

TERRA INDUSTRIES INC

Form 8-K

July 23, 2007

Item 1.01 Entry Into a Material Definitive Agreement.

Item 2.06 Material Impairments.

On July 18, 2007, Terra Industries Inc. (the Company) and Eastman Chemical Company (Eastman) executed an Option Agreement (Option) whereby the Company granted Eastman an exclusive and irrevocable option to purchase, pursuant to the terms of an Asset Purchase Agreement attached thereto as an exhibit, the assets of the Company s Beaumont, Texas methanol facility (Beaumont Facility). Pursuant to the Option, Eastman may exercise its option to purchase the Beaumont Facility by providing written notice to the Company on or before October 1, 2007. The above description of the Option Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Option Agreement, filed as Exhibit 10.1 to the Current Report on Form 8-K, and it is incorporated herein by reference.

As a result of this transaction, the Company assessed the assets consisting of the Beaumont Facility for impairment under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets* , and determined the assets are impaired. The Company currently estimates that the impairment is approximately \$42 million pre-tax and \$27 million after-tax. The Company expects to record the impairment charge in the three month period ended September 30, 2007.

A copy of the press release issued by the Company on July 18, 2007, is attached hereto as Exhibit 99.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

10.1 Option Agreement dated July 18, 2007

99.1 Press Release dated July 18, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERRA INDUSTRIES INC.

/s/ John W. Huey_____

John W. Huey

Vice President, General Counsel and Corporate Secretary

Date: July 23, 2007

EXHIBIT INDEX

Exhibit Number	Description
10.1	Option Agreement dated July 18, 2007
99.1	Press Release dated July 18, 2007