



STATE OF MISSISSIPPI
GOVERNOR HALEY BARBOUR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

March 1, 2004

Mr. C.E. McCraw
President
Mississippi Phosphates Corporation
P.O. Box 388
Yazoo City, Mississippi 39194

Dear Mr. McCraw:

This letter is to confirm our Department's concurrence with the financial assurance mechanism and the associated documentation submitted July 11, 2001 (the "Proposal"), by Mississippi Phosphates Corporation ("MPC") in compliance with the conditions of Solid Waste Management Permit No. SW0300040452 (the "Permit") for MPC's east gypsum stack in Pascagoula, Mississippi. The Proposal states that MPC will make quarterly payments into a trust fund, which MPC will annually review and adjust for inflation, for closure of the east stack. The trust fund is managed by Morgan Keegan Trust Company, FSB, under the conditions of that certain Trust Agreement, dated March 28, 2002, established prior to placement of the east stack into service.

The Proposal and the Trust Agreement are consistent with the allowable mechanisms described in Section IV.F of the State of Mississippi Nonhazardous Waste Management Regulations and also satisfy the conditions of the Permit. This financial assurance mechanism shall be substituted for, and in lieu of, that certain Corporate Guarantee for Closure and Post Closure-Care of Mississippi Chemical Corporation, dated December 12, 1997, which shall be cancelled.

Should you have additional comments or questions regarding this matter, do not hesitate to contact Mark Williams of my staff at 601-961-5304.

Sincerely,


Jerry Cain, P.E., DEE, Chief
Environmental Permits Division

EXHIBIT

OFFICE
POST OFFICE BOX 10385 • JACKSON, MISSISSIPPI
AN EQU

FAX: (601) 354-6612 • www.deq.state.ms.us

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File E-P-40.2.A.6

M I S S I S S I P P I P H O S P H A T E S C O R P O R A T I O N

Highway 49 East P.O. Box 986 Yazoo City, MS 39194-0986 662-726-5509 FAX 662-746-0158 www.missphosphates.com

July 11, 2001

Mr. Mark Williams
Mississippi Department of Environmental Quality
P.O. Box 10385
Jackson, Mississippi 39289-0385

Re: Mississippi Phosphates Corp.
Solid Waste Permit No. SW0300040452

Jackson County, MS

Dear Mr. Williams,

The referenced permit was issued to Mississippi Phosphates Corporation (MPC) on March 25, 1997, for Phosphogypsum Stack No. 2 (also called the East Phosphogypsum Stack). Phase I construction of this stack was completed in May 1998. However, to date no gypsum has been placed in it. Due to market-induced variability in plant operating conditions and other issues, MPC has had difficulty projecting the date of initial placement of gypsum in the East Phosphogypsum Stack. However, we currently expect to begin use of the East Phosphogypsum Stack in either the fourth quarter of 2001 or the first quarter of 2002.

Condition E.1.f.6 of this permit requires "documentation or proof of establishment of an adequate financial assurance mechanism for closure and post-closure costs . . . be submitted to the Department" before any gypsum is placed in the East Phosphogypsum Stack. This letter contains MPC's proposal to satisfy the financial assurance condition of the permit.

MPC plans to construct and operate the East Phosphogypsum Stack in a phased manner. This approach minimizes the amount of contaminated rainfall that has to be managed and staggers construction costs. As mentioned above, Phase I has been constructed (including dikes, slurry wall, and monitor wells) and is ready to receive gypsum. Phase I will be subdivided into two sections - Phases IA and IB. Phase IA will be opened first, and we project it to be adequate to hold all the gypsum produced (assuming maximum plant operation) through about October 2006. When Phase IB is opened, the whole of Phase I will be adequate to hold all the gypsum produced through at least August 2011. Lastly, we project the construction and use of combined Phases I and II to provide adequate gypsum storage capacity until at least 2023.

Closure activities will generally consist of capping (projected as a two-year project) and leachate treatment and groundwater monitoring (estimated to last the twenty years following closure). We project closure costs for the entire East Phosphogypsum Stack

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Mr. Mark Williams
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(Phases I and II combined) to be \$25.1 million in year 2000 dollars. Financial projections show we can accrue this sum (and provide for inflation) via a quarterly contribution of \$199,000 to an escrow fund invested conservatively to return 5.35% annually. The attached closure fund calculations illustrate how this contribution plan is derived.

We propose to establish the escrow fund at a nationally recognized brokerage firm acceptable to all parties. We would agree on permitted investments in the fund and provide periodic reporting on the investment results and the fund balance. The first contribution to this fund would be made before any gypsum or contaminated wastewater is placed in the East Phosphogypsum Stack system. Subsequent contributions would be made every three months thereafter.

Further, as part of the annual report due February 28 each year as required by the Solid Waste Permit (condition E.2.r), we propose to evaluate the adequacy of funding, and adjust quarterly contributions (upward or downward) accordingly.

Once you've had a chance to review this proposal, I am available to discuss any questions you may have at (662) 751-2225.

Sincerely,



Trey Fleming
Director of Environmental Programs

cc: Jim Perkins
Tim Dawson
Steve Wehmann
David Dykes

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Closure Fund Calculations

MPC projects that closure of the East Phosphogypsum Stack will require the stream of payments highlighted in yellow in the table below, assuming closure begins in 2023. Implicit in this assumption as to the date for beginning closure is operation of the plant at full rate over the life of the East Phosphogypsum Stack.

In order to provide for this payment stream, the closure fund must contain an estimated \$30.378 million at the time closure begins. Assuming quarterly payments into an escrow fund for closure begin in the first quarter of 2002, 84 payments will be made prior to the current estimated closure date. An annual interest rate of 5.35% is assumed, resulting in quarterly payments of \$199,000 into the escrow fund to obtain the required fund balance at the start of closure.

The East Phosphogypsum Stack closure cost, including a two year capping project and 20 years of leachate treatment, is estimated to be \$25,109,000 (year 2000 dollars). This sum is composed of \$10,934,000 for capping and \$14,175,000 for leachate treatment. The capping estimate was derived using the capping costs developed for the West Phosphogypsum Stack work, adjusted by ratioing the acreages of the East and West Stacks. Total and annual leachate volumes were generated using the known gypsum volume at the fully-utilized East Stack, along with a computer model of leachate production.

The closure costs in year 2000 dollars were then inflated to the time of predicted expenditure. The inflated closure costs were generated using the following inflation factors: 1.65% for capping and 1.3% for leachate treatment (composed of 0% inflation for lime and 3.92% for other treatment costs). These factors were derived by averaging inflation factors taken from Oil & Gas Journal and Chemical Engineering Magazine.

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East Stack Closure Escrow Account and Project Funding Schedule (all dollar values, except quarterly escrow funding total, in thousands)								
	Projected Closure Date	Feb-2023	21.34	Years of elapsed time				
	Earnings Rate	5.35%	APR	1.31%	QPR			
	Pay Periods	84						
	Quarterly Payments	\$199,000						
Year	Balance in Escrow Account	Cap Construction Fraction	Cap Expense	Treatment Fraction (% of total leachate)	Leachate Treatment Expense	Total Annual Expenses (Inflated \$)	Remaining Escrow Account Balance	Annual Interest Earned on Remaining Escrow Balance
2023	30,378.33	50%	7,814.5	13.7%	2,578.5	10,393.0	19,985.3	1,069.2
2024	21,054.53	50%	7,943.4	10.9%	2,078.3	10,021.7	11,032.8	590.3
2025	11,623.06			9.2%	1,777.1	1,777.1	9,846.0	526.8
2026	10,372.73			8.2%	1,604.6	1,604.6	8,768.1	469.1
2027	9,237.17			6.0%	1,189.5	1,189.5	8,047.7	430.6
2028	8,478.25			5.5%	1,104.6	1,104.6	7,373.7	394.5
2029	7,768.15			5.2%	1,058.0	1,058.0	6,710.2	359.0
2030	7,069.15			4.8%	989.4	989.4	6,079.8	325.3
2031	6,405.05			4.4%	918.8	918.8	5,486.3	293.5
2032	5,779.79			3.9%	825.0	825.0	4,954.8	265.1
2033	5,219.87			3.6%	771.5	771.5	4,448.4	238.0
2034	4,686.36			3.4%	738.2	738.2	3,948.2	211.2
2035	4,159.43			3.2%	703.8	703.8	3,455.6	184.9
2036	3,640.49			3.0%	668.4	668.4	2,972.0	159.0
2037	3,131.05			2.8%	632.0	632.0	2,499.0	133.7
2038	2,632.72			2.6%	594.6	594.6	2,038.2	109.0
2039	2,147.20			2.6%	602.3	602.3	1,544.9	82.7
2040	1,627.62			2.5%	586.7	586.7	1,040.8	55.7
2041	1,096.48			2.4%	570.6	570.6	525.9	28.1
2042	553.99			2.3%	554.0	554.0	(0.0)	(0.0)

BRUNINI

BRUNINI, GRANTHAM, GROWER & HEWES, PLLC
POST OFFICE DRAWER 119, JACKSON, MISSISSIPPI 39205

ATTORNEYS AT LAW

EUGENE R. WASSON

Direct: 601.960.6897

E-mail: gwasson@brunini.com

1400 Trustmark Building

248 East Capitol Street

Jackson, Mississippi 39201

Telephone: 601.948.3101

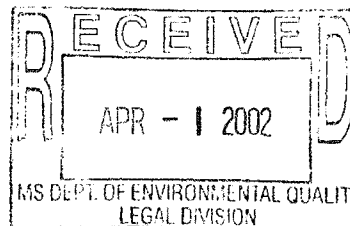
Facsimile: 601.960.6902

EDMUND L. BRUNINI
(1911-1992)

R. GORDON GRANTHAM
(1912-1986)

JOHN M. GROWER
GEORGE P. HEWES, III
Of Counsel

March 28, 2002



Mr. Bill Barnett
Mississippi Dept. of Environmental Quality
P. O. Box 20305
Jackson, MS 39289-1305

Via Facsimile 961-5093

Re: Mississippi Phosphates Corporation
Jackson County, MS

Dear Mr. Barnett:

Please find attached a signed copy of the Trust Agreement to satisfy the requirements of MPC's solid waste permit for its Phosphogypsum Stack No. 2. We appreciate the expedited review by you and Roy. This letter is to confirm that upon our faxing the attached Trust Agreement to you that Mississippi Phosphates Corporation is authorized to begin operations at its Phosphogypsum Stack No. 2. We will contact you early next week to finalize further details such as the payment schedule.

Thank you again for your prompt attention to this matter.

Sincerely,

Brunini, Grantham, Grower & Hewes, PLLC

A handwritten signature in cursive script that reads "Eugene R. Wasson".

Eugene R. Wasson

cc: Roy Furth (via fax / 961-5349)
Trey Fleming

Trust Agreement

This Trust Agreement (the "Agreement") entered into this the 28th day of March, 2002, by and between Mississippi Phosphates Corporation, a Delaware corporation (the "Grantor"), and Morgan Keegan Trust Company, FSB, (the "Trustee").

Whereas, the Mississippi Commission on Environmental Quality, ("MCEQ"), an agency of the State of Mississippi, has established certain regulations applicable to the Grantor, requiring that an owner or operator of a solid waste management facility shall provide assurance that funds will be available when needed for closure and/or post-closure care of the facility;

Whereas, the Grantor has elected to establish a trust to provide such financial assurance for the facility identified herein;

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee;

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of Facilities and Cost Estimates. The facility subject to this Agreement (the "Facility") is Grantor's Phosphogypsum Stack No. 2, which is subject to Mississippi Solid Waste Permit No. SW0300040452 and which is located on Industrial Road in Pascagoula, Mississippi. The current closure / post closure cost estimate for the Facility, for which financial assurance is demonstrated by this Agreement, is \$34.45 million.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund (the "Fund") for the benefit of the Mississippi Department of Environmental Quality ("MDEQ"). The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The Fund is established initially by the payment by Grantor to Trustee of One Thousand and No/100 Dollars (\$1,000.00) (the "Initial Amount"). The Initial Amount, and any other property subsequently transferred to the Trustee and acceptable to the Trustee, is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any

responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the MCEQ.

Section 4. Payment for Closure and Post-Closure Care. The Trustee shall make payments from the Fund as the Executive Director of the Mississippi Department of Environmental Quality ("Executive Director") shall direct, in writing, to provide for the payment of the costs of closure and/or post-closure care of the facilities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the Executive Director from the Fund for closure and post-closure expenditures in such amounts as the Executive Director shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the Executive Director specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2.(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;
- (ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and,
- (iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. Between January 1st and January 15th of each year, the Trustee shall furnish to the Grantor and to the Executive Director a statement confirming the value of the

Trust as of December 31st of the preceding year (the "Annual Valuation Date"). In addition, the Trustee shall provide a monthly statement to Grantor. Unless notified otherwise in writing, the Trustee shall mail the reports as required above to the following addresses:

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 20305
Jackson, Mississippi 39289-1305

Mississippi Phosphates Corporation
Attn: Robert Manning
P. O. Box 388
Yazoo City, Mississippi 39194-0388

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the Executive Director, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by Timothy A. Dawson or Robert Manning or such other designees as the Grantor subsequently may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the Executive Director to the Trustee shall be in writing, signed by the Executive Director or his designee, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no

event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or the MDEQ hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or the Executive Director, except as provided for herein.

Section 15. Notice of Nonpayment. After the Grantor and the Executive Director have submitted to the Trustee a schedule for payments into the Fund, the Trustee shall mail notice to the Grantor and the Executive Director (at the addresses provided in Section 10 above) by certified mail within 10 days after any payment due under such schedule is not timely received from Grantor.

Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the Executive Director, or by the Trustee and the Executive Director if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the Executive Director, or by the Trustee and the Executive Director if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the Executive Director issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.


Section 19. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of Mississippi.

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness Whereof the parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

MISSISSIPPI PHOSPHATES CORPORATION,
Grantor

By: 

 Charles O. Dunn, President

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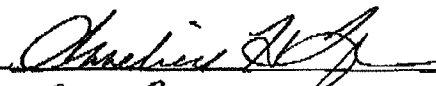
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MORGAN KEEGAN TRUST CO

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P.02/02

MORGAN KEEGAN TRUST COMPANY, FSB
Trustee

By: 

Its: Vice President