

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF MISSOURI**

<b>In Re:</b>	)	<b>In Proceedings Under Chapter 11</b>
	)	
<b>FARMLAND INDUSTRIES, INC.,</b>	)	<b>Case No. 02-02-50557-JWV</b>
<b>et al.,</b>	)	
	)	
<b>Debtor.</b>	)	

**ALLIANCE PROCESS PARTNERS’  
OBJECTION TO DEBTORS’ MOTION TO  
ASSUME FACILITY LEASE AGREEMENT AND PROVIDE  
NOTICE OF INTENT TO PURCHASE AMMONIA  
PLANTS UNDER LEASE OPTION**

Alliance Process Partners, L.L.C. d/b/a International Alliance Group (“IAG”) hereby files this Objection to the Motion (the “Motion”) of Farmland Industries, Inc., et al., debtors and debtors in possession (“Debtors”), to assume the facility lease agreement under which the Debtors lease two ammonia plants in Enid, Oklahoma (the “Lease”) and to provide notice of its intent to exercise its purchase option under the Lease.

IAG objects to the Debtor’s expenditure of its valuable capital as a part of this Motion in light of the significant and unfulfilled obligations that the Debtor has to IAG. To date, IAG had not been paid on its significant Artisan’s lien claims that hold, as explained in prior pleadings filed with the Court, super-priority status under applicable Kansas law.

As the record exists, the Court should not grant the Debtor’s pending Motion. The Debtors have not provided adequate information for the Court, IAG or any other party in interest to determine whether assumption of the Lease is within the sound business judgment of the Debtors or is beneficial to the estate. The Debtors have provided no information as to whether the ammonia plants subject to the Lease are currently profitable, or whether they will be profitable in the future. The

Debtors have provided no information on the impact of immediately paying significant cure amounts under the Lease (over \$1.6 million), or what the impact of operating or not operating the two ammonia plants will have on the Debtors' immediate cash flow. The cure amount represents a significant and immediate cash outlay by the Debtors and is particularly troubling to IAG given that the Debtors own projections forecast continuing operating losses and a continuing liquidity crisis.

Further, and as the Court is aware, the Debtors have repeatedly stated that industry-wide and continuing declines in fertilizer prices precipitated these cases. If so, why rush to guarantee the Debtors' position in a depressed industry? The Debtors claim that the purchase price for the purchase option in the Lease is significantly less than the fair market value of the facility and the Lease needs to be assumed and the option exercised to preserve this equity. However, the Debtors have provided insufficient evidence as to the fair market value of the facility and have not identified any potential buyers who would be willing to buy the facility for more than the option price. Given the industry-wide decline in the fertilizer business, the Debtors' unsupported assertions of large amounts of equity in the facility are unfounded at best.

More importantly, the Debtors have not determined whether they will continue in the fertilizer business long-term. This determination is essential to assessing the Debtors' business judgment in assuming the Lease, especially given the fact that the Debtors have repeatedly stated that the decline in the fertilizer business was one of the main reasons the Debtors were forced to file for bankruptcy protection.

Without a determination that the Debtors intend to continue in the fertilizer business long-term and because the pending Motion sacrifices valuable capital that should be paid to satisfy the superpriority claims of IAG, the assumption of the Lease is improvident, premature and not consistent with the concept of the Debtors' business judgment.

**WHEREFORE**, Alliance Process Partners, L.L.C. d/b/a International Alliance Group respectfully requests that the Court deny approval of the Debtor's Motion unless the Debtors provide adequate assurance and protection to IAG that its liens will be paid and provide adequate information to IAG to determine whether assumption of the Lease would be within the sound business judgment of the Debtors and is in the best interests of the estate.

Dated: October 28, 2002

/s/ G. Edgar James

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ATTORNEYS FOR ALLIANCE PROCESS  
PARTNERS LLC d/b/a INTERNATIONAL  
ALLIANCE GROUP

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Objection has been served by first class mail, postage pre-paid on those parties on the Master Service List not receiving email notice on this 28<sup>th</sup> day of October, 2002.

/s/ G. Edgar James

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PARTNERS LLC d/b/a INTERNATIONAL  
ALLIANCE GROUP