

CF Industries Holdings, Inc.
Form SC 14D9/A
May 18, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

Solicitation/Recommendation Statement under Section 14(d)(4)

of the Securities Exchange Act of 1934

(Amendment No. 10)

CF INDUSTRIES HOLDINGS, INC.

(Name of Subject Company)

CF INDUSTRIES HOLDINGS, INC.

(Name of Person Filing Statement)

Common Stock, \$0.01 par value per share

(Title of Class of Securities)

125269 10 0

(CUSIP Number of Class of Securities)

Douglas C. Barnard

Vice President, General Counsel, and Secretary

4 Parkway North, Suite 400

Deerfield, IL 60015

(847) 405-2400

(Name, address and telephone number of person authorized to receive notices
and communications on behalf of the persons filing statement)

With copies to:

Brian W. Duwe

Richard C. Witzel, Jr.

Skadden, Arps, Slate, Meagher & Flom LLP

333 West Wacker Drive

Chicago, IL 60606

(312) 407-0700

- Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
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This Amendment No. 10 to Schedule 14D-9 (Amendment No. 10) amends and supplements the Solicitation/ Recommendation Statement on Schedule 14D-9 originally filed by CF Industries Holdings, Inc., a Delaware corporation (CF Holdings), with the Securities and Exchange Commission (SEC) on March 23, 2009, as amended by Amendment No. 1 filed with the SEC on March 23, 2009, Amendment No. 2 filed with the SEC on March 30, 2009, Amendment No. 3 filed with the SEC on April 8, 2009, Amendment No. 4 filed with the SEC on April 10, 2009, Amendment No. 5 filed with the SEC on April 13, 2009, Amendment No. 6 filed with the SEC on April 15, 2009, Amendment No. 7 filed with the SEC on April 15, 2009, Amendment No. 8 filed with the SEC on April 16, 2009 and Amendment No. 9 filed with the SEC on May 11, 2009 (as amended, the Statement). Capitalized terms used but not defined herein have the meanings set forth in the Statement. Except as specifically noted herein, the information set forth in the Statement remains unchanged.

Item 1. SUBJECT COMPANY INFORMATION.

Item 1 is hereby amended by restating the second paragraph in the section entitled Securities in its entirety as follows:

As of May 8, 2009, there were 48,417,751 CF Holdings Common Shares issued and outstanding, 3,889,090.64 CF Holdings Common Shares reserved for issuance under CF Holdings 2009 Equity and Incentive Plan, and 1,758,994 stock options outstanding to acquire CF Holdings Common Shares.

Item 2. IDENTITY AND BACKGROUND OF THE FILING PERSON

Item 2 is hereby amended and supplemented by adding the following at the end of the first paragraph in the section entitled Offer :

All references to the terms Prospectus and Registration Statement in the Statement means the Prospectus or Registration Statement, as applicable, as amended from time to time.

Item 2 is hereby amended by restating the first, fourth, fifth, seventh and eighth bullet points, respectively, in the fifth paragraph of the section entitled Offer in their entireties as follows:

- the Merger Agreement Condition CF Holdings shall have entered into a definitive merger agreement with Agrium with respect to the Proposed Merger, which terms and conditions will be reasonably satisfactory to Agrium and shall provide, among other things, that: (i) the board of directors of CF Holdings (the Board) has approved the Offer and the Proposed Merger and (ii) the Board has removed any other impediment to the consummation of the Offer and the Proposed Merger;

- the Rights Condition the Board shall have redeemed the Rights, or Agrium shall have concluded in its reasonable judgment that such Rights have been invalidated or are otherwise inapplicable to the Offer and the Proposed Merger;

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- the Section 203 Condition Agrium shall have concluded in its reasonable judgment that the restrictions on Business Combinations with an Interested Stockholder set forth in Section 203 of the General Corporation Law of the State of Delaware (the DGCL) are inapplicable to the Offer and the Proposed Merger or any other business combination involving Agrium or any of its subsidiaries and CF Holdings;

- the Due Diligence Condition Agrium shall have completed to its reasonable satisfaction customary confirmatory due diligence regarding CF Holdings non-public information with respect to CF Holdings business, assets and liabilities and shall have concluded, in its reasonable judgment, that there are no material adverse facts or developments concerning or affecting CF Holdings business, assets and liabilities that have not been publicly disclosed prior to the commencement of the Offer;
- the Material Adverse Change Condition there shall not have been any material adverse change to CF Holdings at any time on or after the date of the Prospectus and prior to the expiration of the Offer (the Prospectus defines material adverse change as: the term material adverse change or material adverse effect with respect to CF Holdings means any change, effect, event, occurrence, state of facts or development which individually or in the aggregate (i) is or would be, in Agrium's reasonable judgment, expected to be materially adverse to the business, assets, condition (financial or otherwise), liabilities, capitalization, prospects or results of operations of CF Holdings and its subsidiaries, taken as a whole or (ii) would, in Agrium's reasonable judgment, impair in any material respect or materially delay the ability of CFI to consummate the Proposed Merger);

Item 2 is hereby further amended and supplemented by adding the following at the end of the section entitled Offer :

On May 11, 2009, Agrium publicly announced that it and Offeror had revised the Exchange Consideration to consist of the following options: 1.0 Agrium Common Share and \$40.00 in cash, without interest (the Mixed Consideration); 1.8850 Agrium Common Shares (subject to proration) (the Stock Consideration); or \$85.20 in cash, without interest (subject to proration) (the Cash Consideration) (collectively, the Revised Exchange Consideration). The offer to exchange each outstanding CF Holdings Common Share for the Revised Exchange Consideration upon the terms and conditions set forth in the Prospectus and the related Letter of Transmittal, shall constitute the Offer.

Item 3. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

Item 3 is hereby amended by adding the following at the end of the second paragraph in the section entitled Relationship with Agrium :

In 2009 (through April 30, 2009), Agrium and its subsidiaries purchased approximately \$29.5 million in fertilizer products from CF Holdings.

Item 3 is hereby further amended by restating the section entitled Consideration Payable Pursuant to the Offer and Proposed Merger in its entirety as follows:

If CF Holdings directors and executive officers set forth on Annex A hereto were to tender any CF Holdings Common Shares they own pursuant to the Offer, they would receive Agrium Common Shares and cash for the same Exchange Consideration and on the same terms and conditions as CF Holdings other stockholders. As of May 8, 2009, CF Holdings directors and executive officers set forth on Annex A hereto beneficially owned an aggregate of 143,533 CF Holdings Common Shares (excluding notional shares held in CF Holdings Supplemental Benefit and Deferral Plan and any CF Holdings Common Shares issuable to CF Holdings executive officers pursuant to options to purchase CF Holdings Common Shares or CF Holdings Common Shares that are subject to unvested restricted stock awards). If such directors and executive officers were to tender all of such CF Holdings Common Shares pursuant to the Offer and each CF Holdings Common Share was

exchanged for the Mixed Consideration, such directors and executive officers would receive an aggregate of 143,533 Agrium Common Shares and approximately \$5.7 million. Conversion of 2,499 notional shares held by executive officers in CF Holdings Supplemental Benefit and Deferral Plan to reflect the Mixed Consideration would result in the accounts of those executives under the Supplemental Benefit and Deferral Plan being credited with an aggregate of 2,499 Agrium Common Shares and approximately \$100,000.

As of May 8, 2009, CF Holdings directors and executive officers set forth on Annex A hereto held an aggregate of 114,456 shares of restricted stock and 184,177 options to purchase CF Holdings Common Shares, with 131,477 of such options having an exercise price of less than \$85.20 (the in-the-money options), that have not yet vested. Immediately upon a change of control of CF Holdings, such as would occur if the Offer is consummated, all such shares of restricted stock and options to purchase CF Holdings Common Shares held by CF Holdings executive officers would immediately vest. In addition, as of May 8, 2009, CF Holdings executive officers held 1,089,933 vested options to purchase CF Holdings Common Shares, with all of such options being in-the-money options. If all CF Holdings Common Shares subject to outstanding in-the-money options (regardless of their current vesting status) and restricted stock awards held by CF Holdings directors and executive officers were exchanged for the Mixed Consideration, such directors and executive officers would receive an aggregate of 1,335,866 Agrium Common Shares and approximately \$53.4 million. The aggregate amount of the exercise price which would have to be paid in order to exercise such options (which would be required in order to exchange the underlying CF Holdings Common Shares) would be \$23.1 million.

Item 3 of the Statement is hereby further amended and supplemented by adding the following after the fifth paragraph of the section entitled Potential Severance and Change in Control Benefits :

In the event that the Offer were to be consummated and each of the executive officers were to be immediately terminated under circumstances entitling each such officer to the above-described payments and benefits under the change in control agreements, the executive officers would receive payments and benefits with the following approximate values (including applicable gross-up payments): Mr. Stephen R. Wilson, \$17,170,232; Mr. Anthony J. Nocchiero, \$2,950,871; Mr. Douglas C. Barnard, \$2,822,666; Mr. Philipp P. Koch, \$2,216,699; all other executive officers as a group (4 individuals), \$6,704,668.

Item 4. THE SOLICITATION OR RECOMMENDATION.

Item 4 is hereby amended by adding the following after the first paragraph:

Following thorough deliberations and a careful review of all aspects of the second revised Agrium Offer with management and its legal and financial advisors, the Board, at a meeting held on May 14, 2009 and May 15, 2009, concluded that the second revised Offer continues to substantially undervalue CF Holdings and is not in the best interests of CF Holdings and its stockholders.

Item 4 is hereby further amended and supplemented by adding the following at the end of the section entitled Background of the Offer :

On April 21, 2009, CF Holdings held its 2009 annual meeting of stockholders. At the meeting, each of CF Holdings three nominees for director was elected with in excess of 77% of the votes cast at the meeting.

Late in the week of May 4, 2009, a representative from Goldman, Sachs & Co., Agrium's financial advisor, contacted a representative of Morgan Stanley and Mr. Michael M. Wilson contacted Mr. Stephen R. Wilson to request meetings to discuss Agrium's Offer. CF Holdings declined such requests.

On the morning of May 11, 2009, Agrium publicly announced that it had revised the Offer by increasing the cash portion of the consideration from \$35.00 to \$40.00.

On May 14, 2009 and May 15, 2009 the Board 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 second revised Agrium Offer, including the impact of the Offer on CF Holdings' proposed strategic business combination with Terra. Each of Mr. Johnson and Mr. Davisson again recused himself from discussion and voting on the Offer and the recommendation to CF Holdings' stockholders at the Board meeting. Following thorough deliberations and a careful review of all aspects of the Agrium Offer with management and its legal and financial advisors, the Board concluded that the second revised Offer continues to substantially undervalue CF Holdings and is not in the best interests of CF Holdings and its stockholders. Accordingly, the Board continues to recommend that CF Holdings' stockholders reject the Offer and not tender their CF Holdings Common Shares in the Offer.

Item 4 is hereby further amended by adding the following after the first paragraph in the section entitled "Reasons for Recommendation":

In reaching its determination to reject Agrium's second revised Offer, and in making the recommendation set forth above, the Board consulted with the management of CF Holdings and its financial and legal advisors and took into account numerous factors, including the factors set forth in the original Statement filed with the SEC on March 23, 2009 (the "Original Statement"). In considering such factors with respect to the second revised Offer, the Board took into account the effect of the increased cash consideration provided in the second revised Offer as well as other developments since the date of the Original Statement on such factors, including as follows:

- Agrium's second revised Offer increased the cash consideration from Agrium's initial Offer by a total of \$8.30 per share, or 11.5% of the nominal value of that initial Offer. As of May 15, 2009, the nominal value of Agrium's second revised Offer is \$88.18 per share, an increase of 22.5% over the \$72.00 per share nominal value of Agrium's initial Offer announced on February 25, 2009.

- In the judgment of Morgan Stanley and Rothschild, as of May 15, 2009, the estimated unaffected trading price of CF Holdings Common Shares was between approximately \$75.00 and \$80.00 per share. In calculating the estimated unaffected trading price of CF Holdings Common Shares as of May 15, 2009, Morgan Stanley and Rothschild considered the closing price of CF Holdings Common Shares on February 24, 2009, the last day before Agrium announced its proposal to acquire CF Holdings, of \$55.58 and the impact of short interest on such closing price resulting from merger arbitrage related to CF Holdings' potential strategic combination with Terra. Based on the judgment of Morgan Stanley and Rothschild, CF Holdings Common Shares would likely have been trading on average up to \$3.00 per share higher absent such short interest. Since February 24, 2009, the average share price of CF Holdings' unaffected global fertilizer peers increased 36.9%. This percentage compares to the 11.5% increase in cash consideration from Agrium's initial Offer and the 22.5% increase in the nominal value of Agrium's second revised Offer over Agrium's initial Offer. In conclusion, the economic premium implied by the market value of Agrium's second revised Offer is approximately 10.0% to 15.9% using the estimated unaffected trading price.

- Valuation multiples for publicly-traded global fertilizer companies declined significantly following the peak in global commodities during the summer of 2008 and the onset of the current economic and financial crisis. However, enterprise value to next twelve month (NTM) EBITDA

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multiples for the leading global nitrogen peers have begun to recover from lows established during January 2009 and are approaching historical averages. On an enterprise value² to NTM EBITDA multiple basis, Agrium's second revised Offer currently values CF Holdings at a multiple of 6.6x³. This is approximately a 10.0% premium to CF Holdings' three-year historical enterprise value to NTM EBITDA multiple average of 6.0x.

¹ Global fertilizer peers include Intrepid Potash, Inc.; Israel Chemicals Limited; K+S Aktiengesellschaft; The Mosaic Company; Potash Corporation of Saskatchewan Inc.; and Yara International ASA.

² Share price information and shares outstanding sourced from FactSet. Balance sheet amounts sourced from latest quarterly filing. Enterprise value includes adjustment for customer prepayments for CF Holdings.

³ EBITDA estimates for CF Holdings are mean Wall Street research analyst estimates released after CF Holdings' first quarter 2009 earnings release on April 27, 2009.

- At March 31, 2009, CF Holdings had cash and cash equivalents and short-term investments of approximately \$839 million (an increase of approximately \$214 million from CF Holdings' cash and cash equivalents at December 31, 2008). Agrium's second revised Offer added \$5.00 in cash per CF Holdings Common Share, which is only \$0.58 above the \$4.42 per share increase in CF Holdings' cash position during the first quarter of 2009.

In addition, in making its determination with respect to the second revised Offer, the Board took into account the opinions of each of Morgan Stanley and Rothschild, subsequently confirmed in writing, that, as of the date of such opinion and based upon and subject to the factors and assumptions set forth in such written opinion, the consideration proposed to be paid to the holders of CF Holdings Common Shares pursuant to the Offer was inadequate from a financial point of view to such holders. The full text of the written opinion of each of Morgan Stanley and Rothschild, dated May 14, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, is attached hereto as Annex F and Annex G, respectively. Each of Morgan Stanley and Rothschild provided its opinion for the information and assistance of the Board in connection with its consideration of the second revised Offer and the Proposed Merger. Neither opinion is a recommendation as to whether or not any holder of CF Holdings Common Shares should tender such shares in connection with the Offer or how any holder of CF Holdings Common Shares should vote with respect to any Proposed Merger or any other matter.

Item 4 of the Statement is hereby further amended by replacing the third sentence in the section entitled "Reasons for Recommendation" "The Offer is grossly inadequate and substantially undervalues CF Holdings" "The Offer does not properly value CF Holdings" with the following:

In connection with this analysis, among other things, Morgan Stanley and Rothschild both advised the Board that Agrium could pay nearly \$100 per CF Holdings Common Share in the transaction and the transaction would still be accretive to Agrium on a cash earnings per share basis, based on the \$150 million of annual synergies that Agrium asserts are available to the combined company. For purposes of calculating the cash earnings per share accretion, Morgan Stanley and Rothschild compared the pro forma Agrium estimated cash earnings per share for the fiscal year ending December 31, 2010 to Agrium's current Wall Street median estimate for cash earnings per share for the fiscal year ending December 31, 2010. For purposes of calculating Agrium's estimated pro forma cash earnings per share for the fiscal year ending December 31, 2010, Morgan Stanley and Rothschild added the incremental CF Holdings cash earnings that Agrium would acquire less the incremental interest expense that Agrium would incur, each based on current Wall Street median estimates, to fund the cash portion of Agrium's Offer plus the tax-effected amount of pre-tax synergies of \$100 million (amount assumed in the estimated fiscal year ending December 31, 2010 based on Agrium's estimate of run-rate synergies of \$150 million) to calculate a pro forma Agrium cash earnings. For purposes of estimating the pro forma Agrium share count, Morgan Stanley and Rothschild took Agrium's existing share count and added to it the number of Agrium shares that would be issued to CF Holdings shareholders under Agrium's proposed Offer (based on an exchange ratio of one Agrium Common Share per CF Holdings Common Share). Morgan Stanley and Rothschild then divided the pro forma cash earnings by the pro forma share count to calculate the pro forma cash earnings per share. Based on this analysis, Morgan Stanley and Rothschild determined that at a price of nearly \$100 per share, the transaction would be accretive to Agrium on a cash earnings basis.

Item 4 of the Statement is hereby further amended by replacing the first sentence of the section entitled "Reasons for Recommendation" "The Offer is fundamentally at odds with CF Holdings' long-term strategy, which has proven to be very successful. CF Holdings is focused on its higher-margin manufacturing and distribution business; Agrium has a substantial lower-margin retail business" with the following:

The Offer is counter to CF Holdings' long-term strategy, which is 100% focused on the higher-margin businesses of manufacturing and wholesale distribution of nitrogen and phosphate fertilizers. CF Holdings generated operating margins of 29.3% and 21.8% in 2008 and 2007, respectively.

Item 4 of the Statement is hereby further amended and supplemented by adding the following at the end of the second paragraph in the section entitled "Reasons for Recommendation" "The Offer is fundamentally at odds with CF Holdings' long-term strategy, which has proven to be very successful. CF Holdings is focused on its higher-margin manufacturing and distribution business; Agrium has a substantial lower-margin retail business" :

According to Agrium's 2008 Annual Report, Agrium as a whole generated operating margins of 19.8% and 13.5% in 2008 and 2007, respectively, while Agrium's retail business generated operating margins of 8.7% and 7.2% in 2008 and 2007, respectively.

Item 4 of the Statement is hereby further amended by restating the fifth bullet point in the section entitled "Reasons for Recommendation" "The combination of Agrium and CF Holdings may expose CF Holdings' stockholders to significant risks and uncertainties. The synergies assumed in the Offer are poorly delineated and uncertain" in its entirety as follows:

- An Agrium combination with CF Holdings may also produce negative synergies as Agrium's substantial retail unit competes directly with some of CF Holdings' largest customers, including CHS Inc. and GROWMARK, Inc., which together accounted for 30%, 34% and 38% of CF Holdings' sales in 2008, 2007 and 2006, respectively. Based on conversations between members of the Board and representatives of CF Holdings management, on the one hand, and representatives of CHS Inc. and GROWMARK, Inc., as well as other CF Holdings' customers, on the other hand, the Board believes this direct competition could potentially drive such customers to other suppliers and reduce the revenue of the post-combination business.

Item 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

Item 6 of the Statement is hereby amended and restated in its entirety as follows:

Securities transactions

No transactions with respect to CF Holdings Common Shares have been effected by CF Holdings or, to CF Holdings' knowledge after making reasonable inquiry, by any of its executive officers, directors, affiliates or subsidiaries during the 60 days prior to March 23, 2009, the date the Original Statement was filed with the SEC, or during the 60 days prior to the date of this Amendment No. 10, except as set forth below:

Name of Person	Transaction Date	Number of Shares	Price Per Share	Nature of Transaction
Robert A. Arzbaecher	April 21, 2009	968	(a)	Restricted Stock Award
Wallace W. Creek	April 21, 2009	968	(a)	Restricted Stock Award
William Davisson	April 21, 2009	968	(a)	Restricted Stock Award
Stephen A. Furbacher	April 21, 2009	968	(a)	Restricted Stock Award
David R. Harvey	April 21, 2009	968	(a)	Restricted Stock Award
John D. Johnson	April 21, 2009	968	(a)	Restricted Stock Award
Edward A. Schmitt	April 21, 2009	968	(a)	Restricted Stock Award
Douglas C. Barnard	March 2, 2009	4,252	\$58.69	Phantom share acquisition (b)
Stephen R. Wilson	February 17, 2009	2,000	\$16.00	Exercise of options pursuant to 10b5-1 plan
Stephen R. Wilson	February 17, 2009	2,000	\$51.76	Sale of shares pursuant to 10b5-1 plan

(a) Pursuant to CF Holdings' 2009 Equity and Incentive Plan, each non-employee director received an annual restricted stock grant with a fair market value of \$65,000 on the date of the annual meeting of stockholders.

(b) Represents CF Holdings Common Shares as a deemed investment under CF Holdings' Supplemental Benefit and Deferral Plan (a non-qualified benefits restoration and deferred compensation plan) in connection with the payment of CF Holdings' regular quarterly cash dividend. These phantom shares cannot be voted.

Item 8. ADDITIONAL INFORMATION.

Item 8 is hereby amended by restating the seventh sentence of the first paragraph in the section entitled "Regulatory Approvals - Antitrust Matters - United States" in its entirety as follows:

According to the Prospectus, effective as of April 23, 2009, Agrium withdrew its HSR Form filed with the DOJ and the FTC on March 24, 2009 in order to provide the FTC with additional time to conclude its review of the Offer and the Proposed Merger without requiring the FTC to issue a second request. According to the Prospectus, on April 27, 2009, Agrium re-filed its HSR Form with the FTC. Under the HSR Act, the waiting period will expire at 11:59 p.m., New York City time, on Wednesday, May 27, 2009, unless this period is earlier terminated or extended by the issuance of a second request.

Item 8 is hereby further amended by restating the third and fourth sentences of the fifth paragraph in the section entitled "Regulatory Approvals - Antitrust Matters - Canada" in their entirety as follows:

According to the Prospectus, it is a condition of the Offer that the Commissioner shall have (A) issued an advance ruling certificate or (B)(i) the required waiting period shall have expired, been earlier terminated or have been waived and (ii) a no-action letter on terms acceptable to Agrium shall have been obtained. The waiting period in Canada expired on March 23, 2009. According to the Prospectus, in a letter dated March 23, 2009, the Competition Bureau advised Agrium that its assessment of the Offer and the Proposed Merger had not been completed.

Item 9. EXHIBITS.

Item 9 of the Statement is hereby amended and supplemented by adding the following:

(a)(15) Press release issued by CF Industries Holdings, Inc., dated May 15, 2009 (incorporated by reference to CF Industries Holdings, Inc. Rule 425 Filing, dated May 18, 2009)

SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 18, 2009

CF INDUSTRIES HOLDINGS, INC.

By:	/s/ Douglas C. Barnard
Name:	Douglas C. Barnard
Title:	Vice President, General Counsel, and Secretary

Annex A is hereby amended and restated as follows:

ANNEX A

Directors and Executive Officers of CF Industries Holdings, Inc.

Directors

Stephen R. Wilson*

Robert C. Arzbaecher

Wallace W. Creek

William Davisson

Stephen A. Furbacher

David R. Harvey

John D. Johnson

Edward A. Schmitt

Executive Officers

Anthony J. Nocchiero

Douglas C. Barnard

Bert A. Frost

Richard A. Hoker

Wendy S. Jablow Spertus

Philipp P. Koch

W. Anthony Will

* Also an Executive Officer

Opinion of Morgan Stanley & Co. Incorporated

1585 Broadway
33rd Floor
New York, NY 10036

May 14, 2009

Board of Directors

CF Industries Holdings, Inc.

4 Parkway North, Suite 400

Deerfield, Illinois 60015-2590

Members of the Board:

We understand that on May 11, 2009, North Acquisition Co., a wholly-owned subsidiary of Agrium Inc. (the Bidder), filed a news release on Form 6-K (the Form 6-K) with the Securities and Exchange Commission (the SEC) announcing its intention to amend the offer (the Offer) it commenced on March 16, 2009 and amended on March 27, 2009 to exchange each outstanding share of common stock, par value \$0.01 per share, (the Company Common Stock) of CF Industries Holdings, Inc. (CF Industries or the Company) for one of the following (the Offer Consideration): (i) U.S. \$40.00 in cash, without interest, and 1.000 share of the common stock, no par value, of the Bidder (the Bidder Common Stock), (ii) subject to proration as described in the Offer Documents (as defined below), 1.8850 shares of Bidder Common Stock or (iii) subject to proration as described in the Offer Documents, U.S. \$85.20 in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Exchange (the Offer to Exchange), and the related Letter of Transmittal, each contained in the Tender Offer Statement filed with the SEC on Schedule TO (the Tender Offer Statement), and the registration statement on Form F-4 in respect of the Bidder Common Stock (together with the Form 6-K, the Offer to Exchange, the related Letter of Transmittal and the Tender Offer Statement, the Offer Documents). The Offer Documents provide that if the Offer is consummated, the Bidder intends to seek to effect the merger of North Acquisition Co. with and into the Company (the Merger). The Offer Documents further provide that the aggregate cash consideration to be paid by the Bidder in the Offer and the Merger will not exceed approximately U.S. \$2.0 billion and the aggregate stock consideration to be paid by the Bidder in the Offer and the Merger will not exceed approximately 50.2 million shares of Bidder Common Stock. The potential transaction to be effected pursuant to the Offer and the Merger is referred to herein as the Proposed Transaction. The terms and conditions of the Offer are more fully set forth in the Offer Documents.

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We also understand that on February 23, 2009, Composite Acquisition Corporation, a direct wholly-owned subsidiary of CF Industries, commenced an offer to exchange (the "Terra Offer") each outstanding share of common stock, without par value (the "Terra Common Stock"), of Terra Industries Inc. ("Terra") for 0.4235 shares of Company Common Stock, upon the terms and subject to the conditions set forth in the Offer to Exchange (the "Terra Offer to Exchange"), and the related Letter of Transmittal, each contained in the Tender Offer Statement filed with the SEC on Schedule TO (the "Terra Tender Offer Statement") and the registration statement on Form S-4 in

respect of the Company Common Stock (together with the Terra Offer to Exchange, the related Letter of Transmittal and the Terra Tender Offer Statement, the Terra Offer Documents). The terms and conditions of the Terra Offer are more fully set forth in the Terra Offer Documents.

You have asked for our opinion as to whether the Offer Consideration to be received by holders of shares of the Company Common Stock pursuant to the Offer is adequate from a financial point of view to such holders.

For purposes of the opinion set forth herein, we have:

- 1) Reviewed certain publicly available financial statements and other business and financial information, including certain research analyst reports and estimates, of the Company and the Bidder, respectively;
- 2) Reviewed certain internal financial statements and other financial and operating data concerning the Company;
- 3) Reviewed certain financial projections for the Company prepared by the management of the Company;
- 4) Discussed the past and current operations and financial condition and the prospects of the Company, including information relating to certain strategic, financial and operational benefits anticipated from the Proposed Transaction, with senior executives of the Company;
- 5) Reviewed the pro forma impact of the Proposed Transaction on the Bidder's earnings per share, consolidated capitalization and other financial ratios;
- 6) Reviewed the reported prices and trading activity for the Company Common Stock and the Bidder Common Stock;
- 7) Compared the financial performance of the Company and the Bidder and the prices and trading activity of the Company Common Stock and the Bidder Common Stock with that of certain other publicly-traded companies and their securities;