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UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI

MISSISSIPPI CHEMICAL CORPORATION., et al.,

Debtors.

Chapter 11

Case No. 03-02984 WEE

Jointly Administered

**LIMITED OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS OF MISSISSIPPI CHEMICAL CORPORATION TO THE DEBTORS'  
EMERGENCY MOTION AUTHORIZING (1) BORROWING WITH PRIORITY OVER  
ADMINISTRATIVE EXPENSES AND SECURED LIENS ON PROPERTY OF THE  
ESTATE PURSUANT TO §364(C) AND (D) OF THE BANKRUPTCY CODE,  
(2) DEBTORS' USE OF CASH COLLATERAL AND GRANTING ADEQUATE  
PROTECTION THEREFOR PURSUANT TO §§ 361 AND 363 OF THE BANKRUPTCY  
CODE, (3) MODIFYING THE AUTOMATIC STAY AND  
(4) SETTING FINAL HEARING**

The Official Committee of Unsecured Creditors (the "Committee") of Mississippi Chemical Corporation (together with the other above-captioned debtors and debtors-in-possession, collectively, the "Debtors"), by and through its proposed counsel, Orrick Herrington & Sutcliffe L.L.P ("Orrick") and Harris Geno & Dunbar, PA, ("Harris Geno"), hereby objects to certain provisions of the financing requested by Debtors pursuant to the Debtors' Emergency Motion Authorizing (1) Borrowing With Priority Over Administrative Expenses and Secured Liens on Property of the Estate Pursuant to §364(c) and (d) of The Bankruptcy Code, (2) Debtors' Use of Cash Collateral and Granting Adequate Protection Therefor Pursuant to §§ 361 and 363 of the Bankruptcy Code, (3) Modifying the Automatic Stay and (4) Setting Final Hearing (the "Motion") in support of both an interim post-petition financing order ("Interim Financing Order") and a proposed final post-petition financing order ("Proposed Final Financing Order") as follows:

## **I. PRELIMINARY STATEMENT**

1. While the Committee supports the Debtors' efforts to reorganize and concurs with the need for post-petition financing, the Committee objects to certain provisions of the Motion and Post-Petition Credit Agreement (as defined in the Motion). Most particularly, the Committee's concerns center around provisions which potentially (i) improperly enrich the Pre-Petition Lenders<sup>1</sup> (as defined in the Motion); (ii) impermissibly confer rights to the Pre-Petition Lenders without sufficient investigation at the expense of other similarly situated creditors; (iii) extract onerous and overreaching terms and conditions, and (iv) improperly confer almost total control and domination of the Pre-Petition and DIP Lenders over the Debtors and their respective estates.

2. In order to assist the Court, the Committee has incorporated the required revisions discussed herein into the form of Proposed Order, a blackline copy of which is attached as Exhibit A hereto, and has similarly incorporated the required revisions into the form of Standstill Agreement (as hereinafter defined), a blackline copy of which is attached as Exhibit B hereto.

## **II. BACKGROUND**

3. Substantially prior to the Petition Date, the Debtors' largest creditor constituency, being the holders of Debtors' \$200 million 7.25% Senior Notes due November 15, 2007 (the "Bondholders"), recognized that the Debtors were in need of a financial restructuring. In recognition of this need, in October 2002 the Bondholders coalesced and organized into an

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<sup>1</sup> The Committee notes that the Pre-Petition and DIP Lender groups are substantially identical.

informal committee and attempted to commence restructuring negotiations with the Debtors. The Bondholders interviewed and retained legal and financial advisory professionals to assist them in any negotiations.

4. In response, though, the Bondholders were totally rebuffed and were unable to commence any dialogue with the Debtors. Instead, on November 8, 2002 (at exactly the time that the Bondholders were being ignored in their negotiation efforts), the Pre-Petition Lenders and the Debtors substantially re-negotiated the terms of the pre-petition financing arrangements (ultimately executing the Pre-Petition Credit Agreement).

5. It is not surprising that the Debtors and the Pre-Petition Lenders did not want the involvement of any other constituencies in the negotiations of the Pre-Petition Credit Agreement. The resulting agreement did little if anything to solve the Debtors' financial issues – as evidenced by the Debtors' need to file for bankruptcy shortly thereafter -- and the resulting modifications to the financing arrangements principally acted to improve the Pre-Petition Lenders' position in the event of a bankruptcy, and, in fact, arguably helped to precipitate such filing. In particular, the amended agreement dramatically reduced the availability under the facility from \$200 million to \$165 million, extracted an additional new guarantee from a previously unencumbered subsidiary, and coerced the Debtors into providing an increased share of asset sale proceeds that would be directed to the Pre-Petition Lenders in the event of a disposition of the Debtors' most valuable asset, being their operations in Trinidad (assets putatively exempt from the banks and encumbrance). The Pre-Petition Lenders' applicable interest rate was also modified so as to increase the estimated weighted average interest rate paid by Debtors. It is worth noting that the Debtors have repeatedly cited in both their pleadings and elsewhere that a "liquidity crisis" was a principal cause of their need to file for bankruptcy. The

reduced borrowing limit thereby gave the Pre-Petition Lenders tremendous leverage over the Debtors cash became even more tight.

6. Due to the wholesale failure of the amended secured lending agreements to assist the Debtors in addressing their predicament, the Debtors THEN approached the Bondholders. Of course, by this time the Debtors had already surrendered to the Pre-Petition Lenders and were in a deteriorated financial position, as evidenced in their reported financial statements for the quarterly period ended December 31, 2002, which reported an operating loss before interest expense of \$18.7 million for the three months then ended (as compared to operating income of \$755,000 for the same prior year period).

7. Thereafter, while certain information was exchanged and the Debtors met with the Bondholders, no progress whatsoever was achieved toward a suitable financial restructuring. In large part this was the result of the Bondholders being denied access to, and the Debtors refusing to substantially inform the Bondholders of the Debtors' discussions with, (i) possible outside sources of new financing; (ii) the Pre-Petition Lenders; and (iii) Debtors' new partner regarding its Trinidad facility. Moreover, the Debtors kept their view of their true financial picture from the Bondholders. The Debtors surprised Bondholders when just days before the bankruptcy filing, the Debtors advised the Bondholders of their liquidity crisis and the need to file their chapter 11 petitions. While the Bondholders strongly requested that the Debtors not then file and that other alternatives or a better planned bankruptcy process might be available to better address their needs, the Debtors continued down their chosen path arm-in-arm with the Pre-Petition Lenders who were to provide the DIP financing.

8. The Debtors and the Pre-Petition Lenders similarly kept the Bondholders in the dark regarding the underlying loan agreement and form of proposed DIP order, being provided copies only after the bankruptcy filing on the afternoon of Thursday, May 15. Similarly, the Bondholders did not receive copies of the other first day motions until shortly before the hearing to consider such motions. Moreover, the proposed interim DIP order was not provided until the morning of the interim DIP financing hearing, which, as the Court is aware, included a substantial augmentation of the Pre-Petition Lenders' position.

### **III. ARGUMENT**

9. Consistent with the Debtors' and the Pre-Petition Lenders' activities prior to the filing of the chapter 11 petition, the Motion attempts to further improve the Pre-Petition Lenders' position vis-à-vis the Debtors' other creditors, and further restricts the abilities of the Debtors or the other parties-in-interest to challenge such improved position or to engage in meaningful negotiations with either the Debtors or the Pre-Petition Lenders.

#### **(1) Improvement in Economic Position**

10. The post-petition financing arrangements as proposed contain numerous examples of the Pre-Petition Lenders improving their standing with the Debtors at the expense of other potentially similarly situated creditor constituencies. Much of these improvements relate to the economic position of the Pre-Petition Lenders (which, as noted, is a group largely similar to the DIP Lenders), whose interests would not have been as dear to the alternative lenders apparently approached by the Debtors. Additionally, much of the requested relief appears contrary to law, unnecessary in light of other protections/remedies already given, or contradictory because the Pre-Petition Lenders are simultaneously requesting this Court to pre-

suppose the full security of their claims while also asserting a dire risk to their collateral base and investment returns.

(A) **The Post-Petition Facility Improperly Collateralizes the Pre-Petition Obligations with Post-Petition Assets.**

11. Perhaps the most egregious example of improving the Pre-Petition Lenders' position is through the use of cross-collateralization. Although the Post-Petition Credit Agreement does not expressly provide for so-called "cross-collateralization", paragraph 4 of the Interim Financing Order (and the Proposed Final Financing Order) provides such a broad definition of the obligations and liabilities that would be secured by the Debtors' post-petition assets that it could include both the Pre-Petition Facility and the DIP Credit Facility (each as defined in the Motion). Moreover, Section 3.4(c) of the Post-Petition Credit Agreement provides that sales proceeds of all post-petition assets shall be applied, in part, to satisfaction of the Pre-Petition Lenders' debts. These terms essentially and improperly convert pre-petition obligations to post petition obligations.

12. Many courts to have considered this issue have objected to cross-collateralization precisely because of the concern that has persisted throughout the Debtors' relationship with the Pre-Petition Lenders, namely, that the secured creditors were improperly improving their position at the expense of the remainder of the Debtors' estates and their creditors. See, e.g., In re Saybrook Manufacturing Co., 963 F.2d 1490 (11th Cir. 1992) (citing Otte v. Manufacturers Hanover Commercial Corp. (In re Texlon Corp.), 596 F.2d 1092, 1094 (2d Cir. 1979)). Even assuming such cross-collateralization is appropriate in certain limited circumstances, such allowance is seemingly premised on the finding that the Pre-Petition Lenders are fully secured. The simple fact remains that in this case the Committee and other

parties-in-interest (and most importantly this Court) have been given insufficient time or evidence on which to base such a conclusion, despite the fact that the Proposed Final Financing Order includes such a finding. Moreover, as set forth below, several of the various rights, protections, remedies, etc. contained in the Proposed Final Financing Order and the DIP Credit Facility only make sense in the context of an undersecured or similarly imperiled creditor — clearly not the case when the Pre-Petition Lenders are asserting oversecured status and correspondingly seeking protections consistent with such status.

13. Relatedly, the Committee objects to the automatic application of the proceeds of certain post-petition sales to the pre-petition debt before any investigation and determination has been made regarding the validity, extent and priority of the Pre-Petition Lenders' liens, claims and other interests since such proceeds may constitute an improper back-door attempt at cross-collateralization. Certain of the asset dispositions sought to be applied to the Pre-Petition Lenders' claims may in fact be wholly exempt from the Pre-Petition Lenders' reach due to applicable legal or contractual limitations. Accordingly, the Committee submits that an account should be established, which could be under the dominion and control of the Pre-Petition Agent (the “Pre-Petition Account”), to hold in escrow funds sought to be applied for the benefit of the Pre-Petition Obligations, which account can hold such funds until further determination is made by this Court with respect to the appropriate use and disposition of those proceeds.

14. Similarly, with respect to the Standstill Agreement (as defined in the Motion), the Committee objects to the parties' attempt to further improve the Pre-Petition Lenders' position as to those foreign assets relating to the Debtors' Trinidad operations (arguably the most important assets of the Debtors) by greatly expanding the types of transactions

regarding the Trinidad Interest (as defined in the Pre-Petition Credit Agreement) that would result in proceeds being remitted to the Pre-Petition Lenders. Such rights did not exist prior to the filing of these cases. Accordingly, the definition of “FMCL Liquidity Event” in the Standstill Agreement should reflect only those types of triggering events that may have existed under the pre-petition financing arrangements. This attempt by the Pre-Petition Lenders to tighten their grasp around the Trinidad assets is particularly troublesome since the assets themselves are supposed to be exempt from encumbrance by any banks based on among other things Section 6.01 of that certain Common Loan Agreement and Agreement as to Certain Common Representations, Warranties, Covenants and Other Terms, dated October 18, 1996..

**(B) The Lenders Improperly Attempt to Recover the Proceeds of Avoidance Actions.**

15. Section 2.1 of the Post-Petition Credit Agreement provides that the collateral shall include all moneys or other property recovered by the Debtors pursuant to the Bankruptcy Code, including Sections 544, 547, and 548 of the Bankruptcy Code (i.e., the avoidance action sections). A lien on avoidance actions is improper in this case particularly because of the already very generous provisions of the post-petition financing discussed elsewhere in this Objection.

16. Courts have clearly held that avoidance action recoveries are the property of the estate as a whole, and not a debtor’s property, and thus should not be subject to secured creditor’s liens. See e.g., In re Cybergenics Corp., 226 F.3d 237, 239 (3rd Cir. 2000). Similarly, other courts disallowed the granting of security interests in avoidance actions because it would create a windfall for the secured creditor at the expense of the rest of the debtor’s estate. See In re Tek-Aids Indus. Inc., 145 B.R. 253, 256-57 (Bankr. N.D. Ill. 1992) (the requirement that an



avoidance action should benefit the estate requires an analysis of whether the unsecured creditors were benefited; see also Weaver v. Aquila Energy Marketing Corporation, 196 B.R. 945, 956 (S.D. Tex. 1996). Avoidance actions are a tool to assist in providing recoveries for unsecured creditors, and not a weapon to be used for the benefit of secured creditors. See In re Conley, 159 B.R. 323, 325 (Bankr. D. Utah 1993).

**(C) Post-Petition Application of Pre-Petition Default Interest.**

17. In addition to the myriad protections being provided to the Pre-Petition Lenders, the Pre-Petition Lenders are also seeking to accrue interest at the “default” rate with respect to the pre-petition financing arrangements, and paragraph 9 of the Interim Financing Order (and the Proposed Final Financing Order) provides a waiver of any right to challenge that finding. This is simply not appropriate in the circumstances of this case, particularly where the other creditors of the Debtors’ estates are likely taking a substantial loss. See In re Laymon, 958 F.2d 72 (5th Cir. 1992). In fact, courts of this Circuit have held that the single most important factor in determining whether a pre-petition secured creditor may receive default interest is the economic position of the debtors’ other creditors. Thus, courts have specifically denied default interest when the unsecured creditors would not receive full recovery and would be impacted by the potential cash depletion that would have been caused by a pre-petition secured creditors receiving default interest. See e.g., In re Cummins Utility, L.P., 279 B.R. 195 (Bankr. N.D. Tex. 2002) (citing Southland Corporation v. Toronto-Dominion Bank (In re Southland Corp.), 160 F.3d 1054, 1060 (5th Cir. 1998)). In fact, courts that have approved default interest have often done so when unsecured creditors would remain “unscathed”. See, e.g., Southland Corp., 160 F.3d at 1060. That has not been demonstrated in this case.

18. The Pre-Petition Lenders cannot have their cake and eat it too—on one hand they assert they are oversecured, entitled to post-petition interest, fees and expenses on their pre-petition claims, but they then have the audacity to demand the imposition of default interest under some argument that they need further compensation. See In re Laymon, 958 F.2d 72 (5th Cir. 1992) (court must examine equities of case in determining whether to approve post-petition application of pre-petition default interest rate); In re Trinity Meadows Raceway, Inc., 252 B.R. 660, 669 (Bankr. N.D. Tex. 2000) (court refused to apply default interest rate when junior creditors would remain impaired).

19. It is an interesting note that, upon information and belief, the Pre-Petition Lenders have never formally advised the Debtors of a default under their pre-petition agreements, suggesting that even to the extent there was a default, it may have been some sort of a “technical” default under the financing arrangements of minor import. The Pre-Petition Lenders’ view of the Debtors’ real prognosis is clear - - they are ready, willing and committed to invest an additional \$37.5 million in post-petition financing.

**(2) Improved Bargaining Position**

20. While at the same time that the Pre-Petition Lenders are acting to potentially improve their economic returns at the expense of other similarly situated constituencies, the DIP Credit Facility and Proposed Final Financing Order include other provisions that improperly give the Pre-Petition Lenders sole and absolute control in these chapter 11 cases.

(A) **Absolute Discretion to Approve a Plan of Reorganization.**

21. There is an event of default under the DIP Credit Facility upon the confirmation of a plan of reorganization that does not have the consent of the Pre-Petition Lenders (in their capacity as DIP Lenders), consent over which the Pre-Petition Lenders have total and absolute discretion. If the Debtors are otherwise in compliance with the other provisions of the loan agreement, there is no reason why the Pre-Petition Lenders should dictate every term of an otherwise confirmable plan of reorganization.

(B) **The Proposed Order Improperly Waives the Debtors' Rights to Commence Actions Against the DIP Lenders.**

22. The Interim Financing Order at finding “i” (and the Proposed Final Financing Order at finding “j”), along with paragraphs 8 and 9 of both the Interim and proposed Final Order, include a waiver of essentially all claims of the Debtors against both the Pre-Petition Lenders and the DIP Lenders, including the right to assert a surcharge claim against them or the collateral securing their claims. Again, there is no reason why, at least at this early stage of the cases, the Pre-Petition or the DIP Lenders should be able to receive a “blessing” over their actions, when it is uncertain whether the case will ultimately be administratively insolvent or otherwise operated for their primary benefit.

23. Section 506(c) of the Bankruptcy Code provides that a secured creditor’s collateral may be surcharged to pay the necessary costs and expenses of preserving or disposing of such collateral. 11 U.S.C. §506(c). The underlying rationale of this provision is to ensure that the estate and unsecured creditors are not compelled to bear the cost of protecting and preserving a secured creditor’s collateral. See PSI Inc. v. Aguilard (In re Senior-G&A Operating Co.), 957 F.2d 1290, 1298 (5th Cir. 1992). In sharp contrast to the policy underlying Section 506(c), the

Debtors propose to grant the Pre-Petition Lenders and the DIP Lenders immunity from surcharge under Section 506(c). At this early stage of these Chapter 11 cases, this is premature. Whether a 506(c) surcharge is appropriate is entirely dependent on the facts and circumstances of each case and the proposed surcharge. See, e.g., In re Senior-G&A Operating Co., Inc., 957 F.2d 1290, 1300 (5th Cir. 1992). This early waiver becomes even more detrimental to the ultimate rights of the Debtors' creditors in light of the possible limitations of other parties to assert a collateral surcharge without the involvement of the Debtors. See e.g. Hartford Underwriters Ins. Co. v. Union Planters Bank, N.N., 530 U.S. 1, 6 (2000).

**(C) Sixty-Day Limitation of Committee Investigation of Pre-Petition Liens, etc.**

24. Paragraph 9 of the Proposed Final Financing Order provided the Committee with sixty (60) days from the entry of the Interim Financing Order to conduct its review of the Pre-Petition Lenders' liens and claims. The Committee requires a longer period of time (i.e., at least 120 days, as may be extended for cause shown) to investigate and/or challenge the so-called "Lien Finding" (as defined in the Post-Petition Credit Agreement). The Debtors and certain of their non-debtor affiliates and the Pre-Petition Lenders have entered into numerous transactions – the majority of which implicate complex issues of international and debtor-creditor law – that require review. The short 60-day time frame imposed by the Pre-Petition Lenders for their own benefit would impinge on the Committee's ability to fully investigate the multitude of transactions.

25. Moreover, the presence or absence of a final Lien Finding within sixty (60) days of entry of the Interim Financing Order, being on or about May 16, 2003, should not be the triggering event of an event of default under the DIP Credit Facility. The estate should not be punished if this Court is unable to render a decision within the Pre-Petition Lenders' arbitrary

time deadline, one that is so obviously substantially controlled by the Pre-Petition Lenders themselves. By creating this event of default, the Debtors and the lenders have effectively reduced the Committee's investigation period by the period of time it would take for any objection or other pleading to be considered and ruled on by this Court.

26. Further, all parties-in-interest should be entitled to challenge all of the findings and bring all of the types of actions discussed in paragraph 9 of the Interim Financing Order (and the Proposed Final Financing Order) that relate to the Pre-Petition Lenders' liens and claims. Finally, it should be explicit that the Pre-Petition Lenders' receipt of post-petition interest as well as fees, costs and expenses should be made subject to the outcome of the Committee's or other parties' investigation of the Pre-Petition Lenders' liens and claims.

**(D) Improper Finding Regarding Unofficial Committee of Bondholders.**

27. The proposed final order at finding "j" includes so-called "admissions" of the unofficial committee of Bondholders that are simply untrue. Upon information and belief, that unofficial committee never passed on the validity and sufficiency of the pre-petition financing documents.

**(E) Procedural Revisions to Carve-Out.**

28. Paragraph 25 of the Proposed Final Financing Order (paragraph 24 in the Committee's blackline) fails to properly reflect the priority of the Carve-Out (as defined in the Proposed Final Financing Order) in relation to the secured creditors' liens and claims and thus must be revised. Moreover, there is no provision made in the Carve-Out for the Committee members' fees and expenses separate from their professionals, and thus the Committee members could be impeded in exercising their fiduciary responsibilities at a time when their efforts are

needed most – i.e., when things are going very poorly and the Carve-Out is in effect. All professional fees and the Committee members’ fees are administrative claims under section 503(b), entitled to equal treatment.

**(F) Required Court Approval of Critical Vendors and Tax and Employee Claims**

29. Paragraph 25 of the Proposed Final Financing Order (and paragraph 24 of the revised form attached hereto as Exhibit A) improperly excludes this Court from the approval process regarding payment of certain claims, including critical trade creditors and various tax claims and employee-related claims, many of which are nothing more than mere pre-petition general unsecured claims. Accordingly, it must be clarified that such payments (and the process of determining the recipients of such payments) are subject to Court review and approval.

**(3) Miscellaneous Revisions.**

**(A) Reporting to The Committee.**

30. All reports and other information given to the Pre-Petition and DIP Lenders should also be provided to the Committee. This information exchange should also include the Committee being provided any schedules that form the basis for the various covenants that are included in the DIP Facility. This will hopefully help to prevent the information imbalance that existed pre-petition with the informal unofficial Bondholders committee.

**(B) Notices of Termination Event or Event of Default.**

31. The Committee should be notified of any Termination Event or Event of Default in the same manner as Debtors, i.e., same day notice by facsimile and by overnight express mail.

**(C) Events of Default.**

32. Paragraph 15 of the Proposed Final Financing Order (paragraph 14 of the revised form attached hereto as Exhibit A) contains certain events of termination that are duplicative, internally inconsistent, or inconsistent with provisions in the Post-Petition Credit Agreement regarding events of default. These require revision to ensure that unnecessary disputes and litigation do not arise, which would further drain economic resources from the Debtors' estates.

33. Finally, certain other provisions of the Order require clarification or other changes that have not been explicitly addressed in this Objection. These provisions are as follows: finding "j", and ordered paragraphs 4, 5, 6, 7, 9, 10, 14, 15, 24, 29, 30, 32 and 34 (note that certain of these numbers differ from the original form of order).

**IV. CONCLUSION**

34. The Committee submits that the above stated objections are necessary and required to modify the Debtors' Motion to comply with applicable law and to properly ensure the protection of the Debtors' estates and their creditors.

WHEREFORE, the Committee respectfully requests that the Court (i) modify Order as set forth herein or alternatively deny the Motion and (ii) grant such other and further relief as the Court deems just and proper.

Dated: Jackson, Mississippi  
June 9, 2003

HARRIS GENO & DUNBAR, P.A.

By: Craig M. Geno  
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-and-

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Proposed Attorneys for The Official Committee of  
Unsecured Creditors for Mississippi Chemical  
Corporation

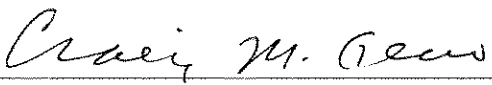
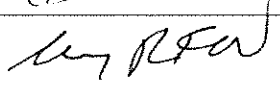


### CERTIFICATE OF SERVICE

I, Craig M. Geno, do hereby certify that I have this date, sent a true and correct copy of the above and foregoing **LIMITED OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS** to the following listed below:

James W. O'Mara, Esq. Douglas C. Noble, Esq. Phelps Dunbar, LLP Post Office Box 23066 Jackson, MS 39225-3066	Alan J. Bogdanow, Esq. William D. Young, Esq. Vinson & Elkins, L.L.P. 3700 Trammel Crow Center 2001 Ross Avenue Dallas, TX 75201-2975
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Ronald H. McAlpin, Esq. Assistant U. S. Trustee Suite 706 100 West Capitol Street Jackson, MS 39269	David N. Usry, Esq. Assistant U. S. Attorney 188 E. Capitol Street, Suite 500 Jackson, MS 39201

THIS, the 9<sup>th</sup> day of June, 2003.

  
\_\_\_\_\_  
Craig M. Geno 

UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI

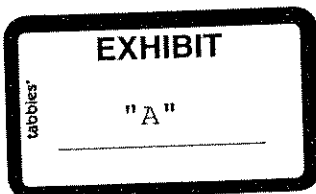
In re:	)	Chapter 11
	)	
MISSISSIPPI CHEMICAL CORPORATION, <i>et al.</i> <sup>1</sup>	)	Case Nos. 03-02984-WEE
	)	(Jointly Administered)
	)	
Debtors.	)	Hon. Edward Ellington
	)	

**FINAL FINANCING ORDER AUTHORIZING (1) BORROWING WITH PRIORITY OVER  
ADMINISTRATIVE EXPENSES AND SECURED BY LIENS ON PROPERTY OF THE ESTATES  
PURSUANT TO SECTION 364(C) AND SECTION 364(D) OF THE BANKRUPTCY CODE, (2) THE  
DEBTORS' USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION  
THEREFOR PURSUANT TO SECTIONS 361 AND 363 OF THE BANKRUPTCY CODE, AND  
(3) MODIFYING THE AUTOMATIC STAY**

THIS MATTER came on for final hearing on June 12, 2003 at 2:30 p.m. (the "*Final Hearing*"). Mississippi Chemical Corporation (the "*Company*") and certain of its subsidiaries as set forth in footnote 1 below (the "*Subsidiary Guarantors*"), as debtors and debtors-in-possession (collectively, with the Company, the "*Debtors*") in the above-captioned Chapter 11 cases (the "*Chapter 11 Cases*"), which filed voluntary petitions for reorganization pursuant to Chapter 11 of Title 11, United States Code (the "*Bankruptcy Code*"), on May 15, 2003 (the "*Petition Date*"), have applied to this Court (the "*Motion*") for authorization (1) pursuant to Bankruptcy Code § 364(c) and (d) in the capacity of either borrower or guarantor, to obtain debtor-in-possession financing from the DIP Lenders (as hereinafter defined) pursuant to the

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<sup>1</sup> The Debtors are the following entities: Mississippi Chemical Corporation, Mississippi Nitrogen, Inc., MissChem Nitrogen, L.L.C., Mississippi Chemical Company, L.P., Mississippi Chemical Management Company, Mississippi Phosphates Corporation, Mississippi Potash, Inc., Eddy Potash, Inc., Triad Nitrogen, L.L.C., and Melamine Chemicals, Inc.



terms and conditions of (a) the Post-Petition Credit Agreement, substantially in the form of that annexed as an exhibit to the Motion (with all ancillary documents referred to therein and/or required to be executed in connection therewith, the "*DIP Financing Documents*" or "*Post-Petition Credit Agreement*") by and among the Debtors, Harris Trust and Savings Bank and such other financial institutions named therein or which hereafter become a party thereto (collectively, the "*DIP Lenders*") and Harris Trust and Savings Bank as collateral agent and administrative agent for the DIP Lenders (in such capacity, the "*DIP Agent*"), (b) the budget annexed as *Exhibit A* hereto, which may be amended with the consent of the DIP Agent (the "*Budget*") and which is subject to the permitted variances set forth in the Post-Petition Credit Agreement, and (c) this Order (collectively, the "*DIP Credit Facility*") and (2) to grant the Pre-Petition Lenders (as hereinafter defined) Replacement Liens (as hereinafter defined) and superpriority administrative claim treatment for any use of Cash Collateral and diminution in value of the Pre-Petition Collateral, subject to the liens, security interests and superpriority treatment granted the DIP Lenders, the Carve-Out and any permitted liens to the extent agreed to by the DIP Lenders.

A hearing with respect to the Motion was held on May 16, 2003 (the "*Interim Hearing*") and an interim Order was entered on that date (the "*Interim Order*") granting, on an interim basis, the relief sought in the Motion and setting the matter for Final Hearing. The Court, having completed a Final Hearing on the Motion as provided for in Bankruptcy Code § 365(d) and Bankruptcy Rule 4001; having considered the Objections filed with respect to the Motion and the arguments of counsel; having considered all relevant matters related thereto; being fully advised in the premises; upon the record of the Chapter 11 Cases and the record of the Final Hearing; good and sufficient cause appearing therefor, and it appearing to be in the best interests of the Debtors' estates and creditors;

THE COURT HEREBY FINDS AND DETERMINES THAT:

(a) the DIP Lenders are willing to advance monies to the Debtors and the Pre-Petition Lenders are willing to consent to the use of Cash Collateral only upon the conditions contained in this Order;

(b) the Debtors are unable to obtain sufficient levels of unsecured credit allowable under Bankruptcy Code § 503(b)(1) as an administrative expense necessary to maintain and conduct their businesses;

(c) the Debtors are unable to obtain secured credit allowable only under Bankruptcy Code §§ 364 (c)(2) and (d), except under the terms and conditions provided in this Order;

(d) the credit and financial accommodations to be extended under the DIP Credit Facility are being extended by the DIP Lenders in good faith; and the conditions required by the Pre-Petition Lenders in connection with the Adequate Protection Claim (as hereinafter defined) including the use of Cash Collateral (as hereinafter defined) are made in good faith; and the DIP Lenders and the Pre-Petition Lenders are entitled to the protection of Bankruptcy Code § 364(e);

(e) the Debtors exercised reasonable diligence in obtaining and negotiating the terms of the DIP Credit Facility, and the terms thereof are the best available to the Debtors under current circumstances;

(f) the terms of the DIP Credit Facility, including those providing for the payment of fees and interest, are fair and reasonable;

(g) it is in the best interest of the Debtors' estates that they be allowed to finance their operations under the terms and conditions set forth herein, as such financing

is necessary to prevent a disruption of their businesses and to permit the Debtors to attempt to achieve a successful reorganization;

(h) notice of the relief sought by the Motion, and the Final Hearing with respect thereto which has been held pursuant to Bankruptcy Rule 4001(c) and Bankruptcy Code § 102(1), as required by Bankruptcy Code § 364(c) and (d), has been given to the following parties in interest: the U.S. Trustee, the DIP Agent, the DIP Lenders, the Pre-Petition Agent, the Pre-Petition Lenders and their respective counsel, counsel for the Unofficial Committee of Bondholders, the committee of unsecured creditors that has been appointed in the Chapter 11 Cases and its respective counsel, the creditors holding the forty (40) largest unsecured claims on a consolidated basis against each Debtor's estate, and each of the Parties listed on Schedule 1 to the Motion, and such notice and service were reasonable and sufficient under the circumstances;

(i) an Interim Hearing was held on May 16, 2003 and this Court entered the Interim Order authorizing (1) borrowing with priority over administrative expenses and secured by liens on property of the estates pursuant to Sections 364(c) and (d) of the Bankruptcy Code, (2) the Debtors' use of Cash Collateral and granting adequate protection therefor pursuant to Sections 361 and 363 of the Bankruptcy Code, (3) modifying the automatic stay and (4) giving notice of Final Hearing;

(j) without prejudice to the rights of any party, the Debtors and the members of the ~~Unofficial Committee of Bondholders~~ admit that as of the Petition Date, under that certain Credit Agreement dated as of November 25, 1997 as amended and restated pursuant to that certain Amended and Restated Credit Agreement dated as of November 15, 2002, (the "*Pre-Petition Credit Agreement*") among the Company, the

lenders parties thereto (the "*Pre-Petition Lenders*") and Harris Trust and Savings Bank, as Agent, (the "*Pre-Petition Agent*") (the Pre-Petition Credit Agreement and the other documents and instruments (including those evidencing the foregoing liens and security interests) executed and delivered in connection therewith being referred to as the "*Pre-Petition Loan Documents*"): (1) the Company was indebted without claim, defense, counterclaim, recoupment or offset of any kind, in the aggregate amount of approximately ~~\$160,000,000~~ \$157,275,117.11 including liquidated interest, costs, expenses and other charges thereon, in respect of loans, advances and other financial accommodations (including but not limited to contingent liabilities with respect to Letters of Credit) made by the Pre-Petition Lenders to the Debtors in accordance with the Pre-Petition Loan Documents (collectively, the "*Pre-Petition Obligations*"), (2) the Pre-Petition Obligations, which are comprised of the "A Loan" and "B Loan", were fully secured by valid, enforceable and properly perfected first priority liens and mortgages on and security interests in substantially all of the Debtors' personal property assets and certain real property, with such assets and property securing the Pre-Petition Obligations in the priority and to the extent set forth in the Pre-Petition Loan Documents, except for (Y) all expressly excluded collateral and (Z) liens permitted by the Pre-Petition Loan Documents to the extent such exist and are valid and enforceable on the Petition Date (the "*Pre-Petition Collateral*"), and (3) the liquidation value of the Pre-Petition Collateral exceeded the amount of the Pre-Petition Obligations on the Petition Date;

(k) neither the DIP Lenders nor the Pre-Petition Lenders control the operations of any Debtor; and

(l) good and sufficient cause exists for the issuance of this Order, to prevent irreparable harm to the Debtors' estates;

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. All objections to the Motion are overruled and the Debtors are hereby authorized to borrow funds from, obtain letters of credit from, and incur debt to the DIP Lenders in an amount up to \$37,500,000 (the "*DIP Commitment Amount*") pursuant to and in accordance with the terms and conditions of the DIP Credit Facility, from and after the date of this Order, whether prior or subsequent to the execution and delivery of the DIP Financing Documents. The proposed borrowings and other extensions of credit under the DIP Financing Documents are hereby approved. The DIP Agent and the DIP Lenders shall have the rights and the obligations set forth in the DIP Financing Documents to make loans, advances and/or financial accommodations pursuant to the terms and conditions thereof.

2. The Debtors shall not apply for or obtain letters of credit from any institution or entity other than the DIP Lenders.

3. For any and all obligations under and in the DIP Financing Documents of the Debtors to the DIP Agent and/or the DIP Lenders, arising after the date of this Order (the "*Obligations*" or "*DIP Credit*"), and in addition to the rights granted below, subject to the Carve-Out, the DIP Lenders are granted an allowed super-priority administrative claim in accordance with Section 364(c)(1) of the Bankruptcy Code having a priority in right of payment over any and all other obligations, liabilities and indebtedness of the Debtors, now in existence or hereafter incurred by the Debtors and over any and all administrative expenses or priority claims of any kind including as specified in, or ordered pursuant to, §§ 326, 330, 331, 503(b), 506(c),

507(a) or 507(b) of the Bankruptcy Code, whether arising in the Debtors' Chapter 11 Cases or in any superseding Chapter 7 cases.

4. Pursuant to Bankruptcy Code §§ 362, 363(e) and 364(c) and (d), as security for the prompt payment and performance of any and all Obligations, liabilities or indebtedness incurred by one or more of the Debtors, individually or collectively, to the DIP Lenders of ~~whatever nature or description~~ **under the DIP Financing Documents**, the Debtors are hereby authorized to grant to the DIP Agent for the *pro rata* benefit of the DIP Lenders, valid, binding, enforceable and perfected first priority liens, mortgages and security interests, superior to all other creditors of the Debtors' estates in and to all of the Debtors' presently owned or hereafter acquired property and assets, whether such property and assets were acquired by the Debtors before or after the Petition Date, of any kind or nature, whether real or personal, tangible or intangible, wherever located, including, without limitation: real property (including without limitation all leasehold interests, mineral leases and mineral and water rights), other accounts, inventory, equipment, rolling stocks (including titled and untitled vehicles), cash, cash equivalents, general intangibles (including intellectual property, trademarks, trade names, interests in partnerships, joint ventures, investment properties and ~~bankruptcy-related causes of action, including but not limited to all causes of action under Chapter 5 of the Bankruptcy Code, including §§ 544 through 550 and § 553 or other applicable law~~), letter of credit rights, supporting obligations, commercial tort claims, deposit accounts and investment property, securities, and the Company's 50% joint venture interest in Houston Ammonia Terminal L.P. and proceeds thereof, but excluding ~~only~~ **(i)** the capital stock or equity interests of the Debtors in FMCL Limited Liability Company, Mississippi Chemical Holdings, Inc., MissChem (Barbados) SRL, MissChem Trinidad Limited, Farmland MissChem Limited and any interest direct or



indirect of the Debtors in any rights or property of Farmland MissChem Limited (collectively, the “*Excluded Foreign Assets*”) which are foreign assets not subject to these Bankruptcy proceedings; and (ii) bankruptcy related causes of action, including but not limited to all causes of action under Chapter 5 of the Bankruptcy Code, including §§ 544 through 550 and § 553 or other applicable law (collectively, the “*Post-Petition Collateral*” or the “*Collateral*”), subject only to the Carve-Out (as hereinafter defined) and permitted liens to the extent they existed and are valid, enforceable and senior to the liens granted to the DIP Credit Facility on the Petition Date or are permitted to be prior to the lien of the DIP Credit Facility under the Post-Petition Credit Agreement (hereinafter referred to as “*Permitted Liens*”). Harris Trust and Savings Bank is also granted a *pari passu* lien on the Collateral for any obligations owed to it as Cash Management Bank as provided in the Cash Management Order.

5. The Debtors are hereby authorized to use Cash Collateral of the Pre-Petition Lenders, with the express consent of those Pre-Petition Lenders who have executed the Standstill Agreement (as defined herein) and the non-objection of any other Pre-Petition Lenders, provided the Debtors comply with the terms of this Order, the DIP Credit Facility and the Standstill Agreement. As adequate protection for any post-petition diminution in value of the Pre-Petition Lenders’ interests in the Pre-Petition Collateral, including without limitation for any diminution in value caused by the Debtors’ use of the Pre-Petition Collateral including Cash Collateral, as such term is defined in Bankruptcy Code § 364(a), the Pre-Petition Agent for the ratable benefit of each Pre-Petition Lender is hereby granted a joint and several post-petition claim (the “*Adequate Protection Claim*”) against the Debtors’ estates. In order to secure such Adequate Protection Claim, the Pre-Petition Agent for the benefit of the Pre-Petition Lenders is hereby granted a first priority security interest in and a lien upon (collectively, the “*Replacement*

*Liens*”) upon (x) the Pre-Petition Collateral and all Post-Petition proceeds of the Pre-Petition and Post-Petition Collateral thereof, including accounts receivable arising from the sale after the Petition Date of such Pre-Petition Collateral, and (y) the Post-Petition Collateral, subject only to (1) Permitted Liens, (2) the Carve-Out, (3) the liens granted to the DIP Agent pursuant to Section 364 of the Bankruptcy Code and the liens granted to Harris Trust and Savings Bank as Cash Management Bank under the Cash Management Order, and (4) the liens and security interests existing on the Petition Date in favor of the Pre-Petition Agent—;*provided, however, that the Adequate Protection Claim is subject to appropriate adjustments if the Bankruptcy Court determines that the Pre-Petition Obligations are not fully secured pursuant to section 506(a) of the Bankruptcy Code.* To further provide adequate protection for the Adequate Protection Claim to the extent the Replacement Liens are insufficient, the Pre-Petition Lenders are granted an allowed super-priority administrative claim in accordance with Section 364(c)(1) of the Bankruptcy Code having a priority in right of payment over any and all other obligations, liabilities and indebtedness of the Debtors, now in existence or hereafter incurred by the Debtors and over any and all administrative expenses or priority claims of any kind including as specified in, or ordered pursuant to, §§ 326, 330, 331, 503(b), 507(a) or 507(b) of the Bankruptcy Code, whether arising in the Debtors’ Chapter 11 Cases or in any superseding Chapter 7 cases but subject to the Carve-Out and the super-priority administrative claim granted to the DIP Lenders. As further adequate protection, the Debtors are hereby ordered to pay to the Pre-Petition Agent for the ratable account of the Pre-Petition Lenders (a) on the closing date of the DIP Credit Facility (the “*Closing Date*”) all non-default interest accrued on the Pre-Petition Obligations to that date, and (b) thereafter pay interest monthly in arrears at the non-default rate (if prior to a TerminationTerminating DateEvent) set forth in the Pre-Petition Financing

Documents and (c) accrue monthly difference between, provided, however, that the default rate and non-default rate to be payable at Termination Date or payment payments in full of (a) and (b) immediately preceding are subject to pro rata adjustment if the Bankruptcy Court determines that the Pre-Petition Obligations are not fully secured pursuant to Section 506(a) of the Bankruptcy Code.

6. Notwithstanding any contrary provision of this Order or the DIP Financing Documents, the liens and super-priority claims granted to the DIP Lenders and the Pre-Petition Lenders shall be subject and subordinate to, following the occurrence and during the pendency of a Carve-Out Event, the payment of allowed professional fees and disbursements by the professionals retained prior to the Termination Date pursuant to Bankruptcy Code §§ 327 or 1103(a) by the Debtors and any statutory committees appointed in the Chapter 11 Cases, other fees and expenses of the members of any statutory committees appointed in the Chapter 11 Cases, quarterly fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6) and any fees payable to the Clerk of the Bankruptcy Court and any agent thereof in an aggregate amount not to exceed \$1,500,000 plus fees and expenses (other than those of the DIP Agent, the DIP Lenders, the Pre-Petition Agent and the Pre-Petition Lenders) incurred prior to a Carve-Out Event but not yet paid to the extent such fees and expenses have been or are subsequently approved by the Bankruptcy Court (collectively, the “Carve-Out”) subject to the right of the DIP Agent, the DIP Lenders, the Pre-Petition Lenders and the Pre-Petition Agent to object to the award of any fees and expenses, but which each such objection is subject to the order of the Bankruptcy Court.

7. Prior to the Termination Date (as defined in the Post-Petition Credit Agreement), the Debtors shall be permitted to pay compensation and reimbursement of expenses authorized to be paid under Bankruptcy Code §§ 330 and 331 or otherwise pursuant to an order of this Court,

as the same may be due and payable, and such payments shall not reduce the Carve-Out subject to the rights of the DIP Lenders, DIP Agent, the Pre-Petition Lenders and the Pre-Petition Agent to object to such payments, but which each such objection is subject to the order of the Bankruptcy Court. Upon the occurrence of a Terminating Event and the giving of the Termination Date and notice by the DIP Agent to the Debtors (the "Carve-Out Event Notice" (each as hereinafter defined)), the right of the Debtors to pay professional fees outside the Carve-Out shall terminate (a "Carve-Out Event"), and, upon such occurrence, the Debtors, after receipt of the Carve-Out Event Termination Notice from the DIP Agent, shall provide immediate notice by facsimile and express next-day delivery to all professionals in the case informing them that a Carve-Out Event has occurred and further advising them that the Debtors' ability to pay professionals is subject to the Carve-Out.

~~8. The Debtors are deemed to and do hereby waive the right to assert a charge against Pre-Petition or Post-Petition Collateral under §§ 105, 506(c) or 552(b).~~

8. ~~9.~~ There is no dispute with any Debtor and each Debtor hereby waives, releases and affirmatively agrees not to allege or otherwise pursue any or all defenses, affirmative defenses, counterclaims, claims, causes of action, recoupments, setoffs or other rights that it may have (i) to contest any Defaults or Events of Default which were or could have been declared by the Pre-Petition Agent as of the Petition Date; (ii) to contest any provisions of the Pre-Petition Loan Documents; (iii) to contest the amount of the Debtors' indebtedness to the Pre-Petition Agent and the Pre-Petition Lenders as of the Petition Date as set forth herein; (iv) to contest the conduct of the Pre-Petition Agent or the Pre-Petition Lenders in administering the Pre-Petition Financing Documents; (v) against the Pre-Petition Agents and/or the Pre-Petition Lenders with respect to lender liability theories and pursuant to Sections 510, 544, 547, 548 and 549 of the

Bankruptcy Code; (vi) to challenge that the mortgages, liens and security interests granted to the DIP Agent for the ratable benefit of the DIP Lenders under the DIP Financing Documents and this Order are senior, valid, fully perfected, non-avoidable and enforceable liens and security interests securing the Obligations except as to Permitted Liens; and (vii) to challenge that the mortgages, security interests and liens granted to the Pre-Petition Agent for the ratable benefit of the Pre-Petition Lenders under the Pre-Petition Financing Agreements or this Order are senior, valid, fully perfected, non-avoidable and enforceable mortgages, security interests and liens fully securing the Pre-Petition Indebtedness (the "*Lien Finding*"); *provided* that any committee as appointed by the U.S. Trustee or any party with standing to challenge such liens of any Debtor may file an objection to the Lien Finding as set out in subclause (vii) above ~~within sixty~~ **or bring any other action relating to the Pre-Petition Loan Documents within one hundred twenty** (~~60~~**120**) days after the date of entry of this Order or be forever barred from challenging the Lien Finding. Absent any such objection, the Lien Finding shall be final ~~sixty~~ **one hundred twenty** (~~60~~**120**) days after entry of this Order.

9. ~~10.~~ So long as there are any Obligations outstanding to the DIP Lenders under the DIP Credit Facility and until the Adequate Protection Claim is satisfied, unless the DIP Agent and the Pre-Petition Agent shall have given its prior written consent, or this Court enters an order, upon proper notice to the DIP Agent and the Pre-Petition Agent and a hearing, requiring that all the Debtors' Obligations to the DIP Lenders and the Adequate Protection Claim be immediately satisfied in full, the Debtors shall neither seek any further orders in the Debtors' Chapter 11 Cases, nor support any applications therefor, which authorize: (a) under Bankruptcy Code § 363, the use of cash collateral in which the DIP Agent or the Pre-Petition Agent has an interest, ~~or the sale, use, or lease, other than in the ordinary course of business, of other property~~

of the Debtors in which the DIP Agent or the Pre-Petition Agent has an interest; (b) the obtaining of credit or the incurring of indebtedness pursuant to Bankruptcy Code §§ 364(c) or (d), or any other grant of rights against the Debtors and/or their estates, secured by a lien, mortgage or security interest in the Post-Petition Collateral held by the DIP Agent or the Pre-Petition Agent or entitled to priority administrative status which is equal or superior to that granted to the DIP Agent, the DIP Lenders or the Pre-Petition Lenders (with respect to the Replacement Liens) herein; or (c) the return of goods by the Debtors pursuant to Bankruptcy Code § 546(c).

10.     ~~11.~~ In addition to any rights granted to the DIP Agent and DIP Lenders under the DIP Credit Facility, and to the Pre-Petition Agent and Pre-Petition Lenders under this Order after the Court's approval thereof, the DIP Agent for the ratable benefit of the DIP Lenders and the Pre-Petition Agent for the ratable benefit of the Pre-Petition Lenders (as applicable) shall be entitled to charge the Debtors' accounts or receive reimbursement thereof, without application to the Court, for: (a) all of the DIP Agent's and the DIP Lenders' reasonable fees and expenses, reasonable attorneys' fees and legal expenses and other advisor or professional fees and expenses arising from or related to the DIP Credit Facility or any actions taken in connection with these chapter 11 proceedings, including without limitation the negotiating, closing, documenting and obtaining of Court approval thereof and all proceedings in connection with the interpretation, amendment, modification, enforcement or carrying out of the DIP Credit Facility or this Order at any time, and all expenses, costs and charges in any way or respect arising in connection therewith or related thereto; (b) all of the Pre-Petition Agent's and the Pre-Petition Lenders' reasonable fees and expenses, reasonable attorneys' fees and legal expenses and reasonable fees and expenses of other advisors and professionals arising from or related to the Pre-Petition Financing Documents, the Adequate Protection Claim or any action taken in connection with

these chapter 11 cases, including without limitation the negotiating and obtaining court approval thereof and proceedings in connection with the interpretation, amendment, modification, enforcement or carrying out of the Pre-Petition Financing Documents or the Adequate Protection Claim or this order at any time, and all expenses, costs and charges in any way or respect arising in connection therewith or related thereto (all of which payments of the Pre-Petition Agent's and Pre-Petition Lenders' professional fees and other fees and expenses being subject to any subsequent determination by this Court regarding whether the Pre-Petition Obligations were fully secured) and (c) all of the DIP Agent's facility, administrative and filing fees, recording taxes and fees, and reasonable internal examination and audit expenses; and such fees and expenses in the foregoing subparagraphs (a), (b) and (c) (collectively, the "*Reimbursable Fees*") shall be funded through loans under the DIP Credit Facility, charged to the Debtors' account and shall constitute a part of the Debtors' Obligations but shall not constitute an item paid in accordance with the Budget.

11.     ~~12.~~ The Debtors, at their expense, shall (a) continue to at all times keep the Collateral fully insured against all loss, peril and hazard and make the DIP Agent and the Pre-Petition Agent co-insured and loss payee as their interests appear under such policies, and (b) pay any and all pre-petition taxes, as authorized pursuant to order of the Court, post-petition taxes, assessments and governmental charges with respect to such Collateral, at each of which subclause (a) and (b) above as provided under the DIP Credit Facility, and will provide the DIP Agent and the Pre-Petition Agent with proof thereof upon written demand and will give the DIP Agent and the Pre-Petition Agent access to its records in this regard.

12.     ~~13.~~ The automatic stay provisions of Bankruptcy Code § 362 are hereby modified to permit (a) the Debtors to implement the terms of the DIP Credit Facility, (b) the Debtors to

grant the Replacement Liens to the Pre-Petition Agent for the benefit of the Pre-Petition Lenders (c) the Debtors to create, and the DIP Agent or the Pre-Petition Agent, as the case may be, to perfect, any and all liens, mortgagees and security interests granted to it hereunder; *provided, however,* that neither the DIP Agent nor the Pre-Petition Agent shall be required to file UCC financing statements or other instruments with any other filing authority to perfect any lien, mortgage or security interest granted by this Order or take any other action to perfect such liens, mortgages and security interests; if, however, the DIP Agent or the Pre-Petition Agent, as the case may be, shall, in its sole discretion, elect for any reason to file, record or serve any such financing statements or other documents with respect to such liens and security interest, the Debtors shall execute the same upon request and the filing, recording or service thereof (as the case may be) shall be deemed to have been made at the time and on the date required to implement the priority of such liens and security interests as provided in this Order.

13.     ~~14.~~ The time of payment of any and all Obligations of the Debtors arising out of or incurred pursuant to the DIP Credit Facility shall not be altered, extended or impaired by any plan or plans of reorganization that may hereafter be accepted or confirmed or any further orders of the Court which may hereafter be entered.

14.     ~~15.~~ Subject to 7 days' prior written notice upon the occurrence of a Terminating Event (as defined below), any and all Obligations of one or more of the Debtors arising out of or incurred pursuant to the DIP Credit Facility shall be immediately due and payable, provided, however, the DIP Lenders shall have no obligation to make loans and/or advances to the Debtors upon the occurrence of a Terminating Event, and further provided the DIP Credit Facility shall terminate upon the occurrence of (1) August 15, 2004 or an earlier Maturity Date provided for in



the Post-Petition Credit Agreement (the “*Maturity Date*”), or (2) any of the following events (*“Terminating Events~~Event~~”* or *“Termination~~Terminating Event~~Events”*):

(a) any of the Chapter 11 Cases is either dismissed or converted to a case under Chapter 7 of the Bankruptcy Code;

(b) a trustee or an examiner with the expanded powers of a trustee is appointed in any of the Chapter 11 Cases;

(c) any plan ~~or~~of reorganization of the Debtors is confirmed which does not provide for the payment in full of the Obligations and the Pre-Petition Obligations upon the effective date arising out of or incurred pursuant to the plan **DIP Credit Facility**;

(d) other than as contemplated in the Budget, any of the Debtors ceases operation of any of its businesses or takes any material action for the purpose of effecting the foregoing without the prior written consent of the DIP Agent;

(e) this Order is reversed, vacated, stayed, amended, supplemented or otherwise modified in a manner which shall materially and adversely affect the rights of the DIP Agent and/or the DIP Lenders hereunder or shall materially and adversely affect the priority of any or all of the DIP Agent’s and/or the DIP Lenders’ claims, liens or security interests and which is not acceptable to the DIP Agent;

(f) the occurrence of an Event of Default under the DIP Financing Documents (other than those set forth in Sections 8.1(d), 8.1(l), and 8.1(u) of the Post-Petition Credit Agreement);

(g) the Final Order is not entered on or before 45 days after the Petition Date;

(h) non-compliance or default by the Debtors with any of the material terms and provisions of this Order;

~~(i) the failure of this Court to overrule (within 60 days of the filing thereof)~~  
~~any objection filed with respect to the Lien Finding set forth in paragraph 9 hereof;~~

(i) ~~(j)~~ any other superpriority claim or lien equal or superior in priority to that granted pursuant to or permitted hereunder shall be granted;

~~(k) an examiner having enlarged powers under Section 1106(b) of the~~  
~~Bankruptcy Code shall be appointed for any of the Debtors;~~

(j) ~~(l)~~ the automatic stay of Bankruptcy Code Section 362 is lifted so as to allow a third party to proceed against any material asset of the Debtors; or

(k) ~~(m)~~ **the effective date of** any plan of reorganization for any Debtor **that** is confirmed without the DIP Lenders' consent.

15. ~~16.~~ Upon the occurrence of a Terminating Event, and the giving of the Termination Notice or upon the occurrence of the Maturity Date;

(a) the Debtors shall immediately segregate all of the Post-Petition Collateral, including without limitation cash collateral, and shall not be permitted to use such Collateral absent the DIP Agent's prior written consent; and

(b) the DIP Agent shall have the right, free of the restrictions of Bankruptcy Code § 362, (1) to take immediate reasonable action to protect and preserve the Collateral, and (2) after giving seven (7) days' prior written notice **by facsimile and express next-day delivery** of a Terminating Event to the Debtors, **any committee appointed by the Office of the U.S. Trustee** and the Office of the U.S. Trustee (the "Notice Parties") by the DIP Agent (the "Termination Notice") to exercise its rights and remedies pursuant to the DIP Credit Facility and/or applicable law as to all or such part of the Post-Petition Collateral as the DIP Agent, in its sole discretion, shall elect.

16. ~~17.~~ Nothing in this Order shall limit the rights of the Pre-Petition Lenders or the DIP Lenders to seek further relief (including additional adequate protection), or modification or termination of the automatic stay for good cause shown.

17. ~~18.~~ Nothing in this Order shall limit the rights of any Pre-Petition Lender or any DIP Lender to assign all of its rights, claims and Obligations under the DIP Financing Documents or the Pre-Petition Financing Documents.

18. ~~19.~~ The Debtors shall provide the DIP Agent and Pre-Petition Agent with such written reports, certified by the president, vice-president or chief financial officer of the Company to be accurate to the best of his knowledge, information and belief, as are required under the DIP Financing Documents, and such additional written reports as the DIP Agent and Pre-Petition Agent, in its reasonable discretion, shall require.

19. ~~20.~~ The Debtors are directed to keep their books and records of original entry, including without limitation, records of sale, credits authorized (whether or not credit memoranda have been issued), purchases, accounts receivable, bills of lading, cash receipts, and cash disbursements, current and updated, so that all business activity is posted to them in the ordinary course of the Debtors' businesses.

20. ~~21.~~ The DIP Agent and Pre-Petition Agent shall have the right to inspect, audit, examine, check, make copies of or extracts from the books, accounts, checks, orders, invoices, bills of lading, correspondence and other records of the Debtors, and the Debtors shall make all of same available to the DIP Agent and its representatives, for such purposes.

21. ~~22.~~ If and as requested by the DIP Agent, the Debtors shall implement a blocked account or lockbox system for their receivables (in form and substance satisfaction to the DIP Agent).

22. ~~23.~~ To the extent that all cash and checks of the Debtors currently in their possession, bank accounts, lockbox accounts or otherwise, and the proceeds thereof, if any, are proceeds of the Collateral, upon entry of this Order, the Debtors shall deliver such proceeds to the DIP Agent, and thereafter the Debtors and any successor to the Debtors, including without limitation any successor trustee or trustees, shall immediately deliver any and all payments or proceeds realized upon the sale, liquidation, collection or disposition of the Post-Petition Collateral or Pre-Petition Collateral, including without limitation the proceeds of sales authorized pursuant to Bankruptcy Code § 363 or any plan of reorganization ("*Proceeds*") which come into their possession to the DIP Agent and/or the DIP Lenders, in the form received.

23. ~~24.~~ The DIP Agent is authorized to accrue interest on the outstanding balance of the Obligations pursuant to the DIP Financing Documents, and to apply remittances from the Debtors against interest as set forth herein and therein.

24. ~~25.~~ Subject to the other terms of this Order, including but not limited to the Carve-Out, the DIP Agent is authorized, notwithstanding the provisions of Bankruptcy Code § 362, to retain and apply the Proceeds of the Post-Petition Collateral including the Pre-Petition Collateral as follows:

(A) Prior to the occurrence of the Termination Date (as defined in the Post-Petition Credit Agreement), all payments and collections from Pre-Petition Collateral or Post-Petition Collateral (including Cash Collateral) shall be applied, *first*, to expenses and other obligations set forth in the attached Budget as permitted by the Post-Petition Credit Agreement, *second*, to the costs, fees and expenses of the DIP Agent, DIP Lenders and Pre-Petition Agent (including without limitation the reasonable fees and expenses of counsel and other professionals and advisors employed or retained by the DIP Agent, DIP Lenders and Pre-Petition Agent), *third*, to reduce the loans outstanding under the Post-Petition Credit Agreement, *fourth* to be held by the DIP Agent in an account established by the DIP Agent and under the DIP Agent's exclusive

dominion and control (the "*Cash Collateral Account*") until such time as the amounts held therein are requested by the Debtors to pay expenses and other obligations set forth in the Budget, except that the Net Cash Proceeds (as defined in the Post-Petition Credit Agreement) of asset sales outside the ordinary course of business, condemnation or casualty proceeds shall be applied as set forth below in sub-section (C). So long as no occurrence of a Terminating Event and the giving of Default (as defined in the Post-Petition Credit Agreement) Termination Notice shall have occurred and be continuing, the DIP Agent shall, at the Debtors' request, release proceeds held in the Cash Collateral Account to the Company to pay expenses and other obligations set forth in the Budget. ~~During the existence of an Event of Default all amounts in the Cash Collateral Account shall be applied as described in subsection (B).~~

(B) After the occurrence of a Terminating Event and the giving of the Termination Date Notice, all payments and collections from Pre-Petition Collateral or Post-Petition Collateral (including Net Cash Proceeds from asset dispositions and Cash Collateral) shall be applied, *first*, to the costs, fees and expenses of the DIP Agent and the DIP Lenders (including without limitation the fees and expenses of counsel and other professionals and advisors retained or employed by the DIP Agent), *second*, to permanently reduce obligations outstanding under the Post-Petition Credit Agreement and to provide cash collateral for letters of credit outstanding under the Post-Petition Credit Agreement, *third*, to the payment of all other outstanding Post-Petition Obligations, *fourth*, to be held by the Pre-Petition Agent in an account established by the Pre-Petition Agent and under the Pre-Petition Agent's exclusive dominion and control (the "Pre-Petition Account") in an amount to reduce the Pre-Petition Loans (on the basis set forth in the Pre-Petition Credit Agreement) ~~provided that \$1,500,000 of Cash Collateral, which account~~ shall be available subject to pay further order of the Carve-Out Bankruptcy Court, and *fifth*, to the Company.

(C) To the extent that any sales of assets which include any Pre-Petition Collateral or Post-Petition Collateral (in an amount in excess of \$1,000,000 in the aggregate) occur prior to the occurrence of a Terminating Event and the giving of the Termination Date Notice and outside the ordinary course of business (none to occur without Bankruptcy Court approval and with the DIP Lenders and the Pre-Petition Lenders reserving all rights, if any, to object to any such sale, but which each such objection is subject to order of the Bankruptcy Court), 100% of

the Net Cash Proceeds (as defined below) thereof in excess of \$1,000,000 in the aggregate must be paid to the DIP Agent for the account of the DIP Lenders and the Pre-Petition Lenders for application to the ~~Pre-Petition Loans and the DIP Credit as~~ described below. (Asset sale proceeds shall not include any casualty or condemnation proceeds to the extent the Company has elected to use such proceeds to repair, rebuild or replace the assets subject to such casualty or condemnation, no ~~Events~~occurrence of Defaulta Terminating Event and the giving of the Termination Notice exist and, to the extent of proceeds in excess of \$5,000,000 with respect to any single casualty or condemnation event, the DIP Lenders have approved such repair, rebuilding or replacement. Any property so repaired, rebuilt or replaced shall constitute part of the Post-Petition Collateral and shall be subject to the Replacement Liens in favor of the Pre-Petition Agent and the Pre-Petition Lenders). As used herein with respect to asset sales or dispositions the term "*Net Cash Proceeds*" shall be defined as set forth in the Post-Petition Credit Agreement and the term "sale" or "sales" shall include the term "Disposition" as defined in the Post-Petition Credit Agreement. Any such proceeds of sales designated to pay such taxes and costs of sale which are not required to be disbursed at the closing of such sale shall be held in escrow by the DIP Agent and shall be subject to the lien of the DIP Agent, the DIP Lenders, the Pre-Petition Agent and the Replacement Liens of the Pre-Petition Lenders until applied to pay such taxes and costs of sale. Prior to the Termination Date, the Net Cash Proceeds of asset sales in excess of \$1,000,000 in the aggregate shall be applied as follows: 50% as a permanent pay down to the DIP Credit (and a corresponding reduction in the DIP Commitment Amount) and 50% to the Pre-Petition Obligations ~~as provided in~~Account, subject to further order of the ~~Pre-Petition Credit Agreement~~Bankruptcy Court. If the DIP Credit shall become fully paid from the Net Cash Proceeds of asset sales, then any remainder Net Cash Proceeds shall be ~~applied~~placed in the Pre-Petition Account subject to reduce the ~~Pre-Petition Loans~~further order of the Pre-Petition Bankruptcy Lenders Court. Following any asset sale in excess of \$1,000,000 in the aggregate, the Borrowing Base shall be reset and the Budget shall be redetermined to the satisfaction of the requisite DIP Lenders.

**(D) The proceeds of any disposition of the Trinidad Interest (as defined in the Pre-Petition Credit Agreement) shall be held by the Pre-Petition Agent in the Pre-Petition Account, which account shall be subject to further order of the Bankruptcy Court.**

*provided, further, that, subject to the Carve-Out, (i) upon the occurrence of a Terminating Event and the giving of the Termination DateNotice any consent to use of Cash Collateral given by the Pre-Petition Lenders or the DIP Lenders shall terminate and any rights of the Debtors to use Cash Collateral granted under this Order or the DIP Financing Documents shall cease on the occurrence of a Terminating Event and the giving of the Termination DateNotice and (ii) such applications of the Proceeds set forth in A and B above shall be free and clear of any claim, charge, assessment or other liability. Notwithstanding the application of Proceeds set forth in A above, Cash Collateral collected after the Petition Date but prior to the occurrence of a Terminating Event and the giving of the Termination DateNotice may be used by the Company to pay (a) any essential trade creditor in full (including for pre-petition trade payables), *provided* that such essential trade creditor has executed an agreement (in form and substance satisfactory to the DIP Lenders and the Pre-Petition Lenders) with the Company pursuant to which such essential trade creditor agrees to continue to extend credit and supply goods and/or services to the Company on normal and customary terms in accordance with industry standards or terms acceptable to the DIP Agent and Pre-Petition Agent and consistent with the assumptions used in the projections of the Company that support feasibility of the Company and that have been approved by the Pre-Petition Lenders and the DIP Lenders and (b) certain tax claims and certain employee related claims to the extent set forth in the Budget and approved by the DIP Lenders or, if not set forth in the Budget, to the extent mutually agreed upon by the Debtors and the DIP Agent; *provided, further, that the Debtors have received an order of the Bankruptcy Court approving payment of any pre-petition amounts in (a) and (b) above.**

25. ~~26.~~ Pursuant to, and to the extent of, the provisions of Bankruptcy Code § 364(e), the liens, mortgages and security interests granted by this Order shall be binding on the Debtors, their estates and their successors and assigns even if this Order is reversed or modified on appeal.

26. ~~27.~~ The Debtors are hereby authorized to do and perform all acts and to make, execute and deliver all instruments and documents which may be required or necessary for the performance of the DIP Credit Facility including, without limitation, the delivery to the DIP Agent of the original checks or other forms of remittance received by the Debtors which are the proceeds of the Post-Petition Collateral, and the payment by the Debtors of any monies or assets in their possession of all sums required to be paid to the DIP Agent and the DIP Lenders under the DIP Credit Facility.

27. ~~28.~~ Notwithstanding Bankruptcy Rule 7062, the terms and conditions of this Order shall be: (a) immediately enforceable pursuant to Bankruptcy Rule 8005; and (b) not be stayed absent (1) an application by a party in interest for such stay in conformance with such Bankruptcy Rule 8005, and (2) a hearing upon notice to the Debtors and the DIP Agent.

28. ~~29.~~ The provisions of this Order and any actions taken pursuant hereto shall survive entry of any orders which may be entered confirming any plan of reorganization or which may be entered converting these Chapter 11 Cases from Chapter 11 to Chapter 7 of the Bankruptcy Code; *provided, further,* that the terms and provisions of this Order, as well as the liens, mortgages and security interests granted under the DIP Credit Facility and to secure the Adequate Protection Claim, shall continue in this or any superseding case under the Bankruptcy Code and such liens, mortgages and security interests and the Adequate Protection Claim shall maintain their priority as provided by this Order until the Obligations and the Pre-Petition Obligations are satisfied in full.



29. ~~30.~~ Nothing in this Order shall limit the DIP Lenders' and the Pre-Petition Lenders' rights to seek modification of this Order for good cause shown provided an Event of Default exists under the Post-Petition Credit Agreement or a Terminating Event has occurred or is about to occur.

30. ~~31.~~ Nothing in this Order shall in any way prejudice or compromise any rights the Pre-Petition Lenders or the DIP Lenders may have against parties other than the Debtors, including, without limitation, the Pre-Petition Lenders' rights under that certain Guaranty Agreement dated November 15, 2002 (the "*MCHI Guaranty*") from Mississippi Chemical Holdings, Inc., a British Virgin Islands company ("*MCHI*"), pursuant to which Mississippi Chemical Holdings, Inc. agreed to pay any proceeds from the Excluded Foreign Assets to the Pre-Petition Lenders and subject to a Standstill Agreement attached hereto as Exhibit B between Pre-Petition Lenders and Debtors (the "*Standstill Agreement*").

31. ~~32.~~ Each of the Debtors is authorized to enter into and perform its obligations under the Standstill Agreement.

32. ~~33.~~ The Pre-Petition Lenders and the Pre-Petition Agent are hereby authorized to apply any amounts received pursuant from Mississippi Chemical Holdings, Inc. to the MCHI Guaranty and the Standstill Agreement to the Pre-Petition Obligations pursuant to the Pre-Petition Credit Agreement Account.

33. ~~34.~~ The provisions of this Order shall be binding upon and inure to the benefit of the DIP Agent, the DIP Lenders, the Pre-Petition Agent, the Pre-Petition Lenders, the Debtors, the Debtors' estates and their respective successors and assigns (including any trustee appointed as a representative of any Debtor's estate or in any subsequent proceeding under the Bankruptcy Code).

34.     ~~35-~~ To the extent that any of the provisions of this Order shall conflict with any of the provisions of the DIP Financing Documents or the Standstill Agreement, this Order is deemed to control and shall supersede the conflicting provision(s) in said agreement(s).

35.     All written reports and information of any kind provided by the Debtors to the DIP Agent, the DIP Lenders, the Pre-Petition Agent, or the Pre-Petition Lenders shall contemporaneously, and in the same means, be provided to any committee appointed by the Office of the U.S. Trustee.

SO ORDERED this the \_\_\_\_\_ day of \_\_\_\_\_, 2003.

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UNITED STATES BANKRUPTCY JUDGE

**Exhibit A**

Budget

## **Exhibit B**

### Standstill Agreement

Document comparison done by DeltaView on Friday, June 06, 2003 19:44:42

Input:	
Document 1	PowerDocs://DOCSNY1/964348/1
Document 2	PowerDocs://DOCSNY1/964348/3
Rendering set	OHS Strikethrough Markers

Legend:	
<b>Insertion</b>	
Deletion	
Moved from	
Moved to	
Format change	
Moved-deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	113
Deletions	88
Moved from	0
Moved to	0
Format changed	0
Total changes	201

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STANDSTILL AGREEMENT

AMONG

MISSISSIPPI CHEMICAL CORPORATION

AND

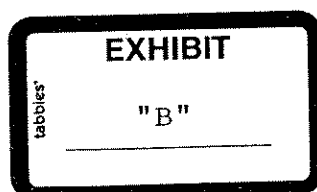
THE BANKS PARTY HERETO

AND

HARRIS TRUST AND SAVINGS BANK,  
as Administrative Agent

Dated as of May \_\_, 2003

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## MISSISSIPPI CHEMICAL CORPORATION

### STANDSTILL AGREEMENT

THIS STANDSTILL AGREEMENT, dated as of May \_\_\_, 2003, is by and among MISSISSIPPI CHEMICAL CORPORATION, a Mississippi corporation (the "*Borrower*"), as debtor and debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, and each of the parties executing this Agreement under the heading "Guarantors" (each a "*Guarantor*" and collectively the "*Guarantors*"), each as debtor and debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, (the Borrower and the Guarantors, each a "*Debtor*" and collectively the "*Debtors*"), each of which Guarantors is a debtor and debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code (the cases of the Borrower and the Guarantors, each a "*Chapter 11 Case*" and collectively the "*Chapter 11 Cases*"), the several banks and other financial institutions or entities from time to time parties to this Agreement (individually a "*Pre-Petition Bank*" and collectively the "*Pre-Petition Banks*"), HARRIS TRUST AND SAVINGS BANK, as administrative agent for the Pre-Petition Banks (in such capacity, the "*Pre-Petition Agent*").

### WITNESSETH:

WHEREAS, the Pre-Petition Agent, the Pre-Petition Banks, the Borrower and the Guarantors are parties to that certain Amended and Restated Credit Agreement dated as of November 15, 2002 by and between the Borrower, the several lenders from time to time parties thereto, and Harris Trust and Savings Bank, as administrative agent, as the same has from time to time been modified or amended (as so modified and amended, the "*Pre-Petition Credit Agreement*") pursuant to which the Pre-Petition Banks have made loans and other financial accommodations to the Borrower;

WHEREAS, the Guarantors have guaranteed the Borrower's indebtedness, obligations and liabilities to the Pre-Petition Agent and the Pre-Petition Banks under the Pre-Petition Credit Agreement and the other Pre-Petition Loan Documents;

WHEREAS, Mississippi Chemical Holdings, Inc., a British Virgin Islands company ("*MCHI*") executed and delivered to the Pre-Petition Agent and the Pre-Petition Banks that certain Mississippi Chemical Holdings, Inc. Guaranty Agreement dated as of November 15, 2002 (the "*MCHI Guaranty*") pursuant to which MCHI guaranteed the Borrower's indebtedness, obligations and liabilities to the Pre-Petition Agent and the Pre-Petition Banks under the Pre-Petition Loan Documents; and

WHEREAS, on May \_\_\_, 2003 (the "*Petition Date*") the Borrower and the Guarantors have filed voluntary petitions with the United States Bankruptcy Court for the Southern District of Mississippi initiating the Chapter 11 Cases and have continued in possession of their assets and the management of their businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

WHEREAS, the Borrower owns, directly or indirectly, all of the issued and outstanding capital stock or other equity interests of each of the Guarantors;



WHEREAS, certain of the Pre-Petition Banks (the "*DIP Banks*") have offered to enter into certain debtor-in possession financing arrangements with the Borrower pursuant to which the DIP Banks will make loans and provide other financial accommodations to the Borrower during the Chapter 11 Cases; and

WHEREAS, Borrower and Guarantors have determined that the enforcement by the Pre-Petition Agent and/or the Pre-Petition Banks of the MCHI Guaranty will materially and adversely affect their prospects for a successful reorganization; and

WHEREAS, Borrower and Guarantors have required, as a condition precedent to entering into debtor in possession financing arrangements with the DIP Banks, that the Pre-Petition Agent and the undersigned Pre-Petition Banks enter into this Agreement pursuant to which, among other things, the Pre-Petition Agent and the Pre-Petition Banks agree to forbear from enforcing the MCHI Guaranty upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

#### SECTION 1. DEFINITIONS.

*Section 1.1. Certain Definitions.* The terms hereinafter set forth when used herein shall have the following meanings:

"*Administrative Expense Carve-Out*" shall mean \$1,500,000 plus, prior to the Termination Date, accrued and pending applications for professional fees and expenses (other than those of the DIP Agent, the Pre-Petition Agent, the DIP Lenders and the Pre-Petition Banks) incurred prior to the Termination Date to the extent such fees and expenses have not been paid but were approved by the Banks in the Budget.

"*Agreement*" means this Standstill Agreement, as the same may be amended, supplemented, restated and otherwise modified from time to time.

"*DIP Credit Agreement*" means the Post-Petition Credit Agreement dated as of May \_\_, 2003, among the Borrower, the Guarantors, the from time to time lenders party thereto and Harris Trust and Savings Bank, as administrative and collateral agent thereunder, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"*DIP Lenders*" means the from time to time lenders party to the DIP Credit Agreement.

"*DIP Agent*" means the administrative and collateral agent for the DIP Lenders under the DIP Credit Agreement.

"*FMCL Liquidity Event*" means ~~(a) the sale or other disposition of the Trinidad Interest or any part thereof, (b) the refinancing of the Ex-Im Bank Indebtedness, (c) the payment of any dividend or other distribution by FMCL, and (d) any other event relating to the Trinidad Interest that results in proceeds being received by the Borrower or any of its Subsidiaries.~~

*"Liquidity Event Net Proceeds"* means the net proceeds received in cash by MCHI from any FMCL Liquidity Event after payment of (a) all reasonable and customary transaction costs incurred in connection with such FMCL Liquidity Event, including, without limitation, reasonable fees and expenses of counsel, accountants, investment bankers, brokers and other agents and advisors, (b) all taxes (including, without limitation, income, sales, transaction, stamp and similar taxes) paid or payable by Borrower, any Guarantor, MCHI or any of its Subsidiaries in connection with such FMCL Liquidity Event, and (c) the payment of all debts, obligations and liabilities of MCHI or any of its Subsidiaries to any third party which become due and payable as a result of such FMCL Liquidity Event, including, without limitation, all amounts paid or payable in respect of the Ex-Im Bank Indebtedness.

*"Non-Debtor Subsidiary Bankruptcy"* means (i) any Subsidiary of the Borrower that is not a Debtor (each a *"Non-Debtor Subsidiary"*) shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Non-Debtor Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any such Non-Debtor Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any such Non-Debtor Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any such Non-Debtor Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any such Non-Debtor Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

*Section 1.2. Terms Defined in DIP Credit Agreement.* Any term not otherwise specifically defined in this Agreement shall have the meaning given to such term in the DIP Credit Agreement.

## SECTION 2. AGREEMENTS OF THE PRE-PETITION BANKS AND THE PRE-PETITION AGENTS.

*Section 2.1. The Standstill.* The Pre-Petition Agent (at the direction of the undersigned Pre-Petition Banks, which is hereby given) and the undersigned Pre-Petition Banks agree that they will not take any action of any type to enforce the MCHI Guaranty until the Termination Date. Until the Termination Date, such prohibited enforcement actions include, without limitation, (i) the commencement or prosecution of any law suit or other legal proceeding against MCHI, (ii) the filing or joining with any other creditor of MCHI in the filing of any bankruptcy, insolvency, receivership, attachment, sequestration or similar proceeding against MCHI or with

respect to its assets, or (iii) the exercise of any right of set off or similar right with respect to MCHI or any of its assets. The agreement of the Pre-Petition Agent and Pre-Petition Lenders set forth in this Section 2.1 is subject to the conditions that the Borrower and MCHI shall cause all such Liquidity Event Net Proceeds received by any subsidiary of MCHI to be transferred to MCHI, that all Liquidity Event Net Proceeds received by the Borrower, any Guarantor or MCHI shall be paid to the Pre-Petition Agent within one (1) Business Day of their receipt for application to the Pre-Petition Obligations pursuant to the Pre-Petition Credit Agreement and that any Liquidity Event Net Proceeds designated to pay actual taxes payable and related transaction costs shall be held by the Pre-Petition Agent in escrow until applied to pay such taxes and costs.

*Section 2.2. Consent to Use of Cash Collateral.* The Pre-Petition Agent and the Pre-Petition Banks hereby consent to the use of their cash collateral (within the meaning Section 363 of the Bankruptcy Code) as provided in the DIP Credit Agreement, *provided that* as adequate protection (within the meaning Section 363 of the Bankruptcy Code), the Financing Orders shall provide that the Pre-Petition Banks (or an agent on their behalf) shall be granted a replacement lien on all Post-Petition Collateral to secure the Pre-Petition Obligations for and to the extent of the post-petition use of Pre-Petition Collateral and proceeds thereof and for any post-petition diminution in value of Pre-Petition Collateral (the "*Replacement Lien*"), which Replacement Lien shall be subordinate only to (i) the liens granted to the DIP Agent and the DIP Lenders to secure the DIP Loans, (ii) the Administrative Expense Carve Out, and (iii) other Permitted Liens. The Pre-Petition Banks shall share such Replacement Liens in the same priority as they did pre-petition.

*Section 2.3. Administrative Expense Carve-Out.* The Pre-Petition Agent and the Pre-Petition Banks hereby subordinate their claims on the Pre-Petition Obligations and their Liens on the Collateral as security for the Pre-Petition Obligations in each case to (x) the payment of the amount allowed by the Bankruptcy Court for professional fees and disbursements subject to Section 503(b)(2) of the Bankruptcy Code incurred by the Debtors and any statutory committees appointed in the Chapter 11 Cases, and (y) the payment of fees pursuant to 28 U.S.C. §1930, collectively in an amount not to exceed the Administrative Expense Carve-Out, *provided that* Cash Collateral collected and applied by the Pre-Petition Banks or the DIP Lenders prior to the Termination Date shall not reduce the Administrative Expense Carve-Out. Nothing herein contained shall subordinate or in any way impair or otherwise affect the Superpriority Claims of the DIP Agent and the DIP Lenders on the Post-Petition Obligations or the Liens securing the Post-Petition Obligations and the Adequate Protection Obligations. Fees and expenses paid by the Debtors prior to the Termination Date shall not reduce the amount of the Administrative Expense Carve-Out.

### SECTION 3. AGREEMENTS OF THE BORROWER AND THE GUARANTORS.

In further consideration of the agreements of the Pre-Petition Agent and Pre-Petition Banks herein contained, the Borrower and Guarantors further agree with the Pre-Petition Agent and Pre-Petition Lenders as set forth in this Section 3.

*Section 3.1. Compliance with MCHI Guaranty.* The Borrower shall cause MCHI to comply, and cause its subsidiaries to comply, with the terms of Section 3 of the MCHI Guaranty.

*Section 3.2. Waiver of Claims.* The Financing Orders shall contain waivers of relief, claims, charges and limitation of the Pre-Petition Agent's or the Pre-Petition Banks' rights under Sections 105, 506(c) and 552(b) of the Bankruptcy Code and claims pursuant to Sections 510, 544, 547, 548 and 549 of the Bankruptcy Code (in each case at least as to Final Financing Order and subject to the Lien Validation Process). If any such waivers, claims, charges and limitations exist, and in consideration of the mutual agreements contained herein, to the extent not irreconcilably inconsistent with the provisions hereof or the Financing Order, the Borrower and each Guarantor hereby agrees not to assert and affirmatively waives any claim it otherwise might have under Sections 105, 506(c), 510, 544, 547, 548, 549 and 552(b) of the Bankruptcy Code, to the extent permitted by the Bankruptcy Court and applicable law (in each case at least as to the Final Financing Order and subject to the Lien Validation Process).

*Section 3.3. Indemnification.* The Borrower agrees to indemnify and hold harmless the Pre-Petition Banks and the Pre-Petition Agent and their respective directors, officers, agents, representatives and employees as described in the Pre-Petition Credit Agreement. The Borrower acknowledges that the Pre-Petition Agent and the Pre-Petition Banks are relying on the provisions of the Financing Orders that require that their post-petition fees and expenses be paid as a form of adequate protection.

*Section 3.4. Sharing of Information.* Each of the Pre-Petition Agent and each Pre-Petition Bank may discuss the Borrower's business and financial condition of the Borrower and its Subsidiaries with each other, the DIP Banks, the DIP Agent and prospective participants in the DIP Credit and the Pre-Petition Obligations.

#### SECTION 4. CONDITIONS PRECEDENT.

This Agreement shall become effective upon the satisfaction of all of the following conditions precedent:

*Section 4.1.* the Borrower, the Guarantors, the Pre-Petition Agent and all of the Pre-Petition Banks shall have executed and delivered this Agreement;

*Section 4.2.* the Chapter 11 Cases shall have been filed;

*Section 4.3.* the Debtors shall have no debtor-in-possession financing facility other than the facility provided pursuant to the DIP Credit Agreement;

*Section 4.4.* the DIP Credit Agreement shall have been executed and delivered by all of the parties thereto and shall be in full force and effect;

*Section 4.5.* the Interim Financing Order substantially in the form attached as an exhibit to the DIP Credit Agreement after notice given and a hearing conducted in accordance with Bankruptcy Rule 4001(c) shall have been entered by the Bankruptcy Court and shall be in full force and effect and shall not have been amended, modified, stayed, vacated, reversed or rescinded in any respect;

*Section 4.6.* the Borrower shall have reimbursed the Pre-Petition Agent and the Pre-Petition Banks for all reasonable fees and expenses incurred by them, including the reasonable fees and expenses of Chapman and Cutler, Chapman and Cutler's local counsel, and FTI Consulting, Inc., in connection with the Pre-Petition Credit Agreement and the transactions contemplated hereby which have accrued and been invoiced as of the date hereof (it being understood that such amounts paid remain subject to Bankruptcy Court approval).

#### SECTION 5. TERMINATION.

The Pre-Petition Agent's and Pre-Petition Banks' agreement not to enforce their rights under the MCHI Guaranty shall terminate (a) upon the occurrence of the Termination Date, (b) if Liquidity Event Net Proceeds are not applied to the Pre-Petition Obligations as described in Section 2.1 hereof, (c) the Borrower or any Guarantor shall default in the observance or performance of any covenant contained in Section 3 of this Agreement, (d) MCHI or any of its subsidiaries shall default in the observance or performance of any covenant contained in Section 3 of the MCHI Guaranty, or (e) a Non-Debtor Subsidiary Bankruptcy shall occur, and in the case of clauses (c) and (d) preceding, such default shall continue uncured and unwaived for a period of 7 days following written notice ~~from~~sent via telecopier and express next-day delivery from the Pre-Petition Agent to Borrower, any statutory committee appointed in the Chapter 11 Cases, and MCHI.

#### SECTION 6. MISCELLANEOUS.

*Section 6.1. Amendments and Waivers.* Any term, covenant, agreement or condition of this Agreement and the other Loan Documents may be amended only by a written amendment executed by the Borrower, all of the Pre-Petition Banks constituting Required Banks (as defined in the Pre-Petition Credit Agreement) ("*Required Banks*") and, if the rights or duties of the Pre-Petition Agent are materially affected thereby, the Pre-Petition Agent, or compliance therewith by the Borrower and the Guarantors only may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Borrower shall have obtained the consent in writing of the Required Banks and, if the rights or duties of the DIP Agent are materially affected thereby, the Pre-Petition Agent. Any such amendment or waiver shall apply equally to all Pre-Petition Banks and shall be binding upon them, upon each future holder of any Note and Reimbursement Obligation and upon the Borrower. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived.

*Section 6.2. Waiver of Rights.* No delay or failure on the part of the Pre-Petition Agent or any Pre-Petition Bank or on the part of the holder or holders of any Note or Reimbursement Obligation in the exercise of any power or right shall operate as a waiver thereof, nor as an acquiescence in any Potential Default or Event of Default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies hereunder of the Pre-Petition Agent, the Pre-Petition Banks and of the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

*Section 6.3 Counterparts.* This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument. One or more of the Pre-Petition Banks may execute a separate counterpart of this Agreement which has also been executed by the Borrower, and this Agreement shall become effective as and when all of the Pre-Petition Banks have executed this Agreement or a counterpart thereof and lodged the same with the Pre-Petition Agent.

*Section 6.4. Successors and Assigns; Governing Law; Entire Agreement.* This Agreement shall be binding upon the Borrower, the Guarantors, the Pre-Petition Agent and the Pre-Petition Banks and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Guarantors, the Pre-Petition Agent, each of the Pre-Petition Banks and MCHI (which is an express third party beneficiary of the obligations of the Pre-Petition Agent and Pre-Petition Banks contained herein) and the benefit of their respective successors and assigns. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. The Borrower and the Guarantors may not assign any of their rights or obligations hereunder without the written consent of the Pre-Petition Banks.

*Section 6.5. No Joint Venture.* Nothing contained in this Agreement shall be deemed to create a partnership or joint venture among the parties hereto.

*Section 6.6. Severability.* In the event that any term or provision hereof is determined to be unenforceable or illegal, it shall be deemed severed herefrom to the extent of the illegality and/or unenforceability and all other provisions hereof shall remain in full force and effect.

*Section 6.7. Table of Contents and Headings.* The table of contents and section headings in this Agreement are for reference only and shall not affect the construction of any provision hereof.

*Section 6.8. Jurisdiction; Venue; Waiver of Jury Trial.* THE BORROWER AND EACH GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND OF ANY ILLINOIS COURT SITTING IN CHICAGO FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER AND EACH GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER, THE GUARANTORS, THE PRE-PETITION AGENT, AND THE PRE-PETITION BANKS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

*Section 6.9. No Modification; No Discharge; Survival of Claims.* This Agreement shall not be modified, altered or affected in any manner by any plan of reorganization or any order of confirmation for any Debtor or any other financing or extensions or incurring of indebtedness by any Debtor pursuant to Section 364(c) of the Bankruptcy Code. Without limiting the generality of the foregoing, each of the Borrower and the Guarantors agrees that (i) its obligations hereunder shall not be discharged by the entry of an order confirming a plan of reorganization (and each of the Borrower and the Guarantors, pursuant to Section 1141(d)(4) of the Bankruptcy Code, hereby waives any such discharge) and (ii) the Superpriority Claim granted to the Pre-Petition Agent and the Pre-Petition Banks pursuant to the Financing Order and the Lien granted to the DIP Agent for the benefit of the Pre-Petition Agent the Pre-Petition Banks pursuant to the DIP Credit Agreement and the Financing Order shall not be affected in any manner by the entry of an order confirming a plan of reorganization.

*Section 6.10. Pre-Petition Loan Documents.* Subject to the provisions of the Bankruptcy Code and any orders entered by the Bankruptcy Court, the Pre-Petition Loan Documents shall remain in full force and effect, and the execution of this Agreement by the Pre-Petition Agent and the Pre-Petition Banks, and the delivery to and acceptance thereof by the Pre-Petition Agent and the Pre-Petition Banks, do not and shall not constitute a waiver of any provision of the Pre-Petition Loan Documents, except as expressly provided in this Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first set forth above.

Dated as of May \_\_, 2003.

MISSISSIPPI CHEMICAL CORPORATION, as  
Debtor and Debtor-in-Possession

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

GUARANTORS:

MISSCHEM NITROGEN, L.L.C., as Debtor and  
Debtor-in-Possession

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

MISSISSIPPI NITROGEN, INC., as Debtor and  
Debtor-in-Possession

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

TRIAD NITROGEN, L.L.C. , as Debtor and  
Debtor-in-Possession

By  
Its \_\_\_\_\_



MISSISSIPPI PHOSPHATES CORPORATION, as  
Debtor and Debtor-in-Possession

By  
Its \_\_\_\_\_

MISSISSIPPI POTASH, INC., as Debtor and  
Debtor-in-Possession

By  
Its \_\_\_\_\_

EDDY POTASH, INC., as Debtor and Debtor-in-  
Possession

By  
Its \_\_\_\_\_

MISSISSIPPI CHEMICAL MANAGEMENT  
COMPANY, as Debtor and Debtor-in-  
Possession

By  
Its \_\_\_\_\_

MISSISSIPPI CHEMICAL COMPANY, L.P., as  
Debtor and Debtor-in-Possession

By: MISSISSIPPI CHEMICAL MANAGEMENT  
COMPANY, its general partner

By  
Its \_\_\_\_\_

MELAMINE CHEMICALS, INC., as Debtor and  
Debtor-in-Possession

By \_\_\_\_\_  
Its \_\_\_\_\_

HARRIS TRUST AND SAVINGS BANK  
individually and as Pre-Petition Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

PRE-PETITION BANKS:

CREDIT AGRICOLE INDOSUEZ

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

MORGAN STANLEY SENIOR FUNDING, INC.

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

BANC OF AMERICA STRATEGIC SOLUTIONS,  
INC.

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

THE BANK OF NOVA SCOTIA, ATLANTA  
AGENCY

By

Name \_\_\_\_\_

Title \_\_\_\_\_

SUNTRUST BANK (formerly known as SunTrust  
Bank, Atlanta)

By

Name \_\_\_\_\_

Title \_\_\_\_\_

WACHOVIA BANK, NATIONAL ASSOCIATION  
(formerly known as First Union National  
Bank)

By

Name \_\_\_\_\_

Title \_\_\_\_\_

ABN AMRO BANK N.V.

By

Name \_\_\_\_\_

Title \_\_\_\_\_

By

Name \_\_\_\_\_

Title \_\_\_\_\_

AVENUE SPECIAL SITUATIONS FUND II, L.P., as  
Buyer

By: Avenue Capital Partners II, LLC, General  
Partner

By: GL Partners II, LLC, Managing  
Member of General Partner

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

TRUSTMARK NATIONAL BANK

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

AMSOUTH BANK

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

SPCP GROUP, L.L.C.

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

Address: \_\_\_\_\_

Attention: \_\_\_\_\_

PRESIDENT AND FELLOWS OF HARVARD  
COLLEGE

By: Whipporwill Associates Incorporated  
Its: Agent and Authorized Signatory

By  
Name \_\_\_\_\_  
Title \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

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