

Restructuring Mississippi Chemical: A Potent Solution

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On December 21, 2004, the Mississippi Chemical Corporation Plan of Reorganization and those of its affiliates were declared effective in a Mississippi bankruptcy court. With an overall outcome that satisfied the objectives of many different constituencies, the Plan brought to a close a venerable company's independent existence, as most of its operations were acquired by Terra Industries, Inc. Though the Plan was uncontested and the confirmation proceedings were humdrum, the story behind it reflects unusual teamwork by people with different backgrounds and objectives who executed unusual approaches to intractable problems. Their efforts, set forth below, created unexpectedly strong recoveries, and set some useful examples.

Mississippi Chemical Corporation, a producer and marketer of nitrogen- and phosphorus-based fertilizer products, was founded in Yazoo City, Mississippi, by a group of farmers in 1948. The Company made history two years later, as the first cooperative in the world to build its own nitrogen fertilizer plant. From its home in the Mississippi Delta, it remained a path-breaker for decades: pioneering innovative tax strategies for cooperatives and new technologies, while profitably diversifying into industrial as well as agricultural markets.

Multiple generations of families became involved with Mississippi Chemical, as employees, managers, board members, and customers. As the Company continued to expand, it

became a publicly traded company in 1994, grew to over \$500 million in sales, and was listed on the New York Stock Exchange in 1996. At about the same time, the Company issued \$200 million worth of senior unsecured debt and later sold another \$14.5 million worth of tax-exempt bonds through one of its subsidiaries, backed by a corporate guarantee.

Fifty years after its founding, however, global trends, including the prolonged downturn in the U.S. agricultural market, conspired to weaken demand for the Company's products. In 1999, the Company reported a loss, the first in memory.

Though disappointing, it was not seen as a cause for panic. "We had an experienced management team accustomed to the cycles in our industry," explains Timothy Dawson, senior vice president and chief financial officer. "We anticipated a down cycle. But what happened," he adds, "was an extended down cycle. And by the time demand finally started to recover, in 2000, we saw an extreme run-up in natural gas prices."

"During a two-year period, when the average price of natural gas went up by \$2.00, our costs could have gone up by as much as \$150 million—although we tried to counter that by shutting down capacity upon occasion," recalls Mr. Dawson. "By the time the Company saw the beginning of an increase in demand for our products, we were experiencing such a huge increase in our costs that there was an increasingly severe impact on our cash flow."

Mr. Dawson and his colleagues, including Charles Dunn, the Company's CEO, took aggressive steps to cut operating costs. "Over a two-year period," the CFO notes, "we knocked 35% to 40% out of our administrative costs. We worked hard to rationalize our business." But problems continued to escalate. "We tried to be more flexible about matters like operating production facilities when natural gas prices were lower. But natural gas prices never went down to the level we were used to during the 1990s for any extended period of time."

As the Company's difficulties mounted, its banking relationship became more problematic. Mississippi Chemical was forced to amend its revolving credit facility a number of times, in order to avoid covenant violations. With the five-year, \$160 million facility due to expire in November 2002, management investigated other potential sources of financing, but without success.

The Company's original bank group ultimately agreed to renew its revolver, but at a price. The Company was required to guarantee the debt with its ownership interest in a Trinidad-based joint venture that produced ammonia from low-cost natural gas sourced from the Caribbean basin. Previous agreements had been collateralized only by domestic assets, including a number of production plants and deep-water ports.

The banks' new requirement was understandable: Given the Company's problems, its lenders wanted an additional cushion, and Mississippi Chemical's 50% interest in the overseas facility was the most valuable asset the Company possessed. Management's agreement was also understandable; an exhaustive search for new financing had revealed no other options.

The Trinidad concession, inescapable at the time, set the stage for what became a heated restructuring battle. Fortunately, a group of creative professionals came together from a wide range of backgrounds and joined forces effectively. Their ability to identify enterprise value and to move beyond preconceived notions empowered them to lead Mississippi Chemical to an outcome that in its darkest hours seemed impossible.

During 2002, the Company began working with a financial advisor, Gordian Group, as well as with a Jackson, Miss.-based attorney, Jim O'Mara, a partner at the firm of Phelps Dunbar LLP and an expert in dealing with distressed situations. As CFO Tim Dawson explains, "I knew that our Company had ongoing problems and I also knew that I practically couldn't spell bankruptcy. I started a dialogue with Jim so that we could understand what some of our options might look like."

Mississippi Chemical also had attracted the attention of Mark Rubin, a New York-based managing director of Chanin Capital Partners, an investment bank specializing in restructurings. "I saw that this was a company whose earnings and cash flow had been deteriorating for some time," he explains. "Its industry was in trouble. And it had a number of cash requirements coming due. If the industry dynamics had been better, it could have sustained its difficulties. But the dynamics weren't there." Meanwhile, as Mark Rubin recalls, "we started talking to the bondholders, whose holdings weren't trading anywhere close to par. Our strategy was to work with the bondholders and help them continue to analyze the situation until the Company was ready to commence discussions."

Mr. Rubin's attention was focused on the semi-annual coupon payments that would come due on Mississippi Chemical's bonds during November '02, around the same time that its credit facility would need to be renewed or replaced. Would their bank renew and allow them to make the bond payments? The answer proved to be yes, with a caveat: the bank group's insistence upon securing the guarantee from the Trinidad asset.

"I suspected that the bank group's strategy would be to force the sale of that asset, which was valuable—although I still didn't know *how* valuable, because I was only dealing with publicly disclosed information at that point," Mr. Rubin explains. "My perspective on the November '02 bank financing was that the Company was now in a weaker position than ever, because it had given away the Trinidad guarantee in return for essentially nothing. It had lived on for another day, yes, but the price of living another day was that now the bank group had the ability to force the sale of Trinidad." Of course, the Company had a different view, as the renewed bank financing provided the possibility of avoiding having to file Chapter 11.

During the next few months, through early 2003, Mississippi Chemical's situation continued to spiral downward, as its industry problems remained fierce and natural gas prices stayed high. "We finally got a call from the Company's financial advisor telling us that they wanted to start negotiating with the bondholders," Mr. Rubin recalls. "We proposed a plan that we believed could work, which would have converted all the debt into equity. There were issues to be resolved, but we believed that this was a plan that could have kept the corporation out of a prolonged stay in bankruptcy."

Mississippi Chemical and its financial advisor weren't convinced: As often happens, the management team was

suspicious of the motivations of its unsecured creditors group. Management, meanwhile, was determined to keep its bankers happy—at least as happy as possible, under trying conditions. Convinced that they had no better options, they filed for bankruptcy protection on May 15, 2003, when the Company's next bond payment was due. That day, the Company's 7.25% senior notes closed at a price below ten cents on the dollar and continued to slide.

Looking back on the bankruptcy filing, Coley L. Bailey, chairman of the board since 1989, emphasizes, "We all wanted to do our best to be sure that Mississippi Chemical paid back the money it had borrowed." Like his wife, Mr. Bailey was a proud descendent of one of the cooperative's founding families. "Most of us on the board had roots in this Company's history," he comments, adding, "I would venture to say that not a single director had ever been involved with any company that did not pay back its debt one hundred cents on the dollar."

At the time of the bankruptcy filing, this situation had an all-too-familiar feel to it. The bank group was exhausted and eager for exit. The creditors group was facing the likelihood of significant, perhaps total, losses. Management, with little—make that no—bankruptcy experience, was desperate to do the right thing, if only it could figure out what that was. The end result for all of them looked likely to be bleak.

Fate played a role in putting together the team that ultimately made this restructuring effort so extraordinary. Mark Rubin, along with Tom Kent from the law firm of Orrick, Herrington & Sutcliffe, represented what became a formal creditors committee (the "Committee") after the bankruptcy filing had occurred. The Committee was chaired by Greg Seketa from 40|86 Advisors, an institutional bondholder.

"Our initial goal, when we're representing creditors, is to figure out how to incentivize both management and secured lenders to work with us towards a consensual outcome," Mr. Rubin says. "If that can't occur, we often pursue a divide and conquer strategy."

With Mississippi Chemical, he adds, "the Committee was initially very uncomfortable with management's ability to develop and execute a consensual plan that would maximize value for unsecured creditors. We were about to get steamrolled by the banks' liquidation plan. Our only hope was to either change management or give them tools and influence their decision-making process, so as to empower them to recognize and fight the banks' liquidation plan. We needed to act immediately. Time was running out."

Mr. Rubin explains that he was an "avid proponent of bringing in an outside party, someone with experience in dealing with distressed situations, who could be objective and capable of really helping management through this process." Under Coley Bailey's guidance, the board agreed with the Committee's recommendation.

Recently, Mr. Rubin had met Deborah Hicks Midanek, a seasoned crisis manager who was then serving as Managing Principal of Glass & Associates, a turnaround management firm. He liked her approach to dealing with distressed companies and he recommended Ms. Midanek to Mississippi Chemical's board, as one of two candidates for the position of restructuring advisor.

"Not much later, I got a telephone call from Coley Bailey," recalls Ms. Midanek, now CEO of Solon Group, a New York merchant bank focusing on troubled companies. "Mr. Bailey described the situation to me and asked, 'Would you have to replace my CEO?' I told him, 'We can *enhance* your CEO, but we'll need to be separately accountable to your board in order to make that happen.' He asked me to fly to Mississippi."

She and Mike DeCarlo, a Glass professional with operating experience in the chemical industry, were hired within days. Mr. DeCarlo's role was to review the Company's position and find ways to improve the domestic operations. Ms. Midanek's responsibility was to supervise the engagement, while supporting and inspiring management and the board as they navigated the unfamiliar territory of bankruptcy and restructuring. The importance of her willingness to entertain unusual strategies became clear as the case started taking some unexpected turns.

This happened fairly quickly, once the court began considering the debtor-in-possession financing that the Company had negotiated with its bank group. "The banks were requiring," reports Ms. Midanek, "that in order to get a \$7 million DIP, which could be, under certain circumstances, expanded to \$30 million, the Company needed to sell enough assets in order to generate \$105 million, to be used to pay down bank debt. Those assets would be the 50% interest in the Trinidad joint venture as well as certain potash facilities in New Mexico."

The DIP deal was controversial. "We knew that the requirement to sell those two assets was tough," recalls Mr. Dawson, the Company's CFO. "We didn't want to sell Trinidad. But we wanted to work our way out of this. And we didn't suspect the banks might be really trying to force us to liquidate the whole company."

But the Committee suspected just that. Led by Mark

Rubin, they were convinced that a sale of the Trinidad asset under these conditions would impair the Company's restructuring prospects, resulting in very low recoveries. Mr. DeCarlo's analysis showed that much improvement could be made to the domestic operations, through cost management and the redirecting of certain operations, but not enough to provide confidence to the Committee that real recoveries were likely from the domestic business alone. The Committee wanted to work with the Company to find a better way to maximize enterprise value.

From Ms. Midanek's perspective, there were a number of unusual aspects to this case. "One was that the banks were pushing for such an accelerated, rapid-fire asset sale. If they hadn't been pushing so fast, it would have been easier for all parties to see them as reasonable and they might have prevailed."

And there was more. "The degree to which the Company was trying to accommodate the banks was also unusual. Meanwhile," she adds, "the fact that it was the Committee that pushed to bring in an independent expert to assist the enterprise was also atypical. More often the bank group wants an independent judgment while bondholders may be skeptical and concerned about cost."

During the mid-August 2003 DIP hearing in Jackson, Miss., Mark Rubin offered the judge an impassioned objection to the banks' proposed DIP financing facility. "I explained why I thought it was a terrible deal, why I felt the terms were onerous—why this was really just a roadmap to the liquidation of the Company. Then I backed up my testimony with analysis that demonstrated that the Company's collateral balance hadn't deteriorated in recent months and that it was not projected to do so in the next several months. Therefore the banks' position was protected and the Company had sufficient liquidity to operate without a DIP for some time by using cash collateral. It was also noteworthy that the bank group acknowledged, under oath, that they believed they were over-collateralized."

Still, there seemed to be reason for the bankruptcy judge to support the proposal. Jim O'Mara, Mississippi Chemical's bankruptcy counsel, notes, "This Company had exhausted all efforts before and after its filing to get anyone else to make a DIP loan and no one would do it except the existing bank group." Also, he adds, "Mark Rubin acknowledged during my cross-examination that the creditors committee had no alternative DIP. So the Committee was basically just saying, we don't like this arrangement because it requires the sale of the Trinidad asset."

Without any other options, it's likely that everyone in that courtroom expected the DIP to be approved, even Mr. Rubin, although he hoped that it might be amended to address some of his concerns. "Lo and behold," recalls Mr. O'Mara, "at around 8 p.m. that night, the judge announced his ruling. He denied the DIP. I was stunned."

Indeed, the scene was a stunning one. "The judge gave his ruling with tears rolling down his face," describes Ms. Midanek. "He talked about how there had been a string of bad luck with Mississippi companies. He said that Mississippi Chemical was one of the state's great companies. He described the way that, as a young boy, he had been taken on a school trip to the Yazoo City plant to see how fertilizer was made. And then he announced that he was going to deny the order for the DIP financing. He said that he was not going to put the Company into jeopardy, because if it couldn't comply with the timing of the requirement to sell these assets to an unknown buyer, the company was going to go into default."

She pauses and then adds, "The night was sweltering. No one in the courtroom was prepared for the decision. In fact, after the judge left the room, we realized he hadn't approved the use of cash collateral either, so Jim O'Mara had to run after him and get him to reconvene the hearing, so that Mississippi Chemical would have the use of those funds to run the business. The next day, the Company started looking for another source of DIP financing." In the absence of a DIP and readily available cash, the Company and its advisors had to make a number of difficult decisions including furloughing employees and shutting plants.

Mark Rubin started looking for a new DIP arrangement as well. "We knew that we'd have to come up with another DIP or the banks would have ultimately gotten everything they wanted. But I was up against a very tight deadline." Still, he was determined: "In a situation like this one, you've got to keep fighting to keep your options going—because once you've lost them, you're not going to get them back."

From management's perspective, the judge's ruling only seemed to create new problems. As Tim Dawson recalls, "We were just trying to find a way to keep the Company operating. We were trying to broker between all the different parties. We needed to find some way to get something done that would keep the whole thing from flying apart, so that we wouldn't run out of money, have to keep shutting plants down, and wind up with a total disaster." He pauses, then adds, "We were the same management that had looked smart when we were making

lots of money for our investors during the 1990s. We hadn't changed, but the conditions facing us were so different now."

Mississippi Chemical's problems had scarcely disappeared. No other financing source materialized within the relatively short timetable set by the judge. During this period, Deborah Midanek and Mike DeCarlo worked assiduously with the management team to keep the turnaround effort on target, as well as to improve communications between the Company and its constituencies.

"The situation was initially polarized," she notes, "but I kept pushing to create a real team effort, which required respect for all parties and a willingness to consider everyone's ideas. I kept searching for common ground. What were the issues that united us, and how could we all move forward on them? What were the issues that divided us, and how could we eliminate them, rather than allowing them to create obstacles?"

The approach shifted the dynamics of the case. As Coley Bailey puts it, "Deborah was a peacemaker. She brought perspective which helped us recognize that the Committee was not our enemy, nor were the banks. That helped us at every step along the way."

Yet by the end of the judge's six-week deadline, the bank group's revised DIP once again proved to be the only option available. It still required the two so-called liquidity events, on a somewhat improved timetable. This time the judge approved it.

In this case, however, nothing was ever as simple and straightforward as it seemed. That was especially true when it came to the Trinidad asset, formally known as Point Lisas Nitrogen Limited. The joint venture originally had been co-owned with Farmland Industries, but when Farmland went into bankruptcy, a year before Mississippi Chemical filed, that 50% stake had been bought by Koch Nitrogen Company. With it came a right of first refusal ("ROFR") in the event that Mississippi Chemical's stake went on the market as well as a potential veto over the asset's dividends to its owners.

The Trinidad plant was lucrative, but Koch's ROFR made it unlikely that other companies would bid against it and dampened the potential price. It also gave Koch a nearly inevitable lock on the position of stalking horse bidder. During an October hearing, the judge approved Koch's selection; with a dismal outcome still likely for the overall case, the Company's bonds continued to trade below ten cents on the dollar.

Yet behind the scenes, positive movement had begun to take place. The New Mexico potash facilities were

sold, which provided a small but helpful cash infusion, and the Yazoo City production plant, shuttered during the summer, was reopened even before the DIP financing was approved, a testament to its market-dominant position. Meanwhile, Mark Rubin had made headway on two important fronts.

First, he had captured the interest of Gary Katz, director of Delaware Street Capital, a multi-strategy hedge fund based in New York. Mr. Rubin knew that Delaware Street possessed a large pool of readily-available capital, because of an investment opportunity that had recently fallen through.

"I described the Trinidad asset to Gary and told him that we needed a stalking horse bidder. I told him that it was a great asset, that there were a lot of reasons why he should want to own it. At the same time," says Mr. Rubin, "I was honest about the Koch situation. In a worst-case scenario, if Delaware lost the deal, it would wind up with a nice breakup fee." The Committee worked to help Delaware Street develop an offer.

Mr. Katz and Mr. Dunn then flew to Chicago in an effort to convince the bank group to substitute DSC for Koch, as the stalking horse bidder. The bank group, likely expecting a par recovery under the "status quo" plan and seeing only risk in changing its strategy mid-course, turned down the proposal. Koch—and its likely rock-bottom bid—looked as if it would carry the day.

But Mr. Rubin had made another breakthrough. "In re-reading the revised DIP Agreement," he explains, "I realized that somehow—and I'm not sure how this happened—the definition of Liquidity Event had changed to include the term 'refinancing,' in addition to a 'sale' or 'disposition.' I felt that the insertion of the term 'refinancing' would now allow us to satisfy the Liquidity Event by substituting a new piece of debt for the banks' money. It was, in essence, a pre-approved transaction because the bankruptcy judge had approved it in the DIP Order when he approved the DIP Agreement." What if Delaware Street came up with a refinancing offer for the same amount as required by the banks in time to prevent the sale of the Trinidad asset to Koch?

Here again, fate played an essential role. Mr. Katz, a lawyer by training, brought an unusual perspective to the world of distressed companies. As he explains, "My father had owned a real-estate company, but he died when I was 18. During a period when the New York City real estate market went bust, I had to take a year off from college and sell one property after another—properties that I knew would be worth a fortune one day—to support

my mother and sisters." He pauses and then adds, "Everything I've always wanted to do in my job was to find a situation like this one. It was like a chance for a personal vindication."

But the Company didn't take him seriously, at least not at first. "I remember sitting in a room with senior management, pitching my vision, and some were extremely negative," says Mr. Katz. "Deborah Midanek was participating by telephone. She didn't rush to embrace my position, but she was open-minded. She said, 'Let's hear him out. Let's think about it. If it could work, it could be worthwhile.' I was a complete stranger to the group, but she was willing to listen to me. After she spoke, a member of the management team said, 'Well, Deborah, if Gary Katz can do what he says he can do, that would be a panacea.'" The Company decided to cooperate with Delaware Street's due-diligence efforts.

That decision paid off. Delaware Street moved rapidly to, by early December, offer Mississippi Chemical \$80 million to pay the bank group the same amount that was expected to be raised from the sale of the Trinidad asset, to enable the Company to retain Trinidad. But the bank group refused. "They were afraid they'd be stuck with this situation for another year, year and a half, with an ultimate outcome that was uncertain," explains Mr. Katz. "They were also suspicious of our ability to close because we were a young hedge fund, rather than a private-equity firm with a long record."

On a motion by the Company to pay due diligence costs of Delaware Street, the judge decided that if the banks weren't comfortable, he wouldn't go along with Mr. Katz's request. "That's when we at Delaware Street said, we have to come up with a way to take the bank group out in full," recalls Mr. Katz. Since the hedge fund held less than \$300 million in assets at that time, with limits as to how much could go into highly illiquid investments, Delaware couldn't handle the deal by itself. "We had about 10 days to come up with the rest of the money. So we went to Mississippi Chemical and told them, you've got to put us in touch with everyone you've already talked to."

Although Delaware as a potential savior seemed unlikely, Ms. Midanek encouraged the Company's management team to be open-minded. "In situations like these, it's very easy for people to get stuck at whatever piece of the map they're on. But if you're looking at the big picture, you can see that a number of different routes might get you to your goal. With each roadblock, it is necessary to think things through again and again, to be sure that we are all still trying to solve the *right* problem,

and to figure which other routes might work to get us to our goal."

Shaken by the bank group's refusal to accept Delaware Street's \$80 million offer, Mississippi Chemical put the hedge fund in touch with DDJ Capital, which had earlier considered an investment. DDJ was swayed by Mr. Katz's enthusiasm, as well as his firm's legal assessment that the Koch veto over dividends couldn't survive a court challenge. The two firms agreed to split a \$180 million financing bid that would facilitate the bank group's exit. At this time, the Company's bonds were hovering between ten and twenty cents on the dollar.

Courtroom developments again proved unexpected. "It was a Wednesday in mid-December when we started a hearing that was solely focused on whether to approve the auction sale to Koch. There was fighting over that, and then the court recessed, with plans to resume the hearing on Friday," reports Jim O'Mara.

Mr. Katz left the courtroom, planning to fly back to New York. "I went to the airport, but Deborah called me and pleaded, 'Don't get on that plane. We need your energy. We need you to be here—there will be a settlement but it cannot happen without you.' I had been on the road on this deal for weeks, it seemed like the end game would play on well without me, my wife was in tears, she wanted me to fly home. But I told Deborah, 'If you say I need to be here, I'll stay in Jackson.'"

Round-the-clock negotiations followed. "Between the end of the day Wednesday and Friday morning, we were going through non-stop negotiations with Gary Katz and his group," says Mr. O'Mara, "over whether they would provide the replacement DIP to replace the bank DIP, while also providing a supplemental loan to the Company that would pay off the Company's other indebtedness to the bank group."

Because of the banks' hesitancy to rely upon a young hedge fund, Delaware Street and DDJ were forced to comply with a number of unusual requirements, including the omission of a typical "MAC clause" which would have permitted them to break the deal in the event of a material adverse change. "Even after we had an agreement to put the \$180 million in place, we had to guarantee with the full faith and credit of our fund that we were going to close the transaction," Mr. Katz notes.

What happened next was the stuff of movies. "Jackson is a very small town," describes Mr. Katz. "We were all in one room—the lawyers for the company, for the bank, for our financing group, as well as the company's management, me, Mark Rubin, and Deborah

Midanek. All the offices had glass walls, so it was like a giant fishbowl. We sent a guy over to the courtroom at 8:30 Friday morning to tell the judge we needed an extra hour. The Koch people showed up in court and found out that the hearing was delayed an extra hour. They came charging over to the fishbowl to try to save their sweetheart deal."

As Ms. Midanek reports, Mr. Katz, who was standing in the doorway and shouting for the parties in the room to sign their deal, was almost knocked over as the Koch team arrived, eager to close their deal. But Mississippi Chemical, its bank group, Delaware Street, and DDJ signed a 12-page agreement before the Koch team eventually made their way into that conference room.

What followed, according to Mr. O'Mara, was unprecedented in his legal experience. "We went into the hearing that Friday morning and told the judge, 'You know that we were here on Wednesday with a plan to sell. We want to withdraw that motion and replace it with a new motion to approve new financing and thereby remove our requirement to sell the asset.'

"The judge asked, 'What are you talking about?'" Mr. O'Mara recalls. "Koch was upset. But the Committee was supportive of this, and the banks were supportive because it paid them off and took them out of the case. I was able to convince the court that everybody constituent in the case supported this outcome. And the judge agreed."

This was clearly the case's most crucial development. "The decision to bring in Delaware and DDJ, take out the banks, and retain the Trinidad asset certainly unlocked the value of this Company," emphasizes Board Chairman Coley Bailey, who stepped in shortly thereafter to replace retiring CEO Chuck Dunn. "Trinidad was the jewel in our crown. The tea leaves, at least on our side, say that if Trinidad had been sold we would have probably seen an orderly liquidation with very little return, if any at all, to the unsecured creditors. Keeping Trinidad gave us the leverage we needed to work with."

The investment community recognized this fact, prompting a steady rise in bond prices from this point onward. Less apparent to the outside world, although essential nonetheless, was the role that Gary Katz played in helping to invigorate and inspire the whole team. "Gary's energy and passion for saving this Company made a huge difference for all of us," comments Ms. Midanek.

Mark Rubin agrees. "Having the bank group out of the case removed the albatross that had limited any progress towards a successful reorganization. The Company now had enthusiastic investors who believed in the

Company's future. Morale amongst the Company employees was at its highest in years. Finally, we were all now able to focus our collective energies on enhancing the value of the business in anticipation of an exit from bankruptcy." He adds, "Gary was indeed responsible for saving the Trinidad asset and lighting the spark that ultimately led to the remarkable enhancement in value of the Company's bonds. Now we were in a position where he's the senior lender, and he's hopeful about the future."

During the months that followed, the retention of the Trinidad asset, as well as an early-stage industry recovery, created new options for Mississippi Chemical, as it progressed through its operational and financial turnaround. "Coley Bailey deserves real credit for creating an environment in which we all, as a team, were able to work together in a remarkably effective manner," comments Ms. Midanek. In considering her own contribution, she says, "There is a quality of compassionate detachment that an outsider can bring that can help the people in a situation like this gain perspective. I worked to build bridges for this company, while Mr. Bailey led the team across them."

Ultimately, Gary Katz proposed a plan to help the Company exit from Chapter 11; it would have kept the Company whole but given a major stake in the Trinidad asset to Delaware Street. Mr. Katz's willingness to move quickly to provide financing had provided critical help to the Company, but ironically had also driven its value up to levels that were difficult for financial, as opposed to strategic, players to participate in. Though the Company did file Mr. Katz's plan, ultimately it and the Committee, working through a variety of possible plan possibilities, supported another exit strategy, based upon a sale to a strategic buyer, Sioux City, Iowa-based Terra Industries Inc.

This second plan was financed largely by two members of the existing bondholders, Citigroup and Perry Capital, who repaid the Delaware/DDJ loan. In another twist, the Company and the Committee also succeeded in convincing them to provide exit financing that would allow the Company to exit bankruptcy before year-end 2004, even if the Terra deal failed to close. Since Terra was not interested in purchasing the entire company, Mississippi Chemical developed plans for spinning off two remaining units.

In a case that was never simple, it's not surprising that Jim O'Mara first filed one restructuring plan, the Delaware Street proposal, and then amended it with another, organized around the Terra sale. "In essence, it was one plan

When asked what he learned from the experience of leading Mississippi Chemical through its restructuring effort, longtime Chairman of the Board Coley Bailey cites six important lessons:

- Parties who appear to be opposed are not truly enemies;
- While listening attentively to ideas from all quarters, one must respect all parties' needs and perspectives;
- It's essential for corporate leaders to remain open-minded, in the face of fear and defensiveness;
- Decisions must be made freely, with a focus on achieving whichever end provides the greatest benefit to all;
- The most effective leaders are willing to acknowledge mistakes or wrong turns and to adjust their strategies accordingly;
- Situations like these must be approached with humility and the recognition that, just as the Company was not built by one person, it cannot be restructured by any one person.

that had three sub-plans in it, and two alternative treatments for two of the sub-plans. It was very unusual, from a legal standpoint. The judge said, "What?????" the lawyer laughs, adding, "We were able to explain to him why we had all of those different contingencies, in our effort to get entirely out of bankruptcy at one time, neat and clean. And it worked."

How's this for a happy ending? Thanks to Delaware Street and DDJ, the bank group was able to exit almost a year before plan confirmation, having received one hundred cents on the dollar, with interest. DSC earned a substantial return on its investment and now has over \$700 million under management.

The Terra purchase, which closed in December 2004, was valued at about \$350 million. That was quite an accomplishment when, as Tim Dawson emphasizes, "at one time we were afraid we might not even get \$200 million." It should be noted that Terra's interest in the Company was expressed only after the sale of the Trinidad asset was cancelled. According to Mr. Rubin, "Terra would not have come to the table if the Trinidad interest had been sold to Koch."

The bondholders group, advised by Mark Rubin, received approximately eighty cents on the dollar—more than ten times what the bonds were worth after the Company filed for bankruptcy. That was a sweet reward, given how hard Mr. Rubin had worked to help enhance enterprise value, at a time when the marketplace had given up on Mississippi Chemical.

"Sometimes in life, you have real clarity," he says. "I looked at this Company and immediately saw a forced liquidation by a tired bank group, a management team that didn't know how to stop it, and bond prices so low that there wasn't a lot of downside. I was convinced that if we could get an expert outsider like Deborah working inside the Company, management would be better armed to fight the battle and develop better alternatives to the banks' plan."

He smiles, then concedes, "none of this would have ever been possible without the judge's call on that original DIP—that was unbelievably huge. His initial denial of the DIP bought us the time we needed to get an alternative plan, Delaware Street's investment, in place before the Trinidad interest had to be sold under the DIP."

The Company's shareholders even received a small payment, in the form of Terra stock. Meanwhile, many Company employees found new employment with Terra. And the Yazoo City production plant remains in operation, a testament to the Company's dominant role in domestic fertilizer production, as well as its historic place in the community.

Ask Coley Bailey what he is most proud of and he replies, "The uncontested confirmation of our reorganization plan. This was a complex case, with a bifurcated plan and a difficult path for all of us. To get people out with a reasonable return, given the situation that we were in, is quite an accomplishment!"

Ms. Midanek sums it up this way, "Under Coley's decisive but flexible leadership, we formed a team, a highly effective team, out of a variety of very different people, with different points of view, operating in what had been a very dysfunctional situation. In retrospect, I'm incredibly proud of the results and very proud of all the people who put their best selves forward to make this happen."

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**RESTRUCTURING MISSISSIPPI CHEMICAL:
A Potent Solution** 45

JILL ANDRESKY FRASER

Mississippi Chemical Corporation completed a dramatic reorganization and timely exit from Chapter 11 last December, despite a host of problems. Once viewed as a likely liquidation candidate, its bond prices moved from less than 10 to almost 80 cents during the case as the Company carried out a profitable sale to Terra Industries. This outcome depended upon the creative strategies and collaborative efforts of the Company's management, restructuring advisor, bankruptcy counsel, bondholders, new lenders, and other creditors and demonstrated the value that flexible leadership, respectful listening, determined teamwork, and perseverance can play in improving recoveries to all.

**THE CLASSIC FIVE-STEP TURNAROUND PROCESS:
Case Study of ProdiGene, Inc.** 53

RUSSELL K. BURBANK

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**TURNAROUND DELIVERS ON PROMISE
OF ACQUISITION STRATEGY** 59

SCOTT BROWN

Bolstered by five significant acquisitions, Measurement Specialties, Inc., (MSI) a publicly traded (AMEX: MSS) manufacturer of consumer scales and industrial sensors, enjoyed heady growth from 1998 through 2001. However, flaws in the rapid growth strategy began to appear in 2002 when cost synergies failed to materialize and demand slackened. The MSI board engaged Corporate Revitalization Partners, LLC (CRP) to lead management in restructuring and operational improvements with Frank Guidone as interim CEO and a small team from CRP. Eight months later, productivity had increased 50%, and MSI reported its first positive quarterly earnings in

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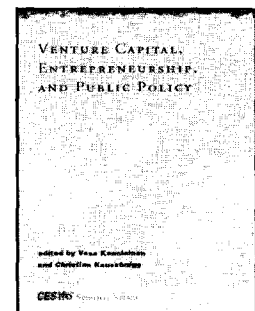
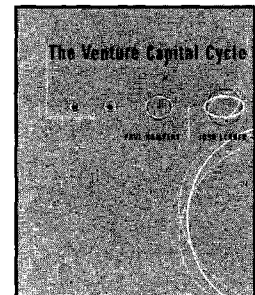
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