified) are in the best interests of the Debtors, their estates and their creditors.

45. The components of the KERIT Plan are reasonable and in the best interests of the Debtors' businesses. Each component of the KERIT Plan is average or below average in terms of costs and benefits as compared to both the industry and retention programs approved in other Chapter 11 proceedings.

46. The Incentive Pay Program is appropriate and necessary and is in the best interests of the Debtors and these estates. When analyzed as a percentage of corporate revenues, the cost of the Debtors' Incentive Pay Program falls below median cost ratios found in other court-approved retention plans, and is thereby indicative of sound business judgment.

47. The Severance Program proposed by the Debtors likewise is reasonable and appropriate in its scope. The proposed severance benefits are similar to those which the Debtors have historically provided to all employees as part of their employment package, and will aid in reassuring the Key Employees that their jobs are protected during this time of

instability and uncertainty surrounding the Debtors' businesses. The severance benefits offered are well within the range of severance offered by the Debtors' peer companies, and are reasonable when compared with the benefits that the Debtors will gain by retaining Key Employees. It is in the Debtors' best interests to offer the severance component to the Key Employees.

48. The assumption of the three Employment Agreements, as modified, is important to the survival and success of these Debtors. Each Employment Agreement was negotiated at arm's length between the Debtors and the respective employees, and represents a series of commitments made by both parties. The terms of each Employment Agreement reflect the needs of the Debtors' estates and each respective employee. The terms are standard and customary and provide adequate contractual security for the parties. The compensation and benefits provisions are fair. The modifications to the Employment Agreements carried out through the KERIT Plan are reasonable and in line with the other employees' benefits and protections. The contractual terms are beneficial and well within the best business interests of these estates.

49. Approval of the KERIT Plan and assumption of the Employment Agreements (as modified) are in the best interests of these estates, all creditors and all parties-in-interest. The Debtors have the necessary funds or credit availability to perform under the KERIT Plan. The approval and implementation of the KERIT Plan are essential to the Debtors' continued operations.

Request for Hearing on Shortened Notice

50. The Debtors seek immediate authorization to implement the KERIT Plan. It is imperative that the KERIT Plan be implemented as quickly as possible in order to protect and enhance the value of the estates and realize the full benefit of the KERIT Plan.

51. Pursuant to Standing Order No. 1 Establishing Notice and Motion Procedures to be Followed, motions are to be filed and served at least twenty (20) days prior to the anticipated hearing on such motions.

52. The Debtors have engaged in extensive negotiations with the Official Committees, the DIP Lenders, the prepetition lenders and the other parties-in-interest regarding the formation and implementation of the KERIT Plan. These negotiations and discussions have resulted in a consensual agreement regarding the KERIT Plan. It is crucial that the KERIT Plan become effective as soon as possible in order to realize the greatest amount of benefits.

53. Therefore, the Debtors request that the required notice of this Motion be shortened so that it may be heard by the Court at the hearing scheduled for October 29, 2002. This Court has the power to shorten notice pursuant to Federal Rule of Bankruptcy Procedure 9006(c).

54. No party in interest will be prejudiced by shortening the time for notice of this Motion. All of the major constituent groups have been provided with all relevant information regarding the KERIT Plan and have participated in the discussions and negotiations surrounding its creation. The Debtors believe (and the Official Committees and other parties-in-interests agree) that it is in all parties' best interests that this Motion be heard at the October 29 hearing so that the KERIT Plan may be implemented and its benefits realized as quickly as

possible. The KERIT Plan is essential to the Debtors and their restructuring efforts, and shortening the time for notice of the KERP Motion will not harm any interested party.

55. The Debtors request that the time for notice of the KERP Motion be shortened from twenty days to six calendar days so that the KERP Motion may be heard by this Court at the hearing on October 29, 2002.

Notice

56. No trustee or examiner has been appointed in these Chapter 11 cases. The Debtors have served notice of this Motion upon all parties who are entitled thereto. Additionally, the prepetition lenders, the DIP lenders and the Official Committees have participated in the formulation of the KERIT Plan prior to the filing of this Motion.

57. No previous motion for the relief sought herein has been made to this or any other court.

WHEREFORE, for the foregoing reasons and authorities in support thereof, the Debtors respectfully request that this Court enter its order (i) approving the implementation of the KERIT Plan; (ii) approving the assumption of the Employment Agreements as provided herein; (iii) granting the Debtors' request that the hearing on this Motion be held on October 29, 2002, on shortened notice; and (iv) granting such other and further relief as is proper.

Dated: October 23, 2002

Respectfully submitted,

FARMLAND INDUSTRIES, INC.. ET AL.

By: /s/ Laurence M. Frazen

Laurence M. Frazen MO #31309

Lloyd A. Palans MO #22650

Cynthia Dillard Parres MO #37826

BRYAN CAVE LLP

1200 Main Street, Suite 3500

Kansas City, Missouri 64105

Telephone: (816) 374-3200

Telecopy: (816) 374-3300

Attorneys for Debtors and Debtors in Possession

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above referenced Expedited Motion of the Debtors Pursuant to Section 105(A), 363(B)(1), and 365 of the Bankruptcy Code for an Order Approving the Adoption of a Key Employee Retention and Incentive Target Plan, Including the Modification and Assumption of Certain Employment Agreements was served on those parties which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on October 23, 2002.

/s/ Laurence M. Frazen