

With respect to employment-related issues, the Debtors review their existing policies and practices in light of economic reality and operational requirements. One area related to the Mississippi Phosphates Severance Pay Plan, which had been adopted in 2011. Under the terms of that Plan, MPC reserved the right to amend or terminate the Plan at any time without prior notice. Because of the financial constraints under which MPC was going to have to operate post-bankruptcy, the Board of Directors of MPC voted to terminate the Plan. Notice of the termination of the Plan was given to employees shortly after the Petition Date.

The Debtors also focused on transitioning to their reduced workforce once the DAP production operations ceased in early December 2014 and the facility was idled. Fortunately, the Debtors were able to pay all of their employees their compensation after the Petition Date. Because the health insurance policy expired as of December 31, 2014, the Debtors worked to assist both employees who would be laid off, as well as remaining employees, to transition to individual health insurance policies. The Debtors also negotiated with Blue Cross Blue Shield of Mississippi to handle run-out claims under the Blue Cross Blue Shield of Mississippi health insurance policy.

Because the Debtors initially projected that they would utilize all of their cash by the end of January 2015, the Debtors continued their efforts to obtain necessary interim and final post-petition DIP financing. To that end, the Debtors, with the consent of the Committee, the United States Environmental Protection Agency, the Department of Environmental Quality and the DIP Lenders, requested the Court multiple times to defer ruling on certain remaining issues from the final hearing on the Debtors' motion for post-petition financing to see if those issues might be resolved by agreement among the parties. The Court granted those requests. During this time, the parties continued with their discussions in an effort to reach an agreement on, among other things, the terms of the DIP financing.¹⁰

A significant amount of time, effort, and money was spent by the Debtors' professionals in December 2014 and January 2015 responding to requests for documents and information (both informal and formal) made by the Environmental Protection Agency, the Mississippi Department of Environmental Quality, and the Committee. Debtors' counsel and Deloitte Business and Analytics, LLC worked together to define the scope, course of action and timetable of work with regard to gathering the electronically stored information aspects of a document production and then to review approximately 85,000 documents obtained as a part of the document gathering process first to determine potential relevance and then to be reviewed and analyzed for attorney-client privilege and the work product doctrine privilege and to organize and review approximately 200,000 pages of potentially responsive hard copies of documents.

During January 2015, the Debtors had changes in their officers and directors. Ajay Kumar, MPC's previous Chief Operating Officer, resigned effective January 21, 2015. He was not replaced. Stephen S. Russo remained the Chief Executive Officer of MPC, and Robert P. Kerley remained as the Chief Financial Officer. There were three members of the Board of Directors of MPC. One, Robert P. Kerley, was also an officer of MPC. The two new directors

¹⁰ The Debtors, with the consent of the DIP Lenders, subsequently have extended the Challenge Period as reflected by various Notices filed with the Court.

of MPC were Richard Cryar and Steven D. Scheiwe. Both of the new directors were independent directors.

The Debtors also had changes in one of their officers during March 2015. Stephen S. Russo submitted his resignation as the Chief Executive Officer and any other position he held with MPC, effective March 28, 2015. Subsequently Robert P. Kerley, the Chief Financial Officer, was selected to fill the position of Chief Executive Officer as well as remaining as the Chief Financial Officer of MPC.

As part of the sale process, the Debtors filed the *Motion of Debtors to Determine Cure Amounts for Executory Contracts and Unexpired Leases that May Be Assumed and Assigned as Part of the Sale Motion* [Dkt. # 512]. Agreed Orders were entered continuing the hearings on objections or responses to give the Debtors an opportunity to work through and attempt to resolve those objections or responses [Dkt. ## 629; 631-636]. An *Order Granting Motion of Debtors to Determine Cure Amounts for Executory Contracts and Unexpired Leases that May Be Assumed and Assigned as Part of the Sale Motion* [Dkt. # 628] was entered with respect to the Cure Amounts listed for all parties listed other than the seven objecting or responding parties.

The Debtors also filed their *Motion of the Debtors to Renew and Extend Interim Order Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 4001 and 9014 (I) Authorizing the Debtors to Incur Post-Petition Senior Secured Superpriority Indebtedness; (II) Authorizing Use of Cash Collateral; (III) Granting Post-Petition Priming and Senior Priority Security Interests and Superpriority Claims; (IV) Granting Adequate Protection; (V) Modifying the Automatic Stay; and (VI) Scheduling a Final Hearing on the Motion* [Dkt. # 548] (the "***Motion to Renew and Extend DIP Order, Dkt. # 548***"). The Court entered its *Order Granting the Motion to Renew and Extend DIP Order with the Amended Budget* [Dkt. # 575].

The Debtors also filed their *Notice of the Debtors of Additional Borrowing under the Interim DIP Order* [Dkt. # 670]. On May 28, 2015, the Debtors also filed their *Second Notice of the Debtors of Additional Borrowing Under the Interim DIP Order* [Dkt. # 775] to give notice of additional borrowing in the amount of \$250,000.00 pursuant to the terms of the Interim DIP Order and the Second DIP Extension Order increasing the aggregate amount of the Debtors' borrowings from \$750,000 to \$1,000,000.

On June 5, 2015, the Debtors filed their *Third Notice of the Debtors of Additional Borrowing Under the Interim DIP Order* [Dkt. # 780] to give notice of additional borrowing in the amount of \$500,000.00 pursuant to the terms of the Interim DIP Order and the Second DIP Extension Order increasing the aggregate amount of the Debtors' borrowings from \$1,000,000.00 to \$1,500,000.00.

On June 12, 2015, the Debtors filed their *Fourth Notice of the Debtors of Additional Borrowing Under the Interim DIP Order* [Dkt. # 796] to give notice of additional borrowing in the amount of \$800,000.00 pursuant to the terms of the Interim DIP Order and the Second DIP Extension Order increasing the aggregate amount of the Debtors' borrowings from \$1,500,000.00 to \$2,300,000.00.

Also on June 12, 2015, the Debtors filed their *Third Motion of the Debtors to Renew and Extend Interim Order Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 4001 and 9014 (I) Authorizing the Debtors to Incur Post-Petition Senior Secured Superpriority Indebtedness; (II) Authorizing Use of Cash Collateral; (III) Granting Post-Petition Priming and Senior Priority Security Interests and Superpriority Claims; (IV) Granting Adequate Protection; and (V) Modifying the Automatic Stay* [Dkt. # 797] (the “**Motion to Renew and Extend DIP Order**”). The Court entered its *Order Granting Third Motion of the Debtors to Renew and Extend Interim Order Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 4001 and 9014 (I) Authorizing the Debtors to Incur Post-Petition Senior Secured Superpriority Indebtedness; (II) Authorizing Use of Cash Collateral; (III) Granting Post-Petition Priming and Senior Priority Security Interests and Superpriority Claims; (IV) Granting Adequate Protection; and (V) Modifying the Automatic Stay* [Dkt. # 802] which (i) renewed and extended the Interim DIP Order until July 31, 2015, if the Final DIP Order had not been entered prior to that date; (ii) authorized the Debtors to obtain financing and use cash collateral under the terms of the Interim DIP Order, as renewed and extended; and (iii) approved the Fourth Amended Term Sheet attached as Exhibit A to that Order and the Third Amended Approved Budget (attached as Exhibit B to that Order) for interim financing and use of cash collateral through July 5, 2015.

On June 25, 2015, the Debtors filed their *Motion of the Debtors for Approval of Fourth Amended Proposed Budget for Proposed Financing and Use of Cash Collateral* [Dkt. # 826] for the proposed financing and use of cash collateral through July 31, 2015. On June 29, 2015, the Debtors filed their *Fifth Notice of the Debtors of Additional Borrowing Under the Interim DIP Order* [Dkt. # 835] to give notice of additional borrowing in the amount of \$1,000,000.00 pursuant to the terms of the Interim DIP Order and the Second DIP Extension Order increasing the aggregate amount of the Debtors’ borrowings from \$2,300,000.00 to \$3,300,000.00.

On June 22, 2015, the Debtors filed their *Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement Among the Debtors, Phosphate Holdings, Inc., the Lender Parties and the Environmental Agencies* [Dkt. # 818] (the “**Government Settlement Motion**”). The proposed settlement, coupled with the *Motion of the Debtors pursuant to §§ 105 and 363 of the Bankruptcy Code and Bankruptcy Rule 9019 for an Order Approving Settlement among the Debtors, the Committee, the Lender Parties, and PHI* [Dkt. # 501] (the “**Committee Settlement Motion**”), achieved a number of benefits for the Bankruptcy Cases, the bankruptcy estates and for creditors and parties in interest, including the following:

(a) it resolved the dispute among the United States on behalf of the Environmental Protection Agency, the Mississippi Department of Environmental Quality, the Committee, the Debtors, PHI, and the Lenders regarding the Lenders’ liens on the Debtors’ property, primarily, the BP Proceeds;

(b) it required the Lenders to release their lien on and distribute to the Debtors’ bankruptcy estates to be held in escrow and to be distributed only pursuant to a confirmed Plan or orders of the Bankruptcy Court up to \$7,375,000 of the BP Proceeds;

(c) it clarified the rights of the Environmental Agencies with respect to the sales process and the assets to be sold;

(d) it addressed the rights of the Lenders to credit bid for the sale of the Debtors' assets that were to be sold pursuant to the Court-approved sales process;

(e) it provided for an alternate (or back-up) transaction that served as a safety net to address environmental concerns if a third-party sale of all of the operational assets (including the Gyp Stacks) did not materialize;

(f) it resolved the issues related to the environmental compliance obligations of the Debtors, and the Environmental Agencies' causes of actions asserted against the Lenders related to the Gyp Stacks;

(g) it provided a mechanism to transfer the Gyp Stacks to a third party purchaser pursuant to the sales process and thereby relieve the bankruptcy estates of substantial ongoing costs for water treatment and other environmental expenses, including clean-up costs;

(h) the resolution of the issues listed above broke the existing logjam in the Bankruptcy Cases and permitted the Bankruptcy Cases to move forward toward conclusion;

(i) it maximized the value of the assets of the bankruptcy estates while also simultaneously minimized the liabilities of the bankruptcy estates, thereby enhancing the possibility of recovery for the creditors of the Debtors; and

(j) it provided a fair, necessary, practical, realistic, and pain-sharing solution to and resolution of substantial factual, legal, and financial issues in these Bankruptcy Cases.

On June 22, 2015, the Debtors filed their *Motion of the Debtors to Assume Unexpired Lease with Mississippi Ammonia Leasing, Inc. as Modified Pursuant to 11 U.S.C. § 365* [Dkt. # 816]. The proposed amendments to the Industrial Lease provided for, among other things, a shorter term of the Industrial Lease, a Minimum Monthly Terminalling Fee, Usage Rent Increases, and a Repair Cap that the Debtors believed would provide them with sufficient funds to continue to provide terminalling operations through the term of the amended Industrial Lease.

Throughout the Bankruptcy Cases, professionals of the Debtors conducted regular weekly calls with professionals for the United States Environmental Protection Agency and the Mississippi Department of Environmental Quality to discuss environmental issues, the sales process and DIP financing issues, as well as current and prospective environmental and operational issues related to the Debtors' facility.

Only one party (DuPont) filed a timely Objection [Dkt. # 596] to the Committee Settlement Motion. The Court entered its *Order Resetting Hearing* [Dkt. # 872] on July 13, 2015, in which the Court re-set the hearing on the Settlement Motion for July 21, 2015, at 10:00 a.m. (the "*Hearing*" or "*Hearing Date*").

Interested parties filed several responses to the Government Settlement Motion, including the following:

(a) *E. I. Du Pont de Nemours and Company (“Chemours”)*¹¹ *Objection and Reservation of Rights of the Chemours Company, LLC to (1) Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement among the Debtors, Phosphate Holdings, Inc., the Lender Parties, and the Environmental Agencies; and (2) Motion of Debtors Pursuant to Bankruptcy Code Sections 105(a), 363, 365, 503, and 507, and Bankruptcy Rules 2002, 3007, 6004, 6006, 9007, and 9014 for Entry of: (I) Amended Order (A) Approving the Amended Sales and Bidding Procedures in Connection with Sale of Assets of the Debtors, (B) Approving Form and Manner of Notice, (C) Scheduling Auction and Sale Hearing, (D) Authorizing Procedures Governing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (E) Granting Related Relief; and (II) Order (A) Approving Purchase Agreement, (B) Authorizing Sale Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (C) Granting Related Relief* [Dkt. #880];

(b) *The Committee’s Limited Objection to the Debtors’ Motion to Approve Settlement Pursuant to Bankruptcy Procedure 9019 Among the Debtors, Phosphate Holdings, Inc., the Lender Parties, and the Environmental Agencies* [Dkt. # 881];

(c) *STUW LLC, as administrative agent (the “Agent”), on behalf of the post-petition lenders filed its Agent’s Response in Support of the (I) Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement among the Debtors, the Committee, the Lender Parties, and PHI; (II) Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement among the Debtors, Phosphate Holdings, Inc., the Lender Parties, and the Environmental Agencies Filed and (III) Motion of the Debtors for Approval of Fourth Amended Proposed Budget for Proposed Financing and Use of Cash Collateral* [Dkt. # 882];

(d) *The Agent filed its Agent’s Response in Opposition to Chemours Company LLC’s Objection to Settlement Motions and Sale Order* [Dkt. #901]; and

(e) *Response of the United States and the Mississippi Department of Environmental Quality to the Objection of Chemours Company, LLC to Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement among the Debtors, Phosphate Holdings, Inc., the Lender Parties, and the Environmental Agencies* [Dkt. # 905];

(f) *United States’ and MDEQ’s Joinder in Debtors’ Motion for Approval and Entry of Proposed Stipulation and Settlement Agreement* [Dkt. # 906]; and

(g) *Joinder of Debtors to (I) Response of the United States and the Mississippi Department of Environmental Quality to the Objection of Chemours Company, LLC (Successor-In-Interest to E. I. du Pont de Nemours and Company) to Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019 for an Order Approving Settlement among the Debtors, Phosphate Holdings, Inc., the Lender Parties,*

¹¹ The Chemours Company, LLC, is successor-in-interest to E. I. du Pont de Nemours and Company.

and the Environmental Agencies; and (II) Agent's Response in Opposition to Chemours Company LLC's Objection to Settlement Motions and Sale Order [Dkt. # 907].

The Court set the hearing for the Government Settlement Motion and all responses to that motion for hearing on July 21, 2015, so it could be heard in conjunction with the Committee Settlement Motion. After the Hearing on July 21, 2015, the Court requested and received the following additional responses:

(a) *Memorandum of Debtors Regarding Service of Amended Sales and Bidding Procedures Motion [Dkt. # 935]; and*

(b) *Statement of the Chemours Company, LLC Regarding Adequacy of Notice Pursuant to Rule 2002(a)(2) [Dkt. # 936].*

Following the hearing on July 21, 2015, the Court entered the following Orders:

(a) *Order Approving Debtors' Motions for Approval of Sale Motion (Dkt. No. 819), Committee Settlement (Dkt. No. 501), Government Settlement (Dkt. No. 818), and DOJ Settlement (Dkt. No. 870) [Dkt. # 937];*

(b) *Order Granting Motion of Debtors Pursuant to Bankruptcy Code Sections 105(a), 363, 365, 503, and 507, and Bankruptcy Rules 2002, 3007, 6004, 6006, 9007, and 9014 for Entry of: (I) Amended Order (A) Approving the Amended Sales and Bidding Procedures in Connection with Sale of Assets of the Debtors, (B) Approving Form and Manner of Notice, (C) Scheduling Auction and Sale Hearing, (D) Authorizing Procedures Governing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (E) Granting Related Relief; and (II) Order (A) Approving Purchase Agreement, (B) Authorizing Sale Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (C) Granting Related Relief [Dkt. # 939];*

(c) *Order Granting Motion of Mississippi Phosphates Corporation for Order Approving Entry Into Settlement with the United States Department of Justice and for Authority to Enter Into and Perform to Proposed Plea Agreement [Dkt. # 948];*

(d) *Order Pursuant to Bankruptcy Rule 9019 Approving Compromise of Controversy and Settlement Agreement and Authorizing Settlement Among the Debtors, the Committee, the Lender Parties, and PHI [Dkt. # 949]; and*

(e) *Order Approving Motion of the Debtors Pursuant to §§ 105 and 363 of the Bankruptcy Code, and Federal Rules of Bankruptcy Procedure 9019 for an Order Approving Settlement Among the Debtors, Phosphate Holdings, Inc., the Lender Parties and the Environmental Agencies [Dkt. # 950].*

The sales process for the Debtors' assets, led by Sandler O'Neill & Partners, L.P., as the Investment Banker, continued through the bid deadline of July 24, 2015. As of the bid deadline, seventy (70) parties had executed Confidentiality Agreements as a part of the sales process, and sixteen (16) parties had conducted site visits to the Debtors' facility in Pascagoula, Mississippi, as a part of their due diligence. Although the Debtors received various expressions of interest for the entire operational assets, the Debtors did not receive an offer from a party acceptable to

permit that party to become a Stalking Horse Bidder or a Qualified Bidder. On July 25, 2015, the Debtors then filed their *Notice of No Qualified Bids Submitted by Bid Deadline and Notice of No Auction Being Conducted* [Dkt. # 943].

Subsequently, the Debtors and their professionals worked with the United States Environmental Protection Agency and the Mississippi Department of Environmental Quality (the “*Environmental Agencies*”), the MPC Liquidation Trustee, and the MPC Environmental Trustee and their professionals on numerous issues related to the sale of the Debtors assets (both operational and financial) following the entry by the Court of the Orders described above. Specifically, the Debtors’ professionals worked with counsel for the MPC Liquidation Trust, the MPC Environmental Trust, and the Environmental Agencies with respect to the finalization and filing of the Trust Agreements in connection with the transfer and sale of assets [See Dkt. # 962].

The Debtors, working with its insurance broker (Gallagher Risk Management Services, Inc.), provided to the Governments, the Committee, and the Lenders a copy of each insurance policy obtained by the Debtors from and after 2005.

The Debtors also explored various ways it could reduce its costs for insurance, in light of the values of its assets, particularly with respect to casualty insurance. The Debtors consulted with its professionals, and also obtained the consent of the Lenders to its course of action. The Debtors advised both the Committee and the United States Trustee of its considerations. Ultimately, this resulted in the Court entering its *Order Granting Motion of the Debtors for Relief from Certain United States Trustee Chapter 11 Operating Guidelines* [Dkt. # 868] that allowed the Debtors relief from the requirement that casualty insurance must be maintained at an amount at least equal to the replacement value of the property unless the UST otherwise directed.

The Debtor, Mississippi Phosphates Corporation, filed a *Motion of the Debtors for Entry of Agreed Order Authorizing Execution of Supplemental Tolling Agreement with the United States of America on Behalf of the Environmental Protection Agency* [Dkt. # 654] and entered into an *Agreed Order Authorizing the Execution of Supplemental Tolling Agreement with the United States of America on Behalf of the Environmental Protection Agency, which was entered by the Court* [Dkt. # 660].

Additionally on July 13, 2015, and following extensive negotiations between MPC and the United States Department of Justice (the “*DOJ*”), the Debtors filed their *Motion to Approve Compromise or Settlement and for Authority to Enter into and Perform Pursuant to Proposed Plea Agreement with United States Department of Justice* [Dkt. # 870] to resolve all investigations by the DOJ. The Court entered its *Order Granting Motion of Mississippi Phosphates Corporation for Order Approving Entry Into Settlement with the United States Department of Justice and for Authority to Enter Into and Perform to Proposed Plea Agreement* [Dkt. # 948].

On July 21, 2015, the Court entered its *Order Granting Motion for the Debtors to Assume Unexpired Lease with Mississippi Ammonia Leasing, Inc., as Modified, Pursuant to 11 U.S.C. § 365* [Dkt. # 913] to allow for a shorter term of the Industrial Lease, a Minimum Monthly Terminalling Fee, Usage Rent Increases, and a Repair Cap which the Debtors believed would

provide them with sufficient funds to continue to provide terminalling operations through the term of the amended Industrial Lease.

On August 11, 2015, the Court entered the *Agreed Final Order under Sections 105,361, 362,363,364 and 507 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 4001 and 9014 (I) Authorizing the Debtors to Incur Post-Petition Senior Secured Superpriority Indebtedness; (II) Authorizing Use of Cash Collateral; (III) Granting Post-Petition Priming and Senior Priority Security Interests and Superpriority Claims; (IV) Granting Adequate Protection; and (V) Modifying the Automatic Stay* [Dkt. # 973].

Prior to the August 26, 2015, tax sale redemption deadline for the 2013 tax sale for the 2012 real property ad valorem taxes, the Debtors paid the Jackson County Chancery Clerk \$267,404.70 to redeem all of the Debtors real property that had been sold at that tax sale.

Working with Assessment Technologies, Ltd., as their property tax consultants, the Debtors also filed an *Emergency Motion to Impose Automatic Stay and for Other Relief* [Dkt. # 983] with respect to the valuation by Jackson County, Mississippi, of the Debtors' real and personal property for ad valorem tax purposes. Jackson County, Mississippi, filed its *Response to Emergency Motion to Impose Automatic Stay and for Other Relief* [Dkt. # 988], and the parties presented to the Court and the Court entered an *Agreed Order Resolving Debtors' Emergency Motion for Enforcement of the Automatic Stay and for Other Relief* [Dkt. # 991].

In response to the *Motion of Mississippi Phosphates, et al. Requesting Determination of Value for the Purpose of Calculating Tax Liability Pursuant to Sections 105, 505 and 506 of the Bankruptcy Code, and for Relief From Excess Taxation for Tax Years 2013, 2014 and 2015* [Dkt. # 951], Jackson County, Mississippi, filed an *Agreed Motion to Extend Time to File Response to Debtor's Motion Requesting Determination of Value for the Purpose Calculating Tax Liability Pursuant to Sections 105,505 and 506 of the Bankruptcy Code, and for Relief from Excess Taxation for Tax years 2013, 2014 and 2015* [Dkt. # 990]. The Court entered an *Order Granting Motion for Time* [Dkt. # 992] in which it granted the motion to extend the time within which Jackson County, Mississippi, had to respond.

To implement the requirements of the *Order Granting Motion of Mississippi Phosphates Corporation for Order Approving Entry Into Settlement with the United States Department of Justice and for Authority to Enter Into and Perform to Proposed Plea Agreement* [Dkt. # 948], MPC entered a plea of "guilty" to a single count of the Clean Water Act in the case styled, "*United States of America v. Mississippi Phosphates Corporation*," Criminal Action No: 1:15CR58, United States District Court, Southern District of Mississippi, on August 18, 2015. Specifically, MPC admitted that on August 18-19, 2013, it discharged acidic wastewater containing pollutants in amounts exceeding MPC's permit limits and failed to add caustics to the wastewater to reduce its acidity and mitigate its toxicity to marine life, as required by MPC's permits. The Court accepted the guilty plea and adjudged MPC guilty of that single count. As a result, MPC was ordered to deed, unencumbered, in fee simple, all title and interest in the 320-acre parcel adjacent to the MPC facility in Jackson County, Mississippi, to the Mississippi Department of Marine Resources to become part of the Grand Bay National Estuarine Research Reserve, more particularly described as the west half of Section 10, Township 8 South, Range 5

West, Jackson County, Mississippi, and to pay a mandatory special assessment in the amount of \$400. To date, the State of Mississippi has yet to accept the deed for the 320-acre parcel.

On September 9, 2015, the Debtors filed the *Motion of Debtors for Entry of Agreed Order Approving Non-Material Modifications to Settlement Agreement* [Dkt. # 1008]. The Court, finding that the only interests affected by the proposed Modifications to the Settlement Agreement were those of the Parties, and because all Parties consented to the proposed Modifications of the Settlement Agreement and to the Agreed Order, found that cause existed to waive the twenty-one (21) day notice period in accordance with Bankruptcy Rule 2002(a)(3) and entered the *Agreed Order Approving Non-material Modifications to Settlement Agreement* [Dkt. # 1010].

With respect to *Motion of Debtors, Pursuant to Bankruptcy Code Sections 105(a), 363, 365, 503, and 507, and Bankruptcy Rules 2002, 3007, 6004, 6006, 9007, and 9014 for Entry of an Order (A) Approving the Liquidation Trust Asset Purchase Agreement, (B) Authorizing Sale Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (C) Granting Related Relief* [Dkt. # 979] (the "**Sale Motion**"), on September 4, 2015, the Debtors filed their *Notice of Filing Schedules for the Asset Purchase Agreement (Exhibit A to the Motion of Debtors, Pursuant to Bankruptcy Code Sections 105(a), 363, 365, 503, and 507 and Bankruptcy Rules 2002, 3007, 6004, 6006, 9007, and 9014 for Entry of an Order (A) Approving the Liquidation Trust Asset Purchase Agreement, (B) Authorizing Sale Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (C) Granting Related Relief* [Dkt. # 1003].

The Sale Motion drew two objections: *Limited Objection of the ACE Companies to Motion of Debtors to Approve Liquidation Trust Asset Purchase Agreement Filed by Creditor ACE American Insurance Company, et al.* [Dkt. # 1011] and *Objection to Motion of Debtors, Pursuant to Bankruptcy Code Sections 105(a), 363, 365, 503, and 507, and Bankruptcy Rules 2002, 3007, 6004, 6006, 9007, and 9014 for Entry of an Order (A) Approving the Liquidation Trust Asset Purchase Agreement, (B) Authorizing filed by Debtor Mississippi Phosphates Corporation* [Dkt. # 1016]. Ultimately, both of these objections were resolved, and the Court entered its Order granting the Sale Motion on October 14, 2015.

On October 16, 2015 (the "**Closing Date**"), the Debtors closed the Alternative Transactions by transferring to the MPC Environmental Trust and to the MPC Liquidation Trust substantially all of its real and personal property. As of that date, the MPC Environmental Trustee assumed the responsibility for the wastewater treatment and the gyp stacks maintenance, while the MPC Liquidation Trustee assumed the responsibility for the ammonia terminal operations of the Debtors. On November 3, 2015, the Debtors filed their *Notice of Closing of Sale of Assets to Environmental Trustee and Liquidation Trustee under Alternative Transaction* [Dkt. # 1070].

On January 5, 2016, the MPC Liquidation Trust filed a *Complaint for Declaratory and Other Relief* in the Bankruptcy Court and thus instituted an adversary proceeding styled "*MPC Liquidation Trust vs. Mississippi Phosphates Corporation and Mississippi Power Company,*" Adv. Pro. No. 16-06001-KMS (the "**Adversary Proceeding**") related to a claim related to the Mississippi Power Company refund for the Kemper Charges. The MPC Liquidation Trust sought the entry of a declaratory judgment that:

(a) The Refund was a Purchased Asset under the Asset Purchase Agreement (“*APA*”);

(b) The MPC Liquidation Trust acquired the Refund under the terms of the *APA* and Sale Order free and clear of all liens, claims and interests, including those of Mississippi Power;

(c) Pursuant to the Sale Order, MPC Liquidation Trust was not liable for the Mississippi Power Claim (as described in the Complaint);

(d) Pursuant to the Sale Order and applicable federal and state laws and procedural rules, Mississippi Power may not setoff or recoup any part of the Mississippi Power Claim against the Refund; and

(e) The failure of Mississippi Power to turn over the Refund and pay it to the MPC Liquidation Trust was a violation of the Sale Order.

In its Complaint, the MPC Liquidation Trust also sought entry of an order:

(a) Requiring Mississippi Power to pay the full Refund to MPC Liquidation Trust and to pay MPC Liquidation Trusts all costs and fees incident to its filing and prosecution of the Complaint;

(b) Awarding MPC Liquidation Trust pre-judgment and post-judgment interest; and

(c) Awarding MPC Liquidation Trust other and further relief to which it may be entitled at law or in equity.

On February 4, 2016, Mississippi Power Company filed its *Answer and Defenses of Mississippi Power Company to the Complaint for Declaratory and Other Relief, Counter-Claim and Cross-Claim for Interpleader* [Adv. Dkt. # 9].

After the filing of the Adversary Proceeding, counsel for the Committee was given the right to defend the Adversary Proceeding and to prosecute any counterclaims or cross-claims on behalf of the bankruptcy estate related to the Adversary Proceeding. On March 4, 2016, the Committee filed its *Answer, Defenses, and Counter-Claim of the Official Committee of Unsecured Creditors on Behalf of Mississippi Phosphates Corporation to the MPC Liquidation Trust Complaint* [Adv. Dkt. # 17].

That matter is still pending.

V. SUMMARY OF THE PLAN

The following summary and the other descriptions in the Disclosure Statement are qualified in their entirety by reference to the provisions of the Plan and its exhibits, a copy of which is attached hereto as **Exhibit 1**. It is urged that each holder of a Claim or Interest carefully review the terms of the Plan. In the event of any inconsistency between the provisions of the Plan and the summary contained in this Disclosure Statement, the terms of the Plan shall control.

In general, a Chapter 11 plan (i) divides claims and equity interests into separate classes, (ii) specifies the property that each class is to receive under the plan, and (iii) contains other provisions necessary to confirm the plan. Under the Bankruptcy Code, “claims” and “equity interests” are classified, rather than classification as “creditors” and “shareholders,” because such entities may hold claims or equity interests in more than one class. For purposes of this Disclosure Statement, the term “holder” refers to the holder of a Claim or Interest, respectively, in a particular class under the Plan.

A Chapter 11 plan may specify that certain classes of claims or equity interests are either to be paid in full when the plan becomes effective or are to remain unchanged by the treatment prescribed in the plan. Such classes are referred to as “unimpaired,” and because of such favorable treatment, the holders in such classes are deemed to accept the plan and are not entitled to vote. Accordingly, it is not necessary to solicit votes from the holders of claims or equity interests in such classes. A Chapter 11 plan may also specify that certain classes will not receive any distribution of property or retain any claim against the debtor. Such classes are deemed not to accept the plan and, therefore, need not be solicited to vote to accept or reject the plan.

A. Debtors’ Assets

Presently, substantially all of the Debtors’ assets have been transferred to either the MPC Environmental Trust or the MPC Liquidation Trust pursuant to that certain *Stipulation and Settlement Agreement* [Dkt. # 818-1], dated as of June 22, 2015, by and among the Debtors, PHI, the Lender Parties, the Environmental Agencies and the Environmental Trustee, as approved by the Bankruptcy Court in the *Order Approving Debtors’ Motions for Approval of Sale Motion (Dkt. No. 819)*, *Committee Settlement (Dkt. No. 501)*, *Government Settlement (Dkt. No. 818)*, and *DOJ Settlement (Dkt. No. 870)* [Dkt. # 937] and in the Environmental Settlement Order, as confirmed by the *Notice of Closing of Sale of Assets to Environmental Trustee and Liquidation Trustee under Alternative Transaction* [Dkt. # 1070]. The assets of the Debtors transferred to the MPC Liquidation Trust are specified in the APA, but did not include the Excluded Assets as described in the APA.

Although the assets are actually transferred to the Liquidating Trust, the liquidating trust approach treats the Debtors’ assets as if the assets were first distributed to the holders of Allowed Claims and such holders of Allowed Claims then contributed the assets to the liquidating trust. This constitutes a completed transfer of the assets by the Debtors. At the time of the deemed distribution to the creditors, the creditors determine the tax consequence of the deemed distribution – usually a business bad debt deduction for the creditors. Because the creditors are treated as having contributed the assets to the liquidating trust, each of them is a grantor to the extent of the assets it contributed. The mechanics of the tax filings for the liquidating trust likely would require the filing of an IRS Form 1041 and provide a statement to each grantor of its portion of the trust's income and expenses.

B. Classification of Claims and Interests

The following table designates the classes of Claims against and Equity Interests in the Debtors and specifies which of those classes are impaired or unimpaired by the Plan and entitled

to vote to accept or reject the Plan in accordance with Section 1126 of the Bankruptcy Code or deemed to reject the Plan:

Class	Debtors Claims/Interests	Impairment	Entitled to Vote
1	Administrative Expense Claims	Impaired	Yes
2	Pre-Petition Lenders	Unimpaired	No
3	DIP Lenders Claims	Unimpaired	No
4	Secured Claims - Landlords, Lessors, and Utilities	Impaired	Yes
5	Secured Claims - Jackson County, Mississippi	Unimpaired	No
6	General Unsecured Claims	Impaired	Yes
7	Subordinated Claims of EPA and MDEQ	Impaired	Yes
8	Equity Interests	Impaired	No, deemed to reject

C. Treatment of Unclassified Claims and Interests

i. Administrative Claims

To the extent any non-Professional Administrative Expense Claims, other than the United States Trustee Fees, the treatment of which is set forth in Article II of the Plan, are Allowed pursuant to Section 2.1.1 of the Plan, each holder of such Claim will be paid by the MPC Plan Trustee in Cash the Allowed amount of such Claim as soon after the Effective Date as practicable, as more particularly set forth in Section 2.1 of the Plan, unless the holder of such Claim agrees to alternative treatment with the Debtors prior to the Effective Date.

a. United States Trustee Fees

With respect to amounts due to the Office of the United States Trustee, the Debtors or the MPC Plan Trustee shall pay the appropriate sum required by 28 U.S.C. § 1930(a)(6) within thirty (30) days of the Effective Date. The MPC Plan Trustee shall timely pay to the United States Trustee, any and all post-confirmation quarterly fees as required by 28 U.S.C. § 1930(a)(6) until such time as this case is converted, dismissed or closed by the Court. Additionally, the Debtors or MPC Plan Trustee shall submit to the United States Trustee post-confirmation quarterly operating reports in the format prescribed by the United States Trustee until such time as this case is converted, dismissed, or closed by the Court. At this time, the Debtors are current on all fees owed to the United States Trustee.

b. Professional Compensation and Reimbursement Claims

Within forty-five (45) days from the date the Confirmation Order becomes a Final Order, any Professional seeking an award by the Bankruptcy Court of compensation for services rendered and reimbursement of expenses incurred through and including the Confirmation Date under Sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall (a) file their respective applications for final allowances of compensation for services rendered and reimbursement of expenses incurred; and (b) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court in accordance with the Order relating to or Allowing any such Administrative Expense Claim; or (c) be able to apply any amounts held in retainer up to amounts as are Allowed by the Bankruptcy Court.

c. Priority Claims - Other Than Under Section 507(a)(8)

The Debtors contend that there are no Allowed Priority Claims other than those arising under Section 507(a)(8) of the Bankruptcy Code. To the extent there are any such Allowed Priority Claims, each holder of such Claims will receive the treatment required by Section 1129(a)(9)(A) or (B) of the Bankruptcy Code, as appropriate.

d. Priority Claims Under Section 507(a)(8)

For holders of Allowed Priority Claims arising under Section 507(a)(8) of the Bankruptcy Code, unless such Allowed Priority Claim is an Assumed Liability and is treated as a Class 5 Secured Claim, pursuant to Section 1129(a)(9)(C) or (D) of the Bankruptcy Code, the holder of any such Allowed Priority Claim will receive on account of such Claim regular installment payments in Cash of a total value, as of the Effective Date of the Plan, the allowed amount of such claim as follows: in three (3) equal regular annual principal installments, each in the amount of one-third ($\frac{1}{3}$) of the principal amount of the Allowed Priority Claim, plus accrued interest on the unpaid balance at the rate of six percent (6%), with the first payment being made on June 30, 2017, and a similar payment being made on June 30, 2018 and a final payment being made on June 30, 2019.

This treatment is not less favorable than the most favored nonpriority unsecured Claim provided for by the Plan as required by Section 1129(a)(9)(C) and (D).

Although a portion of the Claim of Jackson County, Mississippi, for real estate ad valorem taxes qualifies as a Priority Claim under Section 507(a)(8) of the Bankruptcy Code, the Debtors have treated that Priority Claim as a part of the Class 5 Secured Claim of Jackson County, Mississippi, which encompasses not only the Priority portion of the Claims of Jackson County, Mississippi, but all of the Allowed Secured Claims of Jackson County, Mississippi, for unpaid 2013, 2014 (pre-petition), and 2015 (post-petition) real estate ad valorem taxes on the real property formerly owned by the Debtors that was sold, transferred and conveyed to the MPC Environmental Trust and the MPC Liquidation Trust on October 16, 2015. Pursuant to Section 2.3(c) of the APA, the Class 5 Secured Claims of Jackson County, Mississippi, are Assumed Tax Liabilities that will be paid by the MPC Liquidation Trust outside the terms of the Plan.¹² Pursuant to Section 506(a) of the Bankruptcy Code, the Claims of Jackson County, Mississippi, are Allowed Secured Claims to the extent that Jackson County, Mississippi, has a non-avoidable lien on property in which the bankruptcy estate has an interest and only to the extent of the value of the interest of Jackson County, Mississippi, in the estate's interest in such property. The Debtors have filed a Valuation Motion requesting the Court to enter an order determining the Debtors' tax liability to Jackson County, Mississippi, should be based upon values of their assets reflected by the sale process, expressions of interest and offers or non-qualified bids received by the Movants in an effort to determine tax liability of the Debtors and to grant relief from the excess taxation for tax years 2013, 2014, and 2015. The Court's ruling on the Valuation Motion will determine the extent of the Secured Claim of Jackson County, Mississippi, and also the extent of the rebate or the credit to which the Debtors may be entitled from Jackson County, Mississippi.

¹² See footnote 6 supra.

Unless Jackson County, Mississippi, objects, the Plan treats the Claim of Jackson County, Mississippi, as a Secured Claim for the real property ad valorem taxes owed to it for calendar years 2013, 2014, and 2015 to the extent such taxes are due and owing determined by the Court pursuant to the Valuation Motion. If Jackson County, Mississippi, elects to assert any portion of its Claim for the real property ad valorem taxes as a Priority Claim instead of as a Secured Claim, Jackson County, Mississippi, shall receive the treatment specified above for holders of Allowed Priority Claims Under Section 507(a)(8) of the Bankruptcy Code for that portion of Claim that was incurred before the commencement of the Bankruptcy Cases and last payable without penalty after one year before the filing of the petition.

With respect to that portion of the Claim of Jackson County, Mississippi, for personal property taxes, the Debtors have filed a Valuation Motion requesting the Court to enter an order determining the Debtors' tax liability to Jackson County, Mississippi, should be based upon values of their assets reflected by the sale process, expressions of interest and offers or non-qualified bids received by the Movants in an effort to determine tax liability of the Debtors and to grant relief from the excess taxation for tax years 2013, 2014, and 2015. The Court's ruling on the Valuation Motion will determine the extent of the Secured Claim of Jackson County, Mississippi, with respect to personal property as well as real property, and also the extent of the rebate or the credit to which the Debtors may be entitled from Jackson County, Mississippi. On information and belief, the personal property located on the property formerly owned by the Debtors in Jackson County, Mississippi, had no value and therefore there should not be any moneys owed for personal property taxes for such personal property. Further, to the extent any personal property taxes were for inventory, those taxes are the responsibility of the owners of that personal property, and not solely the liability of the Debtors. To the extent the Debtors have any liability for any personal property taxes, Jackson County, Mississippi, shall receive the treatment specified above for holders of Allowed Priority Claims Under Section 507(a)(8) of the Bankruptcy Code for that portion of Claim that was incurred before the commencement of the Bankruptcy Cases and last payable without penalty after one year before the filing of the petition.

e. Employee Severance Claims

The Mississippi Phosphates Severance Pay Plan, which had been adopted in 2011, was terminated by the Board of Directors of MPC in conjunction with the filing of the bankruptcy petitions. Under the terms of that Plan, MPC reserved the right to amend or terminate the Plan at any time without prior notice. Because of the financial constraints under which MPC was going to have to operate post-bankruptcy, the Board of Directors of MPC voted to terminate the Plan. Notice of the termination of the Plan was given to employees shortly after the Petition Date. Accordingly, because MPC paid all of their employees all wages owed during the term of their employment, the Debtors or the MPC Plan Trustee intend to object to any severance claim filed.

D. Treatment of Classified Claims and Interests

i. Class 1: Administrative Expense Claims

Class 1 is impaired by the Plan. Each holder of an Administrative Expense Claim is entitled to vote to accept or reject the Plan. Other than the United States Trustees Fees, the treatment of which is set forth in Article V(C)(i)(a) above, to the extent any non-Professional Administrative Expense Claims are Allowed pursuant to Section 2.1 of the Plan, each holder of such Claim will be paid by the MPC Plan Trustee in Cash the Allowed amount of such Claim on the Effective Date, or as soon thereafter as practicable, unless the holder of such Claim agrees to alternative treatment with the Debtors prior to the Effective Date.

ii. Class 2: Pre-Petition Lenders

Class 2 is not impaired by the Plan. Each holder of a Pre-Petition Lenders Claim is entitled to vote to accept or reject the Plan. Class 2 Claims are those of the Pre-Petition Lenders, the indebtedness owed to which has been denominated as the Agent Secured Claims.¹³ As reflected in the Committee Settlement Agreement and in the Committee Settlement Agreement Order, the Class 2 Claims are comprised of the Pre-Petition Indebtedness. Class 2 Claims also include the Adequate Protection Claims of the Pre-Petition Lenders, which, according to the Final DIP Order, are subordinate and subject to (i) the Carve Out and (ii) the Superpriority Claims. The Claims of Class 2 will be paid in accordance with the distribution and allocation and priority scenarios set forth in Article V of the Plan, which reflect the terms and conditions and priorities of the Committee Settlement Agreement Order and the Environmental Settlement Order. The rights of the holders of Class 2 Claims are not affected by the Plan.

iii. Class 3: DIP Lenders Claims

Class 3 is not impaired by the Plan, and each holder of a DIP Lenders Claim is not entitled to vote to accept or reject the Plan. Class 3 Claims are those of the DIP Lenders, and the indebtedness owed to the DIP Lenders is defined as the DIP Obligations. As reflected in the Committee Settlement Agreement and in the Committee Settlement Agreement Order, the Class 3 Claims are the \$6,000,000 borrowed by the Debtors under the DIP Credit Agreement, together

¹³ The Agent Secured Claim has been reduced by the \$15,000,000 credit bid which cancelled that amount of the Pre-Petition Indebtedness bid by the MPC Liquidation Trustee, as the Agent's designee, for the Liquidation Trust Acquired Assets, with the amount of the cancellation of Pre-Petition Indebtedness reduced by the amount of Assumed Tax Liabilities assumed by Purchaser at Closing, with current year ad valorem taxes prorated through the Closing Date. The credit bid was pursuant to Section 363(k) of the Bankruptcy Code. The MPC Liquidation Trust also agreed to be co-liable with the Debtors for all Secured Tax Claims on the Liquidation Trust Acquired Assets and the DIP Obligations provided, however, that the agreement of the MPC Liquidation Trust to be or become co-liable with the Debtors shall not in any way reduce such obligations except to the extent such liabilities against the Debtor are actually paid by the MPC Liquidation Trust. Although the parties agreed that the payment of such Assumed Liabilities by either the Debtors or the MPC Liquidation Trust shall give no right of contribution against the other, in Section 8.3 of the APA, the MPC Liquidation Trust agreed that from and after the Closing, the MPC Liquidation Trust shall pay and discharge all Assumed Liabilities and it shall reimburse and hold Sellers harmless from and against any claim, loss, cost, or expense arising from or related to (i) the Assumed Liabilities, or (ii) the operation of the Purchased Assets by Purchaser or any Affiliate of Purchaser or their respective successors and assigns, from and after the Closing Date.

with interest, fees, costs and other charges under the DIP Credit Agreement. Pursuant to Section 2.3(d) of the APA, the DIP Obligations are part of the Assumed Liabilities of the Liquidation Trustee. Accordingly, the DIP Obligations will be paid outside the Plan by the Liquidation Trustee according to terms acceptable to the DIP Lenders and the Liquidation Trustee.

iv. Class 4: Secured Claims - Landlords, Lessors, and Utilities

Class 4 is impaired by the Plan. Each holder of a Secured Claims - Landlords, Lessors, and Utilities is entitled to vote to accept or reject the Plan. Class 4 Secured Claims are the Allowed Secured Claims of Landlords, Lessors, and Utilities, whose executory contract or unexpired lease which formed the basis of the Allowed Secured Claim was not assumed and assigned to either the Environmental Trust or the MPC Liquidation Trust under one of the Alternative Transactions.¹⁴ Each such Claim is a Secured Claim only to the extent that any such creditor has a non-avoidable lien on property in which the bankruptcy estate has an interest and only to the extent of the value of such creditor's interest in the estate's interest in such property, as provided by Section 506(a) of the Bankruptcy Code. To the extent that a Class 4 Creditor has an Allowed Secured Claim, the automatic stay is lifted and the Class 4 Creditor can look to its collateral or security deposit for the satisfaction of its Allowed Secured Claim. All Class 4 Secured Creditors will be paid only from their deposit or from the proceeds of the sale of their collateral for the amount of the Allowed Secured Claim, and any deficiency that exists between the total amount of the claim of such Class 4 Creditor and the amount of such Class 4 Creditor's Allowed Secured Claim (i.e., the value of the deposit or collateral) will be treated as a Class 6 General Unsecured Claim. The Class 6 General Unsecured Claim that arises as a result of the deficiency will confer Class 6 voting and distribution rights upon the holder of such a Class 6 General Unsecured Claim.

v. Class 5: Secured Claims - Jackson County, Mississippi

Class 5 is not impaired by the Plan. Each holder of a Secured Claim - Jackson County, Mississippi, is not entitled to vote to accept or reject the Plan. Class 5 Secured Claims are the Allowed Secured Claims of Jackson County, Mississippi, for unpaid 2013, 2014 (pre-petition) and 2015 (post-petition) real estate ad valorem taxes on the real property formerly owned by the Debtors that was sold, transferred and conveyed to the MPC Environmental Trust and the MPC Liquidation Trust on October 16, 2015. Pursuant to Section 2.3(c) of the APA, the Class 5 Secured Claims of Jackson County, Mississippi, are Assumed Tax Liabilities that will be paid by the MPC Liquidation Trust outside the terms of the Plan.¹⁵ Pursuant to Section 506(a) of the Bankruptcy Code, the Claims of Jackson County, Mississippi, are Allowed Secured Claims only to the extent that such creditor has a non-avoidable lien on property in which the bankruptcy estate has an interest and only to the extent of the value of such creditor's interest in the estate's interest in such property. The Debtors have filed a Valuation Motion requesting the Court to enter an order determining the Debtors' tax liability to Jackson County, Mississippi, should be based upon values of their assets reflected by the sale process, expressions of interest and offers or non-qualified bids received by the Movants in an effort to determine tax liability of the

¹⁴ See footnote 5 supra.

¹⁵ See footnote 6 supra.

Debtors and to grant relief from the excess taxation for tax years 2013, 2014 and 2015. The Court's ruling on the Valuation Motion will determine the extent of the Secured Claim of Jackson County, and also the extent of the rebate or the credit to which the Debtors may be entitled.

vi. Class 6: General Unsecured Claims

Class 6 is impaired by the Plan. Each holder of a General Unsecured Claim is entitled to vote to accept or reject the Plan. Class 6 is comprised of all General Unsecured Claims. Included in Class 6 Claims are any claims by any counterparty to an unexpired lease or executory contract for rejection damages. Also included in Class 6 Claims are MDEQ's claims for damages to natural resources, which, pursuant to the Environmental Settlement Agreement, are an Allowed General Unsecured Claim in the amount of \$186,000.00, and which shall be paid without discrimination in the same manner as other Allowed General Unsecured Claims are paid, or from any available insurance proceeds.¹⁶

Allowed General Unsecured Class 6 Claims will be paid Pro Rata, but only to the extent of any remaining funds in the Disbursing Account after the payment in full of the following: (i) all Administrative Expense Claims set forth above; (ii) all post-confirmation Administrative Expense Claims to be incurred until the Bankruptcy Case is closed; and (iii) the Claims of Classes 1 and 2.

vii. Class 7: Subordinated Claims of EPA and MDEQ

Class 7 is impaired by the Plan. Each holder of a Subordinated Claim of EPA or MDEQ is entitled to vote to accept or reject the Plan. Class 7 Claims are those of the EPA and the Subordinated MDEQ Claim. Pursuant to the Environmental Settlement Agreement, EPA's Claims for civil penalties for violations of RCRA, CAA, and CWA shall be Allowed General Unsecured Claims in the amounts of \$2,300,000 for RCRA violations, \$600,000 for CAA violations, and \$1,400,000 for CWA violations, but shall be subordinated to the Allowed General Unsecured Claims of other Class 6 General Unsecured Creditors. Similarly, pursuant to the Environmental Settlement Agreement, MDEQ's Claims for civil penalties for violations of RCRA, CAA, and CWA shall be Allowed General Unsecured Claims in the amounts of \$2,300,000 for RCRA violations, \$600,000 for CAA violations, and \$1,400,000 for CWA violations, but shall be subordinated to the Allowed General Unsecured Claims of other Class 6 General Unsecured Creditors. These Class 7 Claims will be paid in accordance with the distribution and allocation and priority scenarios set forth in Article V of the Plan from Cash administered by the MPC Plan Trustee, but only after the Claims of all Class 6 holders have been paid in full.

¹⁶ MDEQ also asserted a General Unsecured Claim against MPC for Title V Air Permit Fees in the amount of \$86,470.04 as reflected in the *Order Granting Motion of Debtors to Determine Cure Amounts for Executory Contracts and Unexpired Leases that May Be Assumed and Assigned as Part of the Sales Motion* [Dkt. # 628], but the Debtors and MDEQ resolved that Claim in connection with the assumption and assignment of the Title V Air Permits to the MPC Liquidation Trust, so the Debtors no longer have any liability with respect to the Title V Air Permit Fees and MDEQ does not have any General Unsecured Claim with respect to the Title V.

viii. Class 8: Equity Interests

Class 8 consists of all Equity Interests in the Debtors. The holder of any Equity Interest will not receive or retain any property under the Plan or on account of such Equity Interest. Within ninety (90) days after the Effective Date, all existing Equity Interests in the Debtors will be extinguished and retired and the Debtors shall be dissolved. The holders of Equity Interests will receive no distributions under the Plan. Accordingly, such Class 8 Equity Interests are impaired by the Plan and are deemed not to have accepted the Plan in accordance with Section 1126(g) of the Bankruptcy Code because the holder of any Equity Interest will not receive or retain any property under the Plan or on account of such Equity Interest. Therefore, the holders of any Equity Interest may still vote to accept or reject the Plan.

E. Claims Objections and Administration

i. Objections to Claims

Except insofar as a Claim is Allowed under the Plan, the Debtors and the MPC Plan Trustee shall be entitled to object to any Claim. The Bar Date has passed, and the MPC Plan Trustee reserves the right to file any objection to any Claim on or before 365 days after the Effective Date, and such time period can be extended for cause upon request and approval by the Bankruptcy Court.

ii. No Distribution Pending Allowance

Notwithstanding any other provision of the Plan, if any portion of an Administrative Expense Claim or a Claim is Disputed, no payment or distribution provided in the Plan shall be made on account of such Administrative Expense Claim or Claim unless and until such Disputed Administrative Expense Claim or Claim is resolved and becomes Allowed.

iii. Estimation of Claims

The MPC Plan Trustee may request at any time that the Bankruptcy Court estimate any Contingent Claim, Unliquidated Claim or Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contingent Claim, Unliquidated Claim, or Disputed Claim, the amount so estimated will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the MPC Plan Trustee may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another.

VI. SUMMARY OF PLAN IMPLEMENTATION

A. Substantive Consolidation

On the Effective Date, the estates of the Debtors will be treated as if substantively consolidated for all purposes with respect to solicitation, voting, confirmation, implementation, and execution of this Plan. On the Effective Date, all assets and liabilities of the Consolidated Debtors shall be treated as merged, all guaranty obligations of any Consolidated Debtor of any obligation of another Consolidated Debtor will be eliminated, and all Claims filed against any Consolidated Debtor shall be deemed filed against the consolidated estate of the Consolidated Debtors for all purposes relating to this Plan and to satisfaction of the Claims of Classes 1 through 8.

B. Settlements and Compromises as the Foundation of the Plan

The foundation of the Plan is a combination of the Environmental Settlement Agreement and the Committee Settlement Agreement, and the funds that may flow to the bankruptcy estate as a result. These settlements provide the basis for funding of the Plan and allow for the negotiated distributions provided for under the Plan on the Effective Date, or as soon thereafter as practical. Given the interdependence of these settlements, the substance of which is incorporated into and embodied in the Plan, the Plan is much more feasible than if a Plan had been proposed separate and apart from these settlements. In light of these settlements, the feasibility of the Plan is substantially increased and the execution risks associated with the Plan and the inability for the negotiated obligations under the Plan to be funded is substantially decreased.

C. Vesting of Assets

On the Effective Date, the Debtors, their properties and interests in property, and their operations will be released from the custody and jurisdiction of the Bankruptcy Court, and all property of the bankruptcy estates of the Debtors will vest in the MPC Plan Trustee free and clear of all Claims, Liens, encumbrances, charges and other interests, but specifically subject to the obligations of the Debtors and the MPC Plan Trustee as provided in the Plan.

D. BP Proceeds - Distribution of BP Proceeds after a Debtor or Trust All-Asset Sale Closing

As provided in the Environmental Settlement Agreement [Dkt. # 818-1], at Section VII, entitled "BP Proceeds" at Paragraph 16, at 20, the Court approved the distribution and allocation and priority of BP Proceeds after a Debtor or Trust All-Asset Sale Closing. There, the Environmental Settlement Agreement provided as follows:

"16. To the extent that a Debtor All-Asset Sale or a Trust All-Asset Sale is closed prior to the Agent's receipt of BP Proceeds, then any proceeds of the BP Claim or Protective Claim shall be distributed as follows:

- (a) first, to Motley Rice LLC (“Motley Rice”) in the amount of its fees and expenses with respect to the prosecution of the BP Claim and any Protective Claim;
- (b) second, to the Agent in the full amount of the DIP/Exit Obligations;
- (c) third, to the Reimbursement Escrow Account up to the Reimbursement Cap until distributed pursuant to Paragraph 34;
- (d) fourth, to the Environmental Wind-Down Reserve Account if then existing as necessary to pay expenses and wind down the Environmental Trust up to the maximum amount of \$50,000;
- (e) fifth, all remaining proceeds to the Agent until the Agent has received full payment of the Agent Secured Claim;¹⁷[footnote 4 in the Environmental Settlement Agreement] and
- (f) sixth, all remaining proceeds to the Bankruptcy Estates or any successor entity to be distributed as Excess Proceeds.”

E. BP Proceeds - Distribution of BP Proceeds Prior to a Debtor or Trust All-Asset Sale Closing

As provided in the Environmental Settlement Agreement [Dkt. # 818-1], at Section VII, entitled “BP Proceeds,” at Paragraph 17, at 20-21, the Court approved the distribution and allocation and priority of BP Proceeds prior to a Debtor or Trust All-Asset Sale Closing. There, the Environmental Settlement Agreement provided as follows:

“17. To the extent a Debtor All-Asset Sale or a Trust All-Asset Sale does not close prior to the Agent’s receipt of any BP Proceeds, any proceeds realized from the BP Claim or the Protective Claim, including, without limitation, settlement payments, shall be paid to the Agent and shall be distributed as follows:

- (a) first, to Motley Rice in the amount of its fees and expenses with respect to the prosecution of the BP Claim and any Protective Claim;
- (b) second, to the Agent in the full amount of the DIP/Exit Obligations;
- (c) third, to the Reimbursement Escrow Account up to the Reimbursement Cap until distributed pursuant to Paragraph 34;

¹⁷(4) The Agent’s commitments under the Committee Settlement to fund the Estate Settlement Payment of up to \$7,375,000 shall be exclusively satisfied from the Agent’s payment of BP Proceeds hereunder.

(d) fourth, (i) 50% of the remaining proceeds to the Environmental Trust and (ii) the balance of the remaining proceeds to the Agent until the Agent has received \$45,000,000 with respect to the Agent Secured Claim;¹⁸ [footnote 5 in the Environmental Settlement Agreement]

(e) fifth, 85% of the remaining proceeds to the Environmental Trust until such time as the Environmental Trust Funding Threshold is satisfied, and the balance of the remaining proceeds to the Agent until the Agent Secured Claim has been paid in full; and

(f) sixth, all remaining proceeds to the Bankruptcy Estates or any successor entity to be distributed as Excess Proceeds.”

F. Distribution of Proceeds of MPC Liquidation Trust Assets Prior to the Closure of Trust All-Asset Sale

As provided in Environmental Settlement Agreement [Dkt. # 818-1], Section VIII, entitled “Liquidation Trust,” at Paragraph 25, at 24-25, the Court approved the distribution and allocation and priority of proceeds of the MPC Liquidation Trust Prior to the Closure of a Trust All-Asset Sale. There, the Environmental Settlement Agreement provided as follows:

“25. Upon the sale of any Liquidation Trust Acquired Assets or the receipt of any net income before a Trust All-Asset Sale closes, the Liquidation Trust shall first pay all costs associated with such sale including any broker and legal fees and related closing costs and fully fund the Liquidation Wind-Down Reserve Account (as defined below) and any necessary reserves for administrative costs, as provided in the Liquidation Trust Agreement, and fully fund the Environmental Wind-Down Reserve Account (as defined below). After all of the forgoing has been paid, all remaining proceeds from the sale of property (the “*Net Proceeds*”) shall be distributed as follows:

- (a) first, to the Agent in the full amount of the outstanding DIP/Exit Obligations;
- (b) second, to the Reimbursement Escrow Account up to the Reimbursement Cap until distributed pursuant to Paragraph 34;
- (c) third, with respect to proceeds attributable to the sale of personal property identified by the Lenders on *attachment A* to the Liquidation Trust Agreement and sold apart from the real property,

^{18[5]} The Agent’s commitments under the Committee Settlement to fund the Estate Settlement Payment of up to \$7,375,000 shall be satisfied from the Agent’s payment hereunder.

the first \$2,500,000 of such Net Proceeds to the Lender Parties;¹⁹
[footnote 6 in the Environmental Settlement Agreement]

(d) fourth, (i) 40% of the remaining proceeds to the Environmental Trust and, (ii) the balance of the remaining proceeds to the Agent until the Agent has received \$45,000,000 with respect to the Agent Secured Claim;

(e) fifth, 85% of the remaining proceeds to the Environmental Trust until such time as the Environmental Trust Funding Threshold is satisfied, and the balance to the Agent until the Agent Secured Claim has been paid in full; and

(f) sixth, all remaining proceeds to the Bankruptcy Estates or any successor entity to be distributed as Excess Proceeds.”

G. Distribution of Proceeds of MPC Liquidation Trust Assets Upon the Closure of a Trust All-Asset Sale

As provided in Environmental Settlement Agreement [Dkt. # 818-1], Section VIII, entitled “Liquidation Trust,” at Paragraph 26, at 25, the Court approved the distribution and allocation and priority of proceeds in the event of a Trust All-Asset Sale. There, the Environmental Settlement Agreement provided as follows:

“26. In the event the Liquidation Trust and Environmental Trust consummate a Trust All-Asset Sale, the Net Proceeds of such sale, or any subsequent sale, shall be distributed as follows:

(a) first, to the Agent in the full amount of the DIP/Exit Obligations;

(b) second, to the Reimbursement Escrow Account up to the Reimbursement Cap pursuant to Paragraph 34;

(c) third, to the Environmental Wind-Down Reserve Account if then existing as necessary to pay expenses and wind down the Environmental Trust up to the maximum amount of \$50,000;

(d) fourth, all remaining proceeds to the Agent until the Agent has received full payment of the Agent Secured Claim; and

(e) fifth, all remaining proceeds to the Bankruptcy Estates or any successor entity to be distributed as Excess Proceeds.”

^{19[6]} Notwithstanding Attachment A, Waste Water Treatment Plant and Gyp Stack Maintenance Equipment shall only be sold in connection with a sale of the Gyp Stacks.

H. Modification of Distribution

As provided in Section VIII, entitled "Liquidation Trust" at Paragraph 27 of the Environmental Settlement Agreement [Dkt. # 818-1, at 27], the Court approved a modification of the distribution and allocation and priority of proceeds in the event of an All-Asset Sale, including an Alternative Transaction, under certain circumstances. There, the Environmental Settlement Agreement provided as follows:

"27. Notwithstanding anything to the contrary herein, the above distributions shall be deemed amended as follows upon the occurrence of any of the following events:

(a) Upon the Agent's receipt of the full amount of the Agent Secured Claim (in addition to receipt of the full amount of the DIP/Exit Obligations), all remaining proceeds shall be paid to the Environmental Trust up to the Environmental Trust Funding Threshold.

(b) Upon the Environmental Trust's receipt of the full amount of the Environmental Trust Funding Threshold, all remaining proceeds shall be paid to the Agent up to the full amount of the Agent Secured Claim (in addition to receipt of the full amount of the DIP/Exit Obligations).

(c) Upon both the Agent's receipt of the full amount of the Agent Secured Claim (in addition to receipt of the full amount of the DIP/Exit Obligations) and the Environmental Trust's receipt of the full amount of the Environmental Trust Funding Threshold, pursuant to Paragraphs 27(a) and (b) above, all remaining proceeds (the "*Excess Proceeds*") shall be distributed to the Bankruptcy Estates or any successor entity and be considered Excess BP Proceeds subject to the procedures for such proceeds set forth in the Committee Settlement."

I. Approval of Treatment, Distribution, Amounts, and Priorities of Proceeds

The Environmental Settlement Order [Dkt. # 950], at pages 6-7, specifically approved the distribution, priorities, and amounts of the BP Proceeds and the proceeds from the sale of the Debtors assets through the Alternative Transaction.

i. BP Proceeds

"IT IS FURTHER ORDERED that the treatment of the BP Proceeds as provided in Paragraphs 16 and 17 of the Settlement Agreement is specifically approved."

ii. Other Proceeds

“IT IS FURTHER ORDERED that distribution of proceeds under Paragraphs 25 and 26 of the Settlement Agreement is specifically approved.”

J. Committee - Estate Settlement Payment

Upon the Effective Date, the Estate Settlement Payment shall be released from escrow to the Liquidating Trustee. If, however, the Estate Settlement Payment has not been received by the Debtor at the time of the Effective Date, the Estate Settlement Payment shall be made by the Agent directly to the Liquidating Trustee for distribution in accordance with the terms of this Plan.

K. Implementation of Order and Judgment

The Debtors still own 320-acre parcel adjacent to the MPC facility in Jackson County, Mississippi, which MPC was ordered to deed, unencumbered, in fee simple, to the Mississippi Department of Marine Resources to become part of the Grand Bay National Estuarine Research Reserve pursuant to the Judgment entered on August 18, 2015 in the case styled, “*United States of America v. Mississippi Phosphates Corporation*,” Criminal Action No: 1:15CR58, United States District Court, Southern District of Mississippi. The Debtors, or the MPC Plan Trustee, as appropriate, intend to coordinate with State and Federal agencies with respect to the implementation of the requirements of the *Order Granting Motion of Mississippi Phosphates Corporation for Order Approving Entry Into Settlement with the United States Department of Justice and for Authority to Enter Into and Perform to Proposed Plea Agreement* [Dkt. # 948] and the Judgment with respect to the conveyance of the 320-acre parcel, which action was also authorized by that certain *Order Granting Motion of Mississippi Phosphates Corporation for Order Approving Entry Into Settlement with the United States Department of Justice and for Authority to Enter Into and Perform to Proposed Plea Agreement* [Dkt. # 948].

L. Sources of Payments

There are four (4) sources of payments by which the Plan will be funded: (1) the Estate Settlement Payment; (2) the Excess BP Proceeds; (3) realization of and recoveries from any unencumbered assets of the Debtors that were not transferred to either the Environmental Trustee or the Liquidation Trustee, including recoveries from Causes of Action not previously conveyed; and (4) recoveries from Avoidance Actions.

M. Preservation of Avoidance Actions and Causes of Action

The Debtors specifically and unequivocally reserve, for the Governments all rights to insurance coverage for environmental liabilities for amounts spent by the Governments, the Environmental Trust, the Debtors, and the Debtors' predecessors, all of which are preserved to the fullest extent permitted by law, and are assigned to the Environmental Trust, as provided by the terms of the *Order Approving Debtors' Motions for Approval of Sale Motion* (Dkt. No. 819), *Committee Settlement* (Dkt. No. 501), *Government Settlement* (Dkt. No. 818), and *DOJ Settlement* (Dkt. No. 870) [Dkt. # 937] and the *Order pursuant to Bankruptcy Rule 9019*

Approving Compromise of Controversy and Settlement Agreement and Authorizing Settlement among the Debtors, the Committee, the Lender Parties and PHI [Dkt. # 949].

The Debtors specifically and unequivocally reserve, for themselves or for the MPC Plan Trustee (as successor in interest to the Debtors), the right to assert, after the confirmation of the Plan herein, any and all of the Claims, rights, and Causes of Action, and all proceeds of the foregoing, including, but not limited to, those listed below, which is a non-exclusive list of Potential Parties against whom the MPC Plan Trustee may assert Claims and Causes of Action. The failure to include a person or an entity on this list shall not constitute a release of such entity and shall not indicate that Claims and Causes of Action against such entity have not been retained. All possible Claims and Causes of Action, including Claims and Causes of Action not listed below, are retained against all entities not expressly released pursuant to the Plan or a final order of the Bankruptcy Court. In the event of any inconsistency between the releases pursuant to the Plan or a final order of the Bankruptcy Court and the attached list, such releases granted pursuant to the Plan or final order of the Bankruptcy Court shall govern. The MPC Plan Trustee shall retain all Claims and Causes of Action of any kind whatsoever against all such persons or entities, including without limitation the following categories of Claims and Causes of Action:

i. The BP Claim and the BP Protective Claim (the proceeds of which will be administered pursuant to the terms of this Plan and the *Order Approving Debtors' Motions for Approval of Sale Motion (Dkt. No. 819), Committee Settlement (Dkt. No. 501), Government Settlement (Dkt. No. 818), and DOJ Settlement (Dkt. No. 870)* [Dkt. # 937], the *Order pursuant to Bankruptcy Rule 9019 Approving Compromise of Controversy and Settlement Agreement and Authorizing Settlement among the Debtors, the Committee, the Lender Parties and PHI* [Dkt. # 949].

ii. MPC's Claims against Hydrovac Industrial Services, Inc. ("**Hydrovac**") as more particularly stated in its Counterclaim filed against Hydrovac in that certain lawsuit styled "*Hydrovac Industrial Services, Inc. v. Mississippi Phosphates Corporation*," United States District Court for the Southern District of Mississippi, Civil Action No. 1:14CV00064-LG-JMR, arising out of and related to that certain accident that occurred on or about August 9, 2013 in which Hydrovac's employees, while on MPC's premises, accidentally sprayed certain of MPC's employees and premises with acid, or some other substance, in breach of the Master Services Agreement between MPC and Hydrovac effective March 14, 2012 (the "**MSA**") and of Hydrovac's common-law duties, which accident caused bodily injury, and physical damage to MPC's tangible property, and MPC's loss of use of other property of MPC that was not physically damaged, and damages to MPC arising out of and related thereto.

iii. Claims and causes of action for Avoidance Actions against the parties and in the approximate amounts as more particularly set forth in Schedule 5.13 to the Plan, but only to the extent that the aggregate value of all property that constitutes or is affected by such transfer to a particular transferee is greater than \$6,425.00.

NOTICE: *Schedule 5.13 attached to this First Amended Plan is different from the Schedule 5.13 attached to the initial Joint Plan. Additional parties have been added who may be subject to Avoidance Actions, and additional amounts are listed than those that were listed in the*