

TERRA INDUSTRIES INC
Form PRRN14A
September 29, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

TERRA INDUSTRIES INC.

(Name of Registrant as Specified in its Charter)

**CF INDUSTRIES HOLDINGS, INC.
CF COMPOSITE, INC.**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

PRELIMINARY PROXY SUBJECT TO COMPLETION

**2009 ANNUAL MEETING OF STOCKHOLDERS
OF
TERRA INDUSTRIES INC.**

**PROXY STATEMENT
OF
CF INDUSTRIES HOLDINGS, INC.
AND CF COMPOSITE, INC.**

This proxy statement and the accompanying **BLUE** proxy card are being furnished to you by (i) CF Industries Holdings, Inc., a Delaware corporation ("CF Holdings"), and (ii) CF Composite, Inc., a New York corporation ("CF Composite") and an indirect, wholly-owned subsidiary of CF Holdings (for convenience, throughout this proxy statement, we sometimes refer to CF Composite and CF Holdings, collectively, as "CF" or "we"), in connection with the solicitation of proxies from you, holders of common stock, without par value, or common shares, of Terra Industries Inc., a Maryland corporation (the "Company"). We intend to vote such proxies at the annual meeting of the Company's stockholders scheduled to be held on Friday, November 20, 2009 at _____, including any adjournments or postponements thereof and any special meeting that may be called in lieu thereof (the "Annual Meeting"), in order to take the following actions:

- (a) vote **FOR** the election of John N. Lilly, David A. Wilson and Irving B. Yoskowitz (each, a "Nominee" and, collectively, the "Nominees") to serve as Class II directors on the board of directors of the Company (the "Board") until the 2012 annual meeting of stockholders of the Company and until their respective successors are duly elected and qualify;
- (b) vote **FOR** the Company's proposal to ratify the selection by the Audit Committee of the Company (the "Audit Committee") of the firm of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2009; and
- (c) transact such other business as may properly come before the Annual Meeting.

The Company has set the close of business on October 9, 2009 as the record date for determining stockholders entitled to vote at the Annual Meeting. The principal executive offices of the Company are located at Terra Centre, 600 Fourth Street, P.O. Box 6000, Sioux City, Iowa 51102-6000.

We are the beneficial owners of an aggregate of 6,986,048 common shares of the Company, representing approximately 7% of the issued and outstanding common shares of the Company. We intend to vote all of the common shares of the Company that we beneficially own at the Annual Meeting **FOR** the election of our Nominees and **FOR** the Company's proposal to ratify the selection by the Audit Committee of the firm of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2009.

This proxy statement and the accompanying **BLUE** proxy card are first being sent or given on or about _____, 2009 to all holders of common shares of the Company as of the record date.

On January 15, 2009, we announced that we had made a proposal to the Company to acquire all of the outstanding common shares of the Company at a fixed exchange ratio of 0.4235 shares of CF Holdings common stock, par value \$0.01 per share, for each common share of the Company. On March 9, 2009, we announced that we would be prepared to enter into a negotiated merger agreement

Table of Contents

with the Company that provides for an exchange ratio based on \$27.50 for each common share of the Company, with an exchange ratio of not less than 0.4129 of a CF Holdings share and not more than 0.4539 of a CF Holdings share for each common share of the Company. On March 23, 2009, we announced that we would be prepared to enter into a negotiated merger agreement with the Company with an exchange ratio based on \$30.50 for each common share of the Company, the exchange ratio to be not less than 0.4129 of a CF Holdings share and not more than 0.4539 of a CF Holdings share for each common share of the Company. On August 5, 2009, we announced that we would be prepared to enter into a negotiated merger agreement with the Company that provides for a fixed exchange ratio of 0.4650 shares of CF Holdings common stock for each common share of the Company, the return of a substantial amount of cash to the stockholders of the combined company and the issuance of "contingent future shares" to CF Holdings stockholders immediately prior to the closing of the transaction that would convert into shares of CF Holdings common stock under certain circumstances.

On September 24, 2009, the Company announced plans for a special cash dividend of \$7.50 per common share of the Company, an aggregate of approximately \$750 million, which the Company expected to declare and pay in the fourth quarter of 2009.

On September 28, 2009, we delivered to the Company a draft form of merger agreement setting forth the terms of our proposal for a business combination between CF Holdings and the Company. Under the terms of our proposal, upon the closing of the transaction, each outstanding common share of the Company would be converted into the right to receive 0.4650 of a share of CF Holdings common stock. If the Company declares the special dividend of \$7.50 per common share of the Company that the Company announced on September 24, 2009, the exchange ratio would be appropriately adjusted based on trading prices of shares of CF Holdings common stock for an agreed period prior to the closing of the transaction. The Company would also have the option to cause CF Holdings to issue, in lieu of the common stock consideration, a combination of a fraction of a share of CF Holdings common stock and a fraction of a share of a new series of CF Holdings participating preferred stock, which is intended to be equivalent in value, in the aggregate, to 0.4650 of a share of CF Holdings common stock (or the applicable adjusted exchange ratio if the Company declares the special dividend); however, the Company's election of such option would only become effective if our stockholders do not approve the issuance of the CF Holdings shares in the transaction. Under the terms of this proposal, CF Holdings would issue contingent future shares to CF Holdings' stockholders immediately prior to the closing of the business combination that would convert into an aggregate of 5 million CF Holdings shares if for a specified period following the business combination CF Holdings shares trade at over \$125 per share.

We are soliciting your vote because we believe that the current directors of the Company are not acting in what we believe to be your best interests with respect to our proposal for a business combination with the Company. As set forth in more detail under the caption "Background and Reasons for the Solicitation Reasons for Solicitation" below, we believe that a combination of CF Holdings' and the Company's businesses will create significant value for both CF Holdings' and the Company's stockholders. Under Maryland law, we are unable to complete the proposed business combination unless the transaction is approved by the Board. In an effort to obtain the approval of the Board, we have repeatedly expressed a desire to enter into negotiations with the Company regarding a business combination. We have also communicated to the Board that we are prepared to review any information it can provide that would justify a change in the terms of our proposal and are prepared to keep an open mind in that regard. The Board, however, has repeatedly rejected our proposal and has been unwilling to negotiate with us. In light of the significant benefits that we believe will result from the combination of CF Holdings' and the Company's businesses, we believe the Board's rejection of the proposed transaction and unwillingness to negotiate with us is not in your best interests.

We nominated the Nominees and are sending you this proxy statement and accompanying **BLUE** proxy card to give you a means of showing your support for a business combination between

Table of Contents

CF Holdings and the Company. We believe that the election of the Nominees will demonstrate that the Company's stockholders support a business combination with us and want the Company to enter into negotiations with us. Because the proposed business combination between CF Holdings and the Company may only proceed with the approval of the Board, the election of our Nominees is also an important step toward a possible transaction because we anticipate that if the Nominees are elected, they would seek to maximize stockholder value and, in reviewing the proposed business combination transaction, would act in the best interests of the Company in accordance with their duties as directors. If elected, the Nominees could also take steps to try to persuade the other Board members to support and facilitate our proposal should the Nominees, as new directors, deem it appropriate in the exercise of their duties to the Company. In short, we believe the Nominees will do a better job of ensuring that your best interests are being served.

WE ARE NOT ASKING YOU TO VOTE ON OR TO APPROVE OUR PROPOSAL FOR A BUSINESS COMBINATION WITH THE COMPANY AT THIS TIME. HOWEVER, A VOTE "FOR" EACH OF THE NOMINEES WILL SEND A CLEAR MESSAGE TO THE BOARD THAT IT SHOULD GIVE PROPER CONSIDERATION TO OUR PROPOSAL.

This proxy statement does not constitute an offer to exchange, or a solicitation of an offer to exchange, common shares of the Company, nor is it a substitute for the prospectus/proxy statement CF Holdings would file with the U.S. Securities and Exchange Commission (the "SEC") regarding the proposed transaction if a negotiated transaction with the Company is reached or for any other document that CF Holdings may file with the SEC and send to CF Holdings or Company stockholders in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ ANY SUCH DOCUMENTS AND OTHER RELEVANT MATERIALS IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

This solicitation is being made by CF and *not* on behalf of the Board or the Company's management.

WHETHER OR NOT YOU INTEND TO ATTEND THE ANNUAL MEETING, YOUR PROMPT ACTION IS IMPORTANT. MAKE YOUR VIEWS CLEAR TO THE BOARD BY AUTHORIZING A PROXY TO VOTE FOR EACH PROPOSAL BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED *BLUE* PROXY CARD TODAY.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN.

IMPORTANT VOTING INFORMATION

If your common shares of the Company are held in your own name, please authorize a proxy to vote by signing and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided to you by us.

If you hold your common shares of the Company in "street name" with a bank, brokerage firm, dealer, trust company or other nominee, only they can exercise your right to vote with respect to your shares and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other nominee to ensure that a **BLUE** proxy card is submitted on your behalf. Please follow the instructions to authorize a proxy to vote provided on the enclosed **BLUE** proxy card. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered to them by Internet or telephone, instructions will be included on the enclosed **BLUE** proxy card. We urge you to confirm in writing your instructions to the person responsible for your account and to provide a copy of those instructions to us, care of Innisfree M&A Incorporated, at 501 Madison Avenue, 20th Floor, New York, New York 10022, so that we may be aware of all instructions given and can attempt to ensure that such instructions are followed.

Table of Contents

Do not return any **WHITE** proxy card you may receive from the Company or otherwise authorize a proxy to vote your shares for the Company's nominees. If you have already submitted a **WHITE** proxy card that may have been sent to you by the Company or otherwise authorized a proxy to vote your shares for the Company's nominees, it is not too late to change your vote. To revoke your prior proxy and change your vote, simply sign and return the enclosed **BLUE** proxy card in the postage-paid envelope provided to you by us. Only your latest dated proxy will be counted.

Only the Company's stockholders of record on the close of business on October 9, 2009 are entitled to vote at the Annual Meeting. If you are a stockholder of record as of the record date, you will retain your right to vote, even if you sell your shares after the record date.

If you have any questions or require any assistance in authorizing a proxy or voting your shares, please contact:

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor
New York, NY 10022

Stockholders May Call Toll Free: 877-456-3507
Banks and Brokers May Call Collect: 212-750-5833

**Important Notice Regarding the Availability of CF's Proxy Materials
for the 2009 Annual Meeting of Stockholders of Terra Industries Inc. to be Held on
Friday, November 20, 2009.**

The CF proxy statement is available at <http://>

Among other things, the CF proxy statement contains or will contain information regarding:

the date, time and location of the Annual Meeting;

a list of the matters being submitted to the Company stockholders; and

information concerning voting in person.

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS RELATING TO THIS PROXY SOLICITATION</u>	<u>1</u>
<u>BACKGROUND AND REASONS FOR THE SOLICITATION</u>	<u>5</u>
<u>PROPOSAL 1: ELECTION OF THE NOMINEES</u>	<u>19</u>
<u>PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS</u>	<u>24</u>
<u>OTHER MATTERS</u>	<u>24</u>
<u>VOTING AND PROXY PROCEDURES</u>	<u>24</u>
<u>NO APPRAISAL OR DISSENTER'S RIGHTS</u>	<u>26</u>
<u>SOLICITATION OF PROXIES</u>	<u>26</u>
<u>CERTAIN INFORMATION REGARDING CF</u>	<u>27</u>
<u>CERTAIN LITIGATION</u>	<u>28</u>
<u>STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING</u>	<u>28</u>
<u>CERTAIN ADDITIONAL INFORMATION</u>	<u>28</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>29</u>
<u>ANNEX A ADDITIONAL INFORMATION REGARDING PARTICIPANTS IN THE SOLICITATION</u>	<u>A-1</u>
<u>ANNEX B SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF THE COMPANY</u>	<u>B-1</u>

Table of Contents

**QUESTIONS AND ANSWERS RELATING TO
THIS PROXY SOLICITATION**

The following are some of the questions you may have as a stockholder of the Company, as well as the answers to those questions. The following is not a substitute for the information contained in this proxy statement, and the information contained below is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement. We urge you to read this proxy statement carefully and in its entirety.

Who is making this solicitation?

CF Holdings is the holding company for the operations of CF Industries, Inc., a Delaware corporation ("CF Industries"). CF Industries is a major producer and distributor of nitrogen and phosphate fertilizer products. CF Industries operates world-scale nitrogen fertilizer plants in Donaldsonville, Louisiana and Medicine Hat, Alberta, Canada; conducts phosphate mining and manufacturing operations in Central Florida; and distributes fertilizer products through a system of terminals, warehouses and associated transportation equipment located primarily in the midwestern United States. CF Holdings also owns a 50% interest in KEYTRADE AG, a global fertilizer trading organization headquartered near Zurich, Switzerland.

CF Composite is a wholly-owned subsidiary of CF Industries.

We are the beneficial owners of an aggregate of 6,986,048 common shares of the Company, representing approximately 7% of the issued and outstanding common shares of the Company.

The solicitation for election of the Nominees and the ratification of the Audit Committee's selection of the Company's independent registered public accounting firm for 2009 at the Annual Meeting is being made by CF and certain other participants. For information regarding CF, please see the section entitled "Certain Information Regarding CF." For information regarding directors, executive officers, CF Industries and certain employees of CF and CF Industries who may assist in the solicitation of proxies, please see *Annex A* to this proxy statement.

What are we asking you to vote for?

We are asking you to vote **FOR** the following actions on the **BLUE** proxy card at the Annual Meeting:

1. the election of John N. Lilly, David A. Wilson and Irving B. Yoskowitz to serve as Class II directors on the Board until the 2012 annual meeting of stockholders of the Company and until their respective successors are duly elected and qualify; and
2. the Company's proposal to ratify the selection by the Audit Committee of the firm of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2009.

Please see the sections entitled "Proposal 1: Election of the Nominees" and "Proposal 2: Ratification of Selection of Independent Accountants" for a more complete description of these proposals.

Who are the Nominees?

We are proposing that John N. Lilly, David A. Wilson and Irving B. Yoskowitz be elected as Class II directors of the Company to serve on the Board until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualify. The Board currently consists of eight directors who are divided into three classes, with the three members of Class II to be elected at the Annual Meeting.

We believe the Nominees are highly qualified to serve as directors on the Board and are independent within the meaning of the listing standards of the New York Stock Exchange (the

Table of Contents

"NYSE") and the Corporate Governance Guidelines of the Company. None of the Nominees is affiliated with CF or any subsidiary of CF or has any relationship with CF (except for his agreement to serve as a Nominee, as described in this proxy statement under "Arrangements between CF Holdings and the Nominees" below).

The principal occupation, business experience and certain other information with respect to each Nominee are set forth in this proxy statement under the section entitled "Proposal 1: Election of the Nominees," which we urge you to read.

Why are we soliciting your vote?

On January 15, 2009, we announced that we had made a proposal to the Company to acquire all of the outstanding common shares of the Company at a fixed exchange ratio of 0.4235 shares of CF Holdings common stock, par value \$0.01 per share, for each common share of the Company. On March 9, 2009, we announced that we would be prepared to enter into a negotiated merger agreement with the Company that provides for an exchange ratio based on \$27.50 for each common share of the Company, with an exchange ratio of not less than 0.4129 of a CF Holdings share and not more than 0.4539 of a CF Holdings share for each common share of the Company. On March 23, 2009, we announced that we would be prepared to enter into a negotiated merger agreement with the Company with an exchange ratio based on \$30.50 for each common share of the Company, the exchange ratio to be not less than 0.4129 of a CF Holdings share and not more than 0.4539 of a CF Holdings share for each common share of the Company. On August 5, 2009, we announced that we would be prepared to enter into a negotiated merger agreement with the Company that provides for a fixed exchange ratio of 0.4650 shares of CF Holdings common stock for each common share of the Company, the return of a substantial amount of cash to the stockholders of the combined company and the issuance of "contingent future shares" to CF Holdings stockholders immediately prior to the closing of the transaction that would convert into shares of CF Holdings common stock under certain circumstances.

On September 24, 2009, the Company announced plans for a special cash dividend of \$7.50 per common share of the Company, an aggregate of approximately \$750 million, which the Company expected to declare and pay in the fourth quarter of 2009.

On September 28, 2009, we delivered to the Company a draft form of merger agreement setting forth the terms of our proposal for a business combination between CF Holdings and the Company. Under the terms of our proposal, upon the closing of the transaction, each outstanding common share of the Company would be converted into the right to receive 0.4650 of a share of CF Holdings common stock. If the Company declares the special dividend of \$7.50 per common share of the Company that the Company announced on September 24, 2009, the exchange ratio would be appropriately adjusted based on trading prices of shares of CF Holdings common stock for an agreed period prior to the closing of the transaction. The Company would also have the option to cause CF Holdings to issue, in lieu of the common stock consideration, a combination of a fraction of a share of CF Holdings common stock and a fraction of a share of a new series of CF Holdings participating preferred stock, which is intended to be equivalent in value, in the aggregate, to 0.4650 of a share of CF Holdings common stock (or the applicable adjusted exchange ratio if the Company declares the special dividend); however, the Company's election of such option would only become effective if our stockholders do not approve the issuance of the CF Holdings shares in the transaction. Under the terms of this proposal, CF Holdings would issue contingent future shares to CF Holdings' stockholders immediately prior to the closing of the business combination that would convert into an aggregate of 5 million CF Holdings shares if for a specified period following the business combination CF Holdings shares trade at over \$125 per share.

We are soliciting your vote because we believe that the current directors of the Company are not acting in what we believe to be your best interests with respect to our proposal for a business combination with the Company. As set forth in more detail under the caption "Background and

Table of Contents

Reasons for the Solicitation "Reasons for Solicitation" below, we believe that a combination of CF Holdings' and the Company's businesses will create significant value for both CF Holdings' and the Company's stockholders. Under Maryland law, we are unable to complete the proposed business combination unless the transaction is approved by the Board. In an effort to obtain the approval of the Board, we have repeatedly expressed a desire to enter into negotiations with the Company regarding a business combination. We have also communicated to the Board that we are prepared to review any information it can provide that would justify a change in the terms of our proposal and are prepared to keep an open mind in that regard. The Board, however, has repeatedly rejected our proposal and has been unwilling to negotiate with us. In light of the significant benefits that we believe will result from the combination of CF Holdings' and the Company's businesses, we believe the Board's rejection of the proposed transaction and unwillingness to negotiate with us is not in your best interests.

We nominated the Nominees and are sending you this proxy statement and accompanying **BLUE** proxy card to give you a means of showing your support for a business combination between CF Holdings and the Company. We believe that the election of the Nominees will demonstrate that the Company's stockholders support a business combination with us and want the Company to enter into negotiations with us. Because the proposed business combination between CF Holdings and the Company may only proceed with the approval of the Board, the election of our Nominees is also an important step toward a possible transaction because we anticipate that if the Nominees are elected, they would seek to maximize stockholder value and, in reviewing the proposed business combination transaction, would act in the best interests of the Company in accordance with their duties as directors. If elected, the Nominees could also take steps to try to persuade the other Board members to support and facilitate our proposal should the Nominees, as new directors, deem it appropriate in the exercise of their duties to the Company. In short, we believe the Nominees will do a better job of ensuring that your best interests are being served.

If I vote for the Nominees, am I agreeing to a business combination between the Company and CF Holdings?

No. Although the election of our Nominees to the Board is an important step toward a potential business combination with CF Holdings, we are not asking the Company's stockholders to consent to or vote on a merger with CF Holdings at this time. Even if all three of our Nominees are elected at the Annual Meeting, they will still only constitute a minority of the Board (i.e., three out of eight directors). If necessary, we presently intend to nominate additional persons to be considered for election to the Board at the Company's 2010 annual meeting of stockholders and, if the Nominees are elected, to ultimately replace a majority of the Company's directors with nominees selected by us.

Who can vote at the Annual Meeting?

According to publicly available information, the only securities eligible to be voted at the Annual Meeting are common shares of the Company. Only stockholders of record at the close of business on the record date, October 9, 2009, are entitled to vote at the Annual Meeting. Each common share represents one vote, and all shares vote together as a single class. If you are a stockholder of record as of the record date, you will retain your right to vote at the Annual Meeting, even if you sell your shares after the record date.

How many common shares of the Company must be voted in favor of the Nominees to elect them?

Directors of the Company are elected by a plurality of all the votes cast at the Annual Meeting, assuming a quorum is present. For this purpose, "plurality" means that the individuals receiving the largest number of votes are elected as directors, up to the maximum number of directors to be elected. Accordingly, at the Annual Meeting, the three nominees who receive the greatest number of votes cast by the Company's stockholders represented in person or by proxy will be elected as directors.

Table of Contents

How many common shares of the Company must be voted in favor of the other proposal described in this proxy statement?

Proposal 2, to ratify the selection by the Audit Committee of the Company's independent registered public accounting firm for 2009, and any other matter that comes before the Annual Meeting, require the approval of a majority of the votes cast at the Annual Meeting on the matter.

What should I do in order to vote for the Nominees and the other proposal?

If your common shares of the Company are held of record in your own name, please authorize a proxy to vote by signing and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided to you by us.

If you hold your common shares of the Company in "street name" with a bank, brokerage firm, dealer, trust company or other nominee, only they can exercise your right to vote with respect to your shares and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other nominee to ensure that a **BLUE** proxy card is submitted on your behalf. Please follow the instructions to authorize a proxy to vote provided on the enclosed **BLUE** proxy card. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered to them by Internet or telephone, instructions will be included on the enclosed **BLUE** proxy card. We urge you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to us, care of Innisfree M&A Incorporated, at 501 Madison Avenue, 20th Floor, New York, New York 10022, so that we may be aware of all instructions given and can attempt to ensure that such instructions are followed.

What is the deadline for submitting proxies?

Proxies can be submitted until the polls are closed at the Annual Meeting. However, to be sure that we receive your proxy in time to utilize it, we request that you provide your proxy to us as early as possible.

Who is paying for the solicitation on behalf of CF?

We will pay all costs of the solicitation of proxies on behalf of CF for the Annual Meeting, and we will not seek reimbursement of those costs from the Company.

Whom should I call if I have any questions about the solicitation?

If you have any questions, or need assistance in voting your shares, please call our proxy solicitor, Innisfree M&A Incorporated, toll free at 877-456-3507. Banks and brokers and callers from other countries may call collect at 212-750-5833.

Table of Contents

BACKGROUND AND REASONS FOR THE SOLICITATION

Background of Solicitation

Since the late 1990's, management and representatives of CF Holdings (and its predecessor, CF Industries, Inc.) and the Company have engaged in several series of discussions and meetings concerning a potential business combination between the two companies. None of these discussions led to entry into any definitive agreement for a business combination transaction.

In late 2003, Mr. Michael L. Bennett, President and Chief Executive Officer of the Company, contacted Mr. Stephen R. Wilson, then President and Chief Executive Officer of CF Industries, Inc., to discuss a potential business combination between the Company and CF Industries, Inc. The parties then had multiple discussions regarding a possible transaction. On August 9, 2004, the Company announced it had reached a definitive agreement to acquire Mississippi Chemical Corporation for approximately \$268 million. On that same day, Mr. Bennett also informed Mr. Wilson that the Company was postponing further discussions to focus its efforts on acquiring and integrating Mississippi Chemical Corporation.

In August 2005, CF Holdings completed its initial public offering.

In May 2007, Mr. Wilson, the Chairman, President and Chief Executive Officer of CF Holdings, contacted Mr. Bennett to discuss a potential business combination between CF Holdings and the Company. Over the course of the summer of 2007 and early fall 2007, Mr. Wilson and Mr. Bennett engaged in a number of discussions regarding a potential transaction. In September 2007, Mr. Bennett informed Mr. Wilson that the Company was not interested in pursuing further discussions. In November 2007, Mr. Wilson and David R. Harvey, CF Holdings' lead independent director, met with Mr. Bennett and Henry R. Slack, the Chairman of the Board. During this meeting, Mr. Bennett reiterated that the Company was not interested in pursuing further discussions regarding a possible business combination transaction.

On the evening of January 15, 2009, Mr. Wilson met with Mr. Bennett and informed him that the CF Holdings board of directors had authorized him to make an offer for the Company of 0.4235 shares of CF Holdings common stock for each common share of the Company, subject to the negotiation of a definitive merger agreement, receipt of necessary approvals and limited confirmatory due diligence. At this meeting, Mr. Wilson delivered a letter containing CF Holdings' proposal to Mr. Bennett. The letter read as follows:

January 15, 2009

Board of Directors
Terra Industries Inc.
Terra Centre
600 Fourth Street
P.O. Box 6000
Sioux City, Iowa 51102-6000

Attention: Henry R. Slack, Chairman of the Board
Michael L. Bennett, President and Chief Executive Officer

Dear Members of the Board:

I am writing on behalf of the Board of Directors of CF Industries Holdings, Inc. to make a proposal for a business combination between CF and Terra Industries Inc. Under our proposal, CF would acquire all of the outstanding shares of Terra common stock at a fixed exchange ratio of 0.4235 CF shares for each Terra common share. Our proposal represents a premium of 34% based on the 30-day volume weighted average prices for the shares of our two companies, and a 29% premium based on the 10-day volume weighted average. Our proposal also represents a 23% premium over the closing price of your shares today.

Table of Contents

Since you first approached us several years ago regarding a combination of our companies, we believe that we have developed mutual respect for the two organizations and have both recognized that a combination makes strategic sense. Combining the talents and creative energy of our respective workforces will substantially enhance our ability to maximize value for shareholders going forward. CF respects the strong culture of Terra, an attribute we believe is highly complementary to our business, and we believe there are attractive opportunities at the combined company for Terra's employees.

We anticipate annual run-rate operating synergies from the combination will be in excess of \$100 million and your shareholders will share in the value of those synergies through their continued ownership of the combined company. In addition, the resulting company would emerge a global leader in nitrogen fertilizer production. Together we would create a company with greater scale and an improved strategic platform better able to compete in a global commodity industry. The combination creates a larger and better capitalized company than either company currently. A combination would provide shareholders greater market liquidity, a stronger and more flexible balance sheet and improved access to capital. An enhanced financial profile could support additional opportunities to pursue value-creating projects and attractive new investment opportunities. Furthermore, the combination provides Terra shareholders with important diversification from a single crop nutrient, nitrogen, into a strong new position in phosphate and participation in and global market insights through our 50% interest in KEYTRADE AG.

We have dedicated considerable time and resources to an analysis of a potential transaction and are confident that the combination will receive all necessary regulatory approvals. We are confident that you agree with this assessment given that you initially approached us regarding a combination.

Our proposal is subject to the negotiation of a definitive merger agreement and receipt of the necessary board and shareholder approvals. Because our proposal is based solely on publicly available information, it is subject to our having the opportunity to conduct limited confirmatory due diligence. In addition, because the merger consideration is payable in CF stock, we would provide you with an opportunity to conduct appropriate due diligence with respect to CF. We are prepared to send you a draft merger agreement and to begin discussions and due diligence immediately.

We understand that Terra's debt may need to be refinanced as a result of the combination. Our proposal is not subject to any financing contingency.

In light of the significance of this proposal to your shareholders and ours, as well as the potential for selective disclosures, our intention is to release the text of this letter to the public.

My leadership team and I would be happy to make ourselves available to meet with your management team and Board at your earliest convenience.

We believe this proposal represents a unique opportunity to create significant value for Terra's shareholders and employees, and that the combined company will be better positioned to provide an enhanced value proposition to customers. We hope that you share our enthusiasm, and we look forward to a favorable reply. We respectfully request that you respond no later than January 30, 2009.

Sincerely yours,

/s/ Stephen R. Wilson
Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.

In considering whether to make an offer for a business combination between CF Holdings and the Company, the CF Holdings board of directors believed, based on the prior discussions between the parties, that further private negotiations would not likely lead to a definitive agreement within a reasonable period of time. For this reason, as well as our belief in the significance of the proposal to

Table of Contents

the Company's and CF Holdings' stockholders, we publicly released the terms of the proposal and the text of the above letter later in the evening of January 15, 2009.

On January 16, 2009, the Company issued a press release confirming receipt of our proposal to acquire all of the outstanding common shares of the Company, indicating that the Board was considering and evaluating our proposal with its advisors and advised the Company's stockholders to take no action at that time pending the review by the Board.

On the morning of January 28, 2009, Mr. Wilson received a telephone message from Mr. Bennett informing him that shortly he would be receiving a written response to our proposal and that the response would be released to the public. Mr. Bennett subsequently delivered a letter to Mr. Wilson explaining that the Board had declined to accept our proposal. The letter read as follows:

January 28, 2009

Mr. Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.
4 Parkway North, Suite 400
Deerfield, IL 60015

Dear Mr. Wilson:

The Board of Directors of Terra Industries Inc., with the assistance of its financial and legal advisors, has carefully considered your unsolicited proposal to combine our companies. Although we are perplexed by your decision to make a public approach that is conditioned on and subject to due diligence, we have nonetheless examined thoroughly the full range of strategic, industrial, financial and legal aspects of the combination you propose.

We concluded that your proposal does not present a compelling case to create additional value for the shareholders of either company, and that it substantially undervalues Terra on an absolute basis and relative to your company. Accordingly, our Board has unanimously concluded that your proposal is not in the best interests of Terra and our shareholders and we decline to accept it.

Sincerely,

/s/ Michael L. Bennett
Michael L. Bennett
President and Chief Executive Officer

/s/ Henry R. Slack
Henry R. Slack
Chairman of the Board

On the evening of January 28, 2009, we issued a press release reiterating our commitment to our proposal to acquire all of the outstanding common shares of the Company.

On or about February 2, 2009, Mr. Wilson telephoned Mr. Bennett to request a meeting between the two executives to discuss our proposal for a business combination with the Company.

On February 3, 2009, we delivered a notice to the Company, in accordance with the Amended and Restated Bylaws of the Company (the "Bylaws"), nominating the Nominees for election as directors of the Company at the Annual Meeting. Also on February 3, 2009, we issued a press release in connection with this notice and announced our intention to commence an exchange offer for common shares of the Company. Later that day, the Company issued a press release in response to our announcement, acknowledging that we had nominated the Nominees and restating the Board's position with respect to our proposal.

On February 9, 2009, Mr. Wilson and a representative of Morgan Stanley & Co. Incorporated ("Morgan Stanley") met with Mr. Bennett and an advisor to the Company to review the terms of our proposal for a business combination with the Company. During the meeting, Mr. Wilson also communicated to Mr. Bennett the information set forth below in the February 23, 2009 letter from Mr. Wilson to the Board, including our willingness to review any information that the Company believed justified a change in the terms of our proposal. The advisor to the Company informed

Table of Contents

Mr. Wilson that the Company had scheduled a meeting of the Board to be held during the week of February 16, 2009 and that we could expect to hear from the Company during that week.

On February 18, 2009, an advisor to the Company contacted a representative of Morgan Stanley and informed him that the Company had a different view as to the Company's strategy. The advisor also did not communicate any willingness on the part of the Company to provide us with information.

On February 23, 2009, Mr. Wilson sent a letter to the Board, which read as follows:

February 23, 2009

Board of Directors
Terra Industries Inc.
Terra Centre
600 Fourth Street
P.O. Box 6000
Sioux City, Iowa 51102-6000

Attention: Henry R. Slack, Chairman of the Board
Michael L. Bennett, President and Chief Executive Officer

Dear Members of the Board:

As you are aware, it has been over one month since we made our offer for a business combination with Terra Industries. Our offer has been very well received in the market. Terra's shares are up over 50% since the offer, which is over three times the percentage increase of the peer group. The market clearly has recognized that the combination is compelling.

As we have communicated to you and your advisors since we made our offer, we view the transaction as a merger in which your stockholders are receiving stock and sharing in the future upside of the combined company, including over \$100 million of annual operating synergies. We believe that the elements of your strategy of which we are aware, including expansion of industrial nitrogen applications, would only be enhanced through a combination. As we also have communicated, we would welcome having a number of your board members join the board of the combined company. It is important to us that Mike Bennett be one of those board members and that he continue to serve in a senior executive capacity. Also, we would consider locating some functions of the combined company in the Sioux City area, while preserving the synergies in the transaction.

Given the significant premium we have offered, and the very positive market reaction, we have not seen any reason to consider changing the terms of our proposal. Our conversations with our stockholders (who significantly overlap with your stockholders) also lead us to believe that we have no reason to consider changing the terms. However, we have communicated to you that we are prepared to review any information you can provide us that you believe justifies a change in terms, and we are prepared to keep an open mind in that regard.

We are going forward with our proxy contest to replace three of your directors at the upcoming Annual Meeting. We are confident that your stockholders will show their support for a combination by voting for our slate. We also are commencing an exchange offer under which each share of Terra common stock would be exchanged for .4235 shares of CF Industries common stock. The exchange offer is subject to entering into a negotiated merger agreement since, as you are aware, under Maryland law we cannot close a transaction without the approval of your board. The exchange offer is scheduled to expire on May 15, 2009, which is the last date that your bylaws permit you to hold your Annual Meeting. By that time we believe your stockholders will have shown their support of a combination by voting for our slate.

Table of Contents

We remain interested in entering into meaningful discussions for a negotiated transaction, and we are open to reviewing any information you believe we should consider.

Sincerely yours,

/s/ Stephen R. Wilson
Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.

On February 23, 2009, we commenced an exchange offer for all of the outstanding common shares of the Company at a fixed exchange ratio of 0.4235 shares of CF Holdings common stock for each common share of the Company. Later that day, the Company issued a press release advising its stockholders to take no action with respect to our exchange offer.

On the morning of February 25, 2009, the CF Holdings board of directors received a letter from Mr. Michael M. Wilson, President and Chief Executive Officer of Agrium Inc. ("Agrium"), containing a non-binding proposal by Agrium to acquire each share of outstanding capital stock of CF Holdings for one share of Agrium common stock and \$31.70 in cash. Agrium stated that its proposal was conditioned on (i) CF Holdings terminating its bid for the Company, (ii) negotiation of a definitive merger agreement between Agrium and CF Holdings, (iii) receipt of the necessary CF Holdings board and stockholder approvals, (iv) receipt of necessary regulatory approvals, (v) the absence of any material adverse changes to CF Holdings or its business and the continued operation of CF Holdings in the ordinary course of business and (vi) the opportunity for Agrium to conduct limited confirmatory due diligence on CF Holdings. On that same morning, Agrium issued a press release containing its proposal to acquire CF Holdings and a copy of the text of the letter sent to CF Holdings.

Later in the morning of February 25, 2009, we issued a press release announcing that the CF Holdings board of directors would evaluate Agrium's proposal carefully in the context of its strategic plans to create shareholder value, including our proposal for a business combination with the Company, and would make its determination regarding Agrium's proposal in due course.

On March 5, 2009, the Company filed a Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") with the SEC, reporting that the Board had unanimously determined to recommend that the Company's stockholders reject our exchange offer and not tender their Company common shares to us.

On March 6, 2009, the CF Holdings board of directors held a meeting, together with management and representatives of its legal advisor, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden Arps"), and its financial advisors, Morgan Stanley and Rothschild Inc. ("Rothschild"), to review and analyze the Agrium proposal and related strategic and financial considerations, including the impact of the Agrium proposal on our proposed business combination with the Company. Following lengthy deliberations and a careful review of all aspects of the Agrium proposal with management and its legal and financial advisors, the CF Holdings board of directors concluded that the Agrium proposal was grossly inadequate, substantially undervalued CF Holdings and was not in the best interests of CF Holdings and its stockholders. In addition, the CF Holdings board of directors reaffirmed its intent to continue to pursue a business combination with the Company.

On the morning of March 9, 2009, Mr. Wilson sent a letter to the board of directors of Agrium rejecting the Agrium proposal.

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Table of Contents

Also on the morning of March 9, 2009, Mr. Wilson sent a letter to the Board reaffirming CF Holdings' commitment to a business combination with the Company and addressing certain issues raised by the Company in its Schedule 14D-9. The letter read as follows:

March 9, 2009

Board of Directors
Terra Industries Inc.
Terra Centre
600 Fourth Street
P.O. Box 6000
Sioux City, Iowa 51102-6000

Attention: Henry R. Slack, Chairman of the Board
Michael L. Bennett, President and Chief Executive Officer

Dear Members of the Board:

The Board of Directors of CF Industries Holdings, Inc. has rejected the acquisition proposal from Agrium and reaffirmed its intent to continue to pursue a business combination with Terra Industries. Our Board also has determined that CF Industries would be prepared to enter into a negotiated merger agreement with Terra on terms that provide certain value assurances to Terra's stockholders. Specifically, CF Industries would agree to an exchange ratio based on \$27.50 for each Terra share, with an exchange ratio of not less than 0.4129 of a CF Industries share and not more than 0.4539 of a CF Industries share. The \$27.50 per share represents an almost 70% premium to Terra's stock price before we made our offer, while peer group stock performance has been essentially flat since that time. While for Terra's stockholders these terms provide value assurance and the possibility of a higher exchange ratio than our current offer, they also provide CF Industries' stockholders with the possibility of a lower exchange ratio if CF Industries' stock performs as we expect it will. Agrium's proposal only validates the value and upside potential in the CF Industries stock (and that proposal is itself grossly inadequate).

In Terra's Schedule 14D-9, you raised the issue of whether, given Agrium's proposal, CF Industries will be able to obtain the stockholder approval required under NYSE rules to issue CF Industries common stock. While we are confident that the CF Industries stockholders will support a business combination with Terra, we are prepared to address the issue you raised by structuring the transaction so that a vote by the CF Industries stockholders will not be required. We are prepared to enter into a negotiated merger agreement under which we would issue a participating preferred stock that would trade at parity with CF Industries common stock. The terms of the participating preferred stock are set forth on the enclosed Term Sheet. Issuance of the participating preferred stock would not require a vote of the CF Industries stockholders under the NYSE rules.

Terra's 2009 Annual Meeting is required under its by-laws to be held not later than May 15. We are confident that Terra's stockholders support a business combination with CF Industries, and will show that support by voting for our slate of directors at the Annual Meeting. Our confidence in the support of Terra's stockholders is based on our belief that Terra's stock would be trading very significantly below its current level absent our offer and the expectation of a business combination with CF Industries.

We have been willing to engage in meaningful discussions since we made our offer almost two months ago, and we continue to be willing to engage.

Very truly yours,

/s/ Stephen R. Wilson
Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.

Table of Contents

In addition, on the morning of March 9, 2009, we issued a press release announcing the decision of the CF Holdings board of directors to reject the Agrium proposal and reiterating our commitment to our proposed business combination with the Company.

On March 11, 2009, Mr. Wilson received a letter from Messrs. Bennett and Slack indicating that the Board had rejected our revised proposal as set forth in Mr. Wilson's letter to the Board dated March 9, 2009. The letter read as follows:

March 11, 2009

Mr. Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.
4 Parkway North, Suite 400
Deerfield, IL 60015

Dear Mr. Wilson:

The Board of Directors of Terra Industries Inc., with the assistance of its financial and legal advisors, has carefully considered your latest proposal to combine our companies. Our Board has unanimously concluded that this most recent version of your proposal continues to run counter to Terra's strategic objectives, substantially undervalues Terra both absolutely and relative to CF, and would deliver less value to our shareholders than would owning Terra on a stand-alone basis.

Accordingly, we reject your proposal.

/s/ Michael L. Bennett
Michael L. Bennett
President and Chief Executive Officer

/s/ Henry R. Slack
Henry R. Slack
Chairman of the Board

On March 16, 2009, Agrium commenced an exchange offer for all of the outstanding shares of common stock of CF Holdings.

On March 22, 2009, the CF Holdings board of directors held a meeting, together with management and representatives of its legal advisor, Skadden Arps, and its financial advisors, Morgan Stanley and Rothschild, to review and analyze Agrium's exchange offer, including the impact of the offer on our proposed business combination with the Company. Following thorough deliberations and a careful review of all aspects of Agrium's exchange offer with management and its legal and financial advisors, the CF Holdings board of directors concluded that the offer was grossly inadequate, substantially undervalued CF Holdings and was not in the best interests of CF Holdings and its stockholders. Accordingly, the CF Holdings board of directors determined to recommend that CF Holdings' stockholders reject Agrium's exchange offer and not tender their CF Holdings common stock in the offer. In addition, the CF Holdings board of directors reaffirmed its intent to continue to pursue a business combination with the Company.

On the morning of March 23, 2009, we issued a press release and filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 containing the recommendation of the CF Holdings board of directors that CF Holdings stockholders reject the Agrium exchange offer and not tender their shares of CF Holdings common stock into the offer.

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Table of Contents

Also on the morning of March 23, 2009, Mr. Wilson sent a letter to the board of directors of the Company, which read as follows:

March 23, 2009

Board of Directors
Terra Industries Inc.
Terra Centre
600 Fourth Street
P.O. Box 6000
Sioux City, Iowa 51102-6000

Attention: Henry R. Slack, Chairman of the Board
Michael L. Bennett, President and Chief Executive Officer

Dear Members of the Board:

The Board of Directors of CF Industries Holdings, Inc. is reaffirming to you CF Industries' commitment to a strategic business combination between CF Industries and Terra. To that end, our Board has determined that CF Industries would be prepared to enter into a negotiated merger agreement with Terra, structured as outlined in our letter to you dated March 9, 2009, with an exchange ratio based on \$30.50 for each Terra share, the exchange ratio to be not less than 0.4129 of a CF Industries share and not more than 0.4539 of a CF Industries share. The \$30.50 per Terra share is a premium of over 85% to Terra's stock price before we made our original offer on January 15, 2009.

We continue to believe that a business combination between CF Industries and Terra is a compelling combination with a number of strategic benefits. We are confident that Terra's stockholders agree with us and will show their support for the transaction by voting for our slate of directors at Terra's 2009 Annual Meeting. We note that the Annual Meeting is required by Terra's by-laws to be held not later than May 15.

Sincerely,

/s/ Stephen R. Wilson
Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.

Also on the morning of March 23, 2009, we issued a press release reiterating our commitment to the proposed business combination with the Company and containing the text of the above letter.

On March 24, 2009, Mr. Wilson received a letter from Messrs. Bennett and Slack indicating that the Board had rejected our revised proposal as set forth in Mr. Wilson's letter to the Board dated March 23, 2009. The letter read as follows:

March 24, 2009

Mr. Stephen R. Wilson
Chairman, President and Chief Executive Officer
CF Industries Holdings, Inc.
4 Parkway North, Suite 400
Deerfield, IL 60015

Dear Mr. Wilson:

The Board of Directors of Terra Industries Inc., with the assistance of its financial and legal advisors, has carefully considered your latest proposal to combine our companies. Our Board has unanimously concluded that this most recent version of your proposal continues to run counter to Terra's strategic objectives, substantially undervalues Terra both absolutely and relative to CF, and would deliver less value to our shareholders than would owning Terra on a stand-alone basis.

Table of Contents

Accordingly, we reject your proposal.

Sincerely,

/s/ Michael L. Bennett
Michael L. Bennett
President and Chief Executive Officer

/s/ Henry R. Slack
Henry R. Slack
Chairman of the Board

On March 27, 2009, Agrium revised the terms of its exchange offer for all outstanding shares of CF Holdings common stock by increasing the cash portion of the consideration from \$31.70 to \$35.00 per share of CF Holdings common stock.

On March 29, 2009, we issued a press release announcing that the CF Holdings board of directors concluded that the revised Agrium exchange offer was grossly inadequate, substantially undervalued CF Holdings and was not in the best interests of CF Holdings and its stockholders.

On April 14, 2009, the Company announced that on and effective April 13, 2009, the Board had amended the Bylaws in order to eliminate the requirement that the Company's annual meeting of stockholders be held during the period from April 15 to May 15 of each calendar year and to instead provide that the Company's annual meeting of stockholders be held on such day of each calendar year as shall be designated by the Board.

On May 11, 2009, Agrium announced that it had revised the terms of its exchange offer for all outstanding shares of CF Holdings common stock by increasing the cash portion of the consideration from \$35.00 to \$40.00 per share of CF Holdings common stock.

On May 14, 2009 and May 15, 2009, the CF Holdings board of directors held a meeting, together with management and representatives of its legal advisor, Skadden Arps, and its financial advisors, Morgan Stanley and Rothschild, to review and analyze the revised Agrium offer, including the impact of the offer on CF Holdings' proposed business combination with the Company. Following thorough deliberations and a careful review of all aspects of the offer with management and its legal and financial advisors, the CF Holdings board concluded that Agrium's revised offer continued to substantially undervalue CF Holdings and was not in the best interests of CF Holdings and its stockholders. Accordingly, the CF Holdings board continued to recommend that CF Holdings' stockholders reject the Agrium exchange offer and not tender their CF Holdings common stock in the Agrium exchange offer.

On May 15, 2009, we issued a press release containing the recommendation of the CF Holdings board of directors that CF Holdings stockholders reject the revised Agrium exchange offer and not tender their shares of CF Holdings common stock into the offer.

On June 19, 2009, we received a standard, unqualified "no action" letter from the Canadian Competition Bureau confirming that the Commissioner of Competition does not intend to challenge our proposed business combination with the Company.

On August 3, 2009, the CF Holdings board of directors held a meeting, together with management and representatives of its legal advisor, Skadden Arps, and its financial advisors, Morgan Stanley and Rothschild, to discuss CF Holdings' proposed business combination with the Company. Following discussions, the CF Holdings board of directors reaffirmed its intent to continue to pursue a business combination with the Company and authorized Mr. Wilson to send a letter to the Board on the

Table of Contents

morning of August 5, 2009, outlining the terms under which CF Holdings would be prepared to enter into a definitive merger agreement with the Company. The letter read as follows:

August 5, 2009

Board of Directors
Terra Industries Inc.
Terra Centre
600 Fourth Street
P.O. Box 6000
Sioux City, Iowa 51102-6000

Attention: Henry R. Slack, Chairman of the Board
Michael L. Bennett, President and Chief Executive Officer

Dear Members of the Board:

Last week CF Industries announced very strong results for the second quarter, once again demonstrating the strength of our company and our business model. We expect that today we will have satisfied the regulatory conditions with respect to our proposed business combination with Terra Industries and will be in a position to close a transaction promptly. To that end, we are prepared to enter into a merger agreement under which each Terra share would be exchanged for 0.465 of a share of CF Industries. That exchange ratio represents a premium of 35% over the exchange ratio on January 15, 2009, just prior to when we made our initial offer, and it reflects a premium of 38% over the average exchange ratio for the year prior to that offer.

We also are prepared, following closing of the merger, to return at least \$1 billion of cash to the stockholders of the combined company, which likely would be accomplished through open market purchases or a self-tender. Given the significant increase in our offer, as well as our confidence in the future trading value of our stock, immediately before the merger we would distribute to CF Industries stockholders Contingent Future Shares ("CFs"), as described in the attached term sheet. The CFs would provide the holders with an opportunity to receive an aggregate of 5 million CF Industries shares should CF Industries shares trade at over \$115 per share during a specified period after the closing of the merger.

Through this business combination your stockholders will share in the future upside of the combined company, including \$105-135 million of annual operating synergies. As we have said, we would welcome having a number of your directors on the board of the combined company. We look forward to Mike Bennett being one of those directors and having him continue to serve in a senior executive capacity, working closely with me to manage the combined company. Also, we would cons