

TERRA INDUSTRIES INC  
Form 8-K  
October 10, 2006



**ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT**

**Amendment to Employment Severance Agreement**

On October 6, 2006, in connection with Mark A. Kalafut's retirement, Terra Industries Inc. (the Company) and Mr. Kalafut amended the employment severance agreement between the Company and Mr. Kalafut to provide that Mr. Kalafut will be obligated to provide up to 50 eight-hour days of consulting services to the Company, such services to be rendered during the one-year period following Mr. Kalafut's retirement. In consideration for agreeing to provide the consulting services, Mr. Kalafut will receive an amount equal to one-half times Mr. Kalafut's current base salary, in addition to the payments and other benefits provided for in his employment severance agreement, which amount will be paid subject to the terms and conditions set forth in Mr. Kalafut's employment severance agreement.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(c) Exhibits

10.1 Amendment to Employment Severance Agreement

**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/ Joe A. Ewing  
Joe A. Ewing  
*Vice President, Investor Relations  
and Human Resources*

Date: October 10, 2006