

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI

BANKRUPTCY COURT
SOUTHERN DISTRICT OF MISSISSIPPI
FILED

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CHARLENE J. LLOYD
CLERK

In re:)
)
MISSISSIPPI CHEMICAL)
CORPORATION, *et al.*¹)
)
Debtors.)
_____)

BY _____ DEPUTY
CASE NO. 03-02984 WEE
Chapter 11
Jointly Administered

**MOTION (1) FOR ORDER AUTHORIZING DEBTOR-IN-POSSESSION
TO ENTER INTO INSURANCE PREMIUM FINANCE AGREEMENT AND
(2) FOR EXPEDITED CONSIDERATION**

COME NOW the Debtors and Debtors-in-Possession, Mississippi Chemical Corporation, *et al.*, ("Debtors"), and move the Court pursuant to Sections 363 and 364 of the Bankruptcy Code and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure for an order authorizing them to enter into the hereinafter described Insurance Premium Financing Agreement. In support of the Motion, the Debtors show as follows:

1. Debtors' voluntary Chapter 11 petitions were filed on May 15, 2003 ("Petition Date").
2. In the ordinary course of the Debtors' business, the Debtors maintain, as required by their lenders and other parties in interest, various insurance policies as set forth in the "Schedule 1" that is part of the proposed Premium Finance Agreement which is annexed hereto as Exhibit "A" and made a part hereof. Furthermore, in the exercise of their duties as Debtors-in-Possession and otherwise, prudence requires that such policies be maintained.

¹ 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.

3. The policies will bear total premiums in the estimated range of between \$8 to 10 million which total sum the Debtor cannot pay at this time. Furthermore, even if the Debtors were able or inclined to do so, they nevertheless believe that it is in the best interests of the estates to finance the premiums in the manner proposed herein. Such financing is not unusual for companies of such sizes as the Debtors.

4. The policy premiums are due on July 1, 2003, but a thirty (30) day grace period is permitted. Thus, this matter is of extreme urgency as termination of coverage looms absent approval to finance these premiums.

5. As reflected on Exhibit "B" attached hereto, which is a Finance Proposal indicating the amounts and terms pursuant to which the Debtors will obtain the proposed financing, the Debtors are seeking to finance their policy premiums at a sub-prime rate. This will provide financing at an interest rate that is below that which would be charged under the current proposed DIP Facility or any other available source of credit. Financing the policy premiums will further reduce the exposure of their DIP Lenders while providing the Debtors with additional budgetary flexibility due to the avoidance of a large draw under the DIP Facility.

6. The premiums for the policies are expected to be financed through AFCO CREDIT or AFCO ACCEPTANCE CORP. (either of which are referred to as "AFCO") or AI CREDIT ("AIC") either of which requires the Debtors to enter into a Premium Finance Agreement that includes a Security Agreement granting AFCO or AIC a security interest in the gross unearned premiums which would be payable in the event of cancellation of the insurance policies. It further authorizes AFCO or AIC to cancel the financed insurance policies and obtain the return of any unearned premiums in the event of a default in the payment of any installment due.

7. Exhibits "A" and "B" are at this point only the proposals that have been presented to the Debtors and are not final, although the Debtors believe that the final terms will be virtually identical to those reflected in the attached Exhibits. Due to the continued analysis and negotiation by the Debtors and their insurance brokers of the individual premium amounts of each policy, final terms are not expected until a later date closer to the July 1 deadline. This is also due to the Debtors' efforts to identify any policies that may no longer be needed and for which no premiums will be paid, all in an effort to reduce its expenses as much as possible. Upon receipt of the final documentation, the Debtors will immediately provide the same and all information regarding the financing terms to all parties on the Shortened Service List or follow such other procedures as the Court may require.

8. The policies are extremely valuable to the estate, and it is essential to maintain them in the interest of the preservation of the property, assets and business of the Debtors and the interests of the estate and interested parties therein. The policies cannot presently be obtained by the Debtors unless the premiums are financed.

9. The Debtors have been unable to locate any source of unsecured premium financing, and the proposal set forth herein is, the Debtors submit, fair and reasonable.

10. In view of the importance of maintaining insurance coverage with respect to business activities and the preservation of the Debtors' cash flow by financing the insurance premiums, the Debtors believe that it is in the best interests of the estates, their creditors and all interested parties therein to enter into such Premium Finance Agreement pursuant to the terms described herein.

11. This Motion and the reasons necessitating its filing have been discussed prior to its filing among the Debtors and their DIP Lenders, as well as with the Official Unsecured Creditors' Committee and the U.S. Trustee, and the same is not objectionable thereto.

Request for Expedited Relief

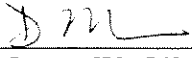
12. Because the Debtors' premium payments are due and payable on July 1, 2003, it is critical that the Court address this Motion in an expedited fashion and grant the Debtors the requisite authority to take the actions requested herein before such date. Failure to do so will result in a lapse in coverage and the consequential effects thereof would be severely detrimental to the estate. Accordingly, the Debtors request that the Court expedite consideration hereof in order to prevent adverse consequences to the Debtors or their estates.

WHEREFORE, the Debtors pray (1) that an Order pursuant to Section 364(c)(2) of the Bankruptcy Code be entered herein authorizing the Debtors to enter into the Premium Finance Agreement and approving the terms thereof, including all rights and privileges granted AFCO or AIC therein and authorizing AFCO or AIC (or any other similar financier) to exercise all rights thereunder, (2) that the Court grant expedited consideration hereof and (3) for such other and further Order as to this Court seems just and proper.

[remainder of this page intentionally left blank]

Respectfully submitted,

MISSISSIPPI CHEMICAL CORPORATION, *et al.*

By: 
James W. O'Mara, MS Bar No. 3929
Douglas C. Noble, MS Bar No. 10526
Christopher R. Maddux, MS Bar No. 100501

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CERTIFICATE OF SERVICE

I do hereby certify that I have this date caused to be served *via* electronic mail and/or U.S. Mail, postage prepaid, a true and correct copy of the above and foregoing pleading to all parties listed below. The Debtors' Noticing Agent, BMC, shall likewise serve a copy of same to all parties on the Shortened Service List.

James E. Spiotto Chapman and Cutler 111 W. Monroe Street Chicago, Illinois 60603	Stephen W. Rosenblatt Butler, Snow, O'Mara, Stevens & Cannada Post Office Box 22567 Jackson, MS 39225-2567
Anthony Princi Thomas L. Kent Orrick, Herrington & Sutcliffe LLP 666 Fifth Avenue New York, New York 10103	Craig M. Geno Harris, Geno & Dunbar P.O. Box 3919 Jackson, MS 39207-3919
Ronald H. McAlpin Assistant U.S. Trustee Suite 706 100 W. Capitol Street Jackson, Mississippi 39269	Bankruptcy Management Corporation Attn: Tinamarie Feil 1330 E. Franklin Ave. El Segundo, CA 90245

SO CERTIFIED, this the 24 day of June, 2003.



JAMES W. O'MARA
DOUGLAS C. NOBLE

INSURANCE PREMIUMS ELIGIBLE FOR FINANCING

BROKERED BY ARTHUR J. GALLAGHER ET AL						
CODE	COVERAGE	PROJECTED 2003-2004	ACTUAL 2002-2003	MARGIN OF ERROR (+ OR -)	WORST CASE	BEST CASE
63520	Wharfingers Liability et al	15,000	15,000	-	15,000	15,000
63530	Pollution Legal Liability	75,000	75,000	5,000	80,000	70,000
63590	Excess Liability	700,000	665,000	50,000	750,000	650,000
63590	Excess Liability	800,000	780,000	50,000	850,000	750,000
63590	Excess Liability	250,000	225,000	20,000	270,000	230,000
63610	Property Ins.	5,000,000	5,480,520	500,000	5,500,000	4,500,000
63610	Property Ins.(E&S Taxes)	150,000	151,537	15,000	165,000	135,000
63690	Political Risk Insurance	700,000	696,105	10,000	710,000	690,000
63720	Foreign GL/AL/WC	10,000	6,000	4,000	14,000	6,000
TOTALS		7,700,000	8,094,161	654,000	8,354,000	7,046,000

BROKERED BY MARSH						
CODE	COVERAGE	PROJECTED 2003-2004	ACTUAL 2002-2003	MARGIN OF ERROR (+ OR -)	WORST CASE	BEST CASE
63540	Directors' & Officers	246,350	246,350	-	246,350	246,350
63540	Directors' & Officers	300,000	N/A	200,000	500,000	100,000
63560	Fiduciary Liability	20,000	20,000	5,000	25,000	15,000
63720	Crime	50,000	45,000	5,000	55,000	45,000
63720	Special Crime	7,500	7,500	-	7,500	7,500
63650	Transit Ins.	30,000	30,000	-	30,000	30,000
TOTALS		653,850	348,850	210,000	863,850	443,850



Commercial Premium Finance Agreement

1 South 443 Summit Avenue, Suite 304A, Oakbrook Terrace, Illinois 60181
TEL. NOS. (630) 953-2833 (800) 288-8214

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Agent (Name and Address) 30-12-91085-3
ARTHUR J GALLAGHER RISK MGMT
SERVICES INC
TWO PIERCE PLACE
ITASCA, IL 60143
(630) 773-3800

Insured (Name and Address as shown on the policy)
MISSISSIPPI CHEMICAL CORPORATION
OWEN COOPER ADMINISTRATION BUILDING
HWY 49 EAST P O BOX 388
YAZOO CITY, MS 39194

A) Total Premiums	B) Down Payment	C) Amount Financed	D) Finance Charge	E) Total Payments
\$7,126,844.01	\$1,781,711.00	\$5,345,133.01	\$83,462.42	\$5,428,595.43
F) Annual Percentage Rate	No. of Payments	Amount of Payments	First Installment Due	Installment Due Dates
3.732%	9 (Monthly)	\$603,177.27	08/01/2002	1st

SCHEDULE OF POLICIES

Policy Prefix and Numbers	Effective Date of Policy Inst.	Name of Insurance Company and Name and Address of General or Policy Issuing Agent or Intermediary	Type of Coverage	Months Covered	Premium \$
	07/01/02	NATIONAL UNION FIRE INS CO	UMB	12	665,000.00
	07/01/02	XL CAPITAL / ARTHUR J GALLAGHER RIS	UMB	12	780,000.00
	07/01/02	STARR EXCESS LIAB INS CO LTD	UMB	12	225,000.00
	07/01/02	GREAT LAKES / ARTHUR J GALLAGHE	PROP	12	455,000.00
	07/01/02	ZURICH/ARTHUR J GALLAGHE	PROP	12	682,500.00
< \$112,500.00 TME Policy Detail Continued...					

(1) **DEFINITIONS:** The above named insured ("the insured") is the debtor. AFCO Credit Corporation ("AFCO") is the lender to whom the debt is owed. "Insurance company" or "company", "insurance policy" or "policy" and "premium" refer to those items listed under the "Schedule of Policies". Singular words mean plural and vice-versa as may be required in order to give the agreement meaning. For New York insureds, services for which any charge pursuant to Insurance Law, Section 2119, is imposed, are in connection with obtaining and servicing the policies listed herein.

NOTICE: 1. Do not sign this agreement before you read it or if it contains any blank space. 2. You are entitled to a completely filled in copy of this agreement. 3. Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the service charge.

INSURED AGREES TO THE TERMS SET FORTH ABOVE AND ON THE LAST PAGE OF THIS AGREEMENT

INSURED'S NAME	<input checked="" type="checkbox"/> SIGNATURE OF INSURED OR AUTHORIZED REPRESENTATIVE	TITLE	DATE
07112002MSdxgaxbxbxgaabxbx			

AGENT OR BROKER REPRESENTATIONS

The undersigned warrants and agrees: 1. The policies are in full force and effect and the information in the Schedule of Policies and the premiums are correct. 2. The insured has authorized this transaction and recognizes the security interest assigned herein and has received a copy of this agreement. 3. To hold in trust for AFCO any payments made or credited to the insured through or to the undersigned, directly or indirectly, actually or constructively by the insurance companies or AFCO and to pay the monies as well as any unearned commissions to AFCO upon demand to satisfy the outstanding indebtedness of the insured. Any lien the undersigned has or may acquire in the return premiums arising out of the listed insurance policies is subordinated to AFCO's lien or security interest therein. 4. The policies comply with AFCO's eligibility requirements. 5. No audit or reporting form policies, policies subject to retrospective rating or minimum earned premium are included. The deposit or provisional premiums are not less than anticipated premiums to be earned for the full term of the policies. 6. The policies can be cancelled by the insured and the unearned premiums will be computed on the standard short-rate or pro-rata table. 7. The undersigned represents that a proceeding in bankruptcy, receivership, or insolvency has not been instituted by or against the named insured.

IF THERE ARE ANY EXCEPTIONS TO THE ABOVE STATEMENTS PLEASE LIST BELOW:

THE UNDERSIGNED FURTHER WARRANTS THAT IT HAS RECEIVED THE DOWN PAYMENT AND ANY OTHER SUMS DUE AS REQUIRED BY THE AGREEMENT AND IS HOLDING SAME OR THEY ARE ATTACHED TO THIS AGREEMENT

AGENT OR BROKER	<input checked="" type="checkbox"/> SIGNATURE OF AGENT OR BROKER	TITLE	DATE
CPFA-1(1/98-win) c. 1998 Afco Credit Corporation			

QIV# 30-02-02214-7.02





Commercial Premium Finance Agreement

1 South 443 Summit Avenue, Suite 304A, Oakbrook Terrace, Illinois 60181
TEL. NOS. (630) 953-2833 (800) 288-8214

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SCHEDULE OF POLICIES

Policy Prefix and Numbers	Effective Date of Policy Inst.	Name of Insurance Company and Name and Address of General or Policy Issuing Agent or Intermediary	Type of Coverage	Months Covered	Premium \$
	07/01/02	XL / ARTHUR J GALLAGHE	PROP	12	682,500.00
	07/01/02	AWAC / ARTHUR J GALLAGHE	PROP	12	770,000.00
		TA	TA	Ref	33,880.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	612,500.00
		TA	TA	Ref	38,500.00
	07/01/02	AXIS / ARTHUR J GALLAGHE	PROP	12	262,500.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	350,000.00
		TA	TA	Ref	15,400.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	157,818.00
		TA	TA	Ref	9,548.00
	07/01/02	AXIS / ARTHUR J GALLAGHE	PROP	12	59,182.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	97,650.00
		TA	TA	Ref	7,136.60
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	54,250.00
		TA	TA	Ref	2,387.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	105,603.00
		TA	TA	Ref	12,464.41
	07/01/02	AIG / ARTHUR J GALLAGHE	PROP	12	79,202.00
	07/01/02	AXA / ARTHUR J GALLAGHE	PROP	12	42,241.00
	07/01/02	FRANKONA / ARTHUR J GALLAGHE	PROP	12	79,202.00
	07/01/02	LIBERTY MUTUAL INS CO	PROP	12	168,000.00
		TA	TA	Ref	7,392.00
	07/01/02	ACE / ARTHUR J GALLAGHE	PROP	12	644,583.00
	07/01/02	LLOYDS OF LONDON/ARTHUR J. GALLAGHE	PROP	12	26,250.00
		TA	TA	Ref	1,155.00

- (2) **LIMITED POWER OF ATTORNEY:** The insured irrevocably appoints AFCO as its attorney in fact with full authority to cancel the insurance policies for the reasons stated in paragraph (14), and to receive all sums assigned to AFCO or in which it has granted AFCO a security interest. AFCO may execute and deliver on the insured's behalf all documents, instruments of payment, forms, and notices of any kind relating to the insurance policies in furtherance of this agreement.
- (3) **PROMISE OF PAYMENT:** The insured requests that AFCO pay the premiums in the Schedule of Policies. The insured promises to pay to AFCO the amount stated in Block E above according to the payment schedule, subject to the remaining terms of this agreement.
- (4) **SECURITY INTEREST:** The insured assigns to AFCO as security for the total amount payable in this agreement any and all unearned premiums and dividends which may become payable under the insurance policies for whatever reason and loss payments which reduce the unearned premiums subject to any mortgagee or loss payee interests. The insured gives to AFCO a security interest in all items mentioned in this paragraph. The insured further grants to AFCO its interest which may arise under any state insurance guarantee fund relating to any policy shown in the Schedule of Policies.
- (5) **WARRANTY OF ACCURACY:** The insured warrants to AFCO that the insurance policies listed in the Schedule have been issued to the insured and are in full force and effect and that the insured has not assigned any interest in the policies except for the interest of mortgagees and loss payees. The insured authorizes AFCO to insert or correct on this agreement, if omitted or incorrect, the insurer's name, the policy numbers, and the due date of the first installment. AFCO is permitted to correct any obvious errors. In the event of any change or insertion, AFCO will give the insured written notice of those changes or corrections made in accordance with this provision.
- (6) **REPRESENTATION OF SOLVENCY:** The insured represents that the insured is not insolvent or presently the subject of any insolvency proceeding.
- (7) **ADDITIONAL PREMIUMS:** The money paid by AFCO is only for the premium as determined at the time the insurance policy is issued. The insured agrees to pay the company any additional premiums which become due for any reason. AFCO may assign the company any rights it has against the insured for premiums due the company in excess of the premiums returned to AFCO.
- (8) **SPECIAL INSURANCE POLICIES:** If the insurance policy issued to the insured is auditable or is a reporting form policy or is subject to retrospective rating, then the insured promises to pay to the insurance company the earned premium computed in accordance with the policy provisions which is in excess of the amount of premium advanced by AFCO which the insurance company retains.
- (9) **NAMED INSURED:** If the insurance policy provides that the first named insured in the policy shall be responsible for payment of premiums and shall act on behalf of all other insureds with respect to any actions relating to the policy, then the same shall apply to this agreement. If such is not the case, then all insureds' names must be shown on this agreement unless a separate agreement specifies one insured to act in all matters for the others.
- (10) **FINANCE CHARGE:** The finance charge shown in Block D begins to accrue as of the earliest policy effective date unless otherwise indicated in the Schedule of Policies.
- (11) **AGREEMENT BECOMES A CONTRACT:** This agreement becomes a binding contract when AFCO mails a written acceptance to the insured.
- (12) **DEFAULT CHARGES:** If the insured is late in making an installment payment to AFCO by more than the number of days specified by law the insured will pay to AFCO a delinquency charge not to exceed the maximum charge permitted by law.
- (13) **DISHONORED CHECK:** If an insured's check is dishonored for any reason and if permitted by law, the insured will pay to AFCO a fee for expenses in processing that check not to exceed the amount permitted by law.
- (14) **CANCELLATION:** AFCO may cancel the insurance policies after giving any required statutory notice and the unpaid balance due to AFCO shall be immediately payable by the insured if the insured does not pay any installment according to the terms of this agreement. AFCO at its option may enforce payment of this debt without recourse to the security given to AFCO. If cancellation occurs, the borrower agrees to pay a finance charge on the balance due at the contract rate of interest until that balance is paid in full or until such other date as required by law.
- (15) **CANCELLATION CHARGES:** If AFCO cancels any insurance policy in accordance with the terms of this agreement, then the insured will pay AFCO a cancellation charge, if permitted, up to the limit specified by law.
- (16) **MONEY RECEIVED AFTER NOTICE OF CANCELLATION:** Any payments made to AFCO after AFCO's notice of cancellation of the insurance policy has been mailed may be credited to the insured's account without affecting the acceleration of this agreement and without any liability or obligation on AFCO's part to request reinstatement of a cancelled insurance policy. Any money AFCO receives from an insurance company shall be credited to the amount due AFCO with any surplus being paid over to whomever is entitled to the money. No refund of less than \$1.00 shall be made. In the event that AFCO does request, on the insured's behalf, a reinstatement of the policy, such request does not guarantee that coverage under the policy will be reinstated or continued.
- (17) **ATTORNEY FEES - COLLECTION EXPENSE:** If, for collection, this agreement is placed in the hands of an attorney who is not a salaried employee of AFCO, then the insured agrees to pay reasonable attorney fees and costs including those in the course of appeal as well as other expenses, as permitted by law or granted by the court.
- (18) **REFUND CREDITS:** The insured will receive a refund credit of the finance charge if the account is voluntarily prepaid in full prior to the last installment due date as required or permitted by law. Any minimum or fully earned fees will be deducted as permitted by law.
- (19) **INSURANCE AGENT OR BROKER:** The insurance agent or broker named in this agreement is the insured's agent, not AFCO's, and AFCO is not legally bound by anything the agent or broker represents to the insured orally or in writing.
- (20) **NOT A CONDITION OF OBTAINING INSURANCE:** This agreement is not required as a condition of the insured obtaining insurance coverage.
- (21) **SUCCESSORS AND ASSIGNS:** All legal rights given to AFCO shall benefit AFCO's successors and assigns. The insured will not assign the policies without AFCO's written consent except for the interest of mortgagees and loss payees.
- (22) **LIMITATION OF LIABILITY:** The insured agrees that AFCO's liability for breach of any of the terms of this agreement or the wrongful exercise of any of its powers shall be limited to the amount of the principal balance outstanding except in the event of gross negligence or willful misconduct.
- (23) **ENTIRE DOCUMENT - GOVERNING LAW:** This document is the entire agreement between AFCO and the insured and can only be changed in writing and signed by both parties except as stated in paragraph (5). The laws of the state indicated in the insured's address as set forth in the Schedule will govern this agreement unless stated in that Schedule.



FINANCE PROPOSAL

AGENT: ARTHUR J GALLAGHER RISK MGMT
ITASCA, IL 60143

INSURED: MISSISSIPPI CHEMICAL CORPORATION
OWEN COOPER ADMINISTRATION BUILD

Quote Number: 30-03-01617-3.01

Printed: 5/29/2003 9:03 AM

Policy Effective Date:	07/01/2003
Annual Percentage Rate:	3.350%
Total Premium:	\$7,000,000.00
Down Payment:	\$2,450,000.00
Amount Financed:	\$4,550,000.00
Finance Charge:	\$50,949.99
 Total Payments:	 \$4,600,949.99

7 Monthly Installments at \$657,278.57

First installment due on 8/01/2003

The current Prime Rate is 4.250%

IT PAYS TO FINANCE WITH AFCO

EXHIBIT

B