

TERRA INDUSTRIES INC  
Form SC 13G/A  
February 14, 2007  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 2)\*

TERRA INDUSTRIES INC.

(Name of Issuer)

Common Shares, without par value

(Title of Class of Securities)

880915103

(CUSIP Number)

December, 2006

(Date of Event which Requires Filing  
of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

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\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Continued on following pages

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SCHEDULE 13G

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**1** Names of Reporting Persons  
I.R.S. Identification Nos. of above persons (entities only)

ANCHORAGE CAPITAL MASTER OFFSHORE, LTD.

98-0418059

**2** Check the Appropriate Box If a Member of a Group (See Instructions)  
a.    
b.

**3** SEC Use Only

**4** Citizenship or Place of Organization

CAYMAN ISLANDS

Number of	<b>5</b>	Sole Voting Power 7,929,900
Shares Beneficially	<b>6</b>	Shared Voting Power
Owned By		0
Each Reporting	<b>7</b>	Sole Dispositive Power
Person		7,929,900
With	<b>8</b>	Shared Dispositive Power 0

**9** Aggregate Amount Beneficially Owned by Each Reporting Person

7,929,900

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**10** Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

0

**11** Percent of Class Represented By Amount in Row (9)

8.6%

**12** Type of Reporting Person (See Instructions)

OO

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**1** Names of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

ANCHORAGE ADVISORS, L.L.C.

20-0042271

**2** Check the Appropriate Box If a Member of a Group (See Instructions)

a.    
 b.

**3** SEC Use Only

**4** Citizenship or Place of Organization

DELAWARE

Number of	<b>5</b>	Sole Voting Power 7,929,900
Shares Beneficially	<b>6</b>	Shared Voting Power
Owned By		0
Each Reporting Person	<b>7</b>	Sole Dispositive Power 7,929,900
With	<b>8</b>	Shared Dispositive Power 0

**9** Aggregate Amount Beneficially Owned by Each Reporting Person

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7,929,900

**10** Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

0

**11** Percent of Class Represented By Amount in Row (9)

8.6%

**12** Type of Reporting Person (See Instructions)  
OO, IA

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**1** Names of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

ANCHORAGE ADVISORS MANAGEMENT, L.L.C.

20-0042478

**2** Check the Appropriate Box If a Member of a Group (See Instructions)

a.   
b.

**3** SEC Use Only

**4** Citizenship or Place of Organization

DELAWARE

Number of	<b>5</b>	Sole Voting Power 7,929,900
Shares Beneficially	<b>6</b>	Shared Voting Power
Owned By		0
Each Reporting	<b>7</b>	Sole Dispositive Power
Person		7,929,900
With	<b>8</b>	Shared Dispositive Power 0

**9** Aggregate Amount Beneficially Owned by Each Reporting Person

7,929,900

**10** Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

0

**11** Percent of Class Represented By Amount in Row (9)

8.6%

**12** Type of Reporting Person (See Instructions)  
OO, HC

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**1** Names of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

ANTHONY L. DAVIS

**2** Check the Appropriate Box If a Member of a Group (See Instructions)

a.    
 b.

**3** SEC Use Only

**4** Citizenship or Place of Organization

UNITED STATES

Number of	<b>5</b>	Sole Voting Power
		7,929,900
Shares		
Beneficially	<b>6</b>	Shared Voting Power
Owned By		0
Each		
Reporting	<b>7</b>	Sole Dispositive Power
Person		7,929,900
With		
	<b>8</b>	Shared Dispositive Power
		0

**9** Aggregate Amount Beneficially Owned by Each Reporting Person

7,929,900

**10** Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

0

**11** Percent of Class Represented By Amount in Row (9)

8.6%

**12** Type of Reporting Person (See Instructions)

IN, HC

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**1** Names of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

KEVIN M. ULRICH

**2** Check the Appropriate Box If a Member of a Group (See Instructions)

a.    
 b.

**3** SEC Use Only

**4** Citizenship or Place of Organization

CANADA

Number of	<b>5</b>	Sole Voting Power 7,929,900
Shares Beneficially	<b>6</b>	Shared Voting Power
Owned By		0
Each Reporting	<b>7</b>	Sole Dispositive Power
Person		7,929,900
With	<b>8</b>	Shared Dispositive Power
		0

**9** Aggregate Amount Beneficially Owned by Each Reporting Person

7,929,900

**10** Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

0

**11** Percent of Class Represented By Amount in Row (9)

8.6%

**12** Type of Reporting Person (See Instructions)

IN, HC

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**Item 1(a) Name of Issuer:**

Terra Industries Inc. (the Issuer ).

**Item 1(b) Address of the Issuer s Principal Executive Offices:**

Terra Centre  
P.O. Box 6000  
600 Fourth Street  
Sioux City, Iowa 51102-6000

**Item 2(a) Name of Person Filing:**

This statement is filed on behalf of each of the following persons (collectively, the Reporting Persons ):

- i) Anchorage Capital Masters Offshore, Ltd. ( Anchorage Offshore );
- ii) Anchorage Advisors, L.L.C. ( Advisors );
- iii) Anchorage Advisors Management, L.L.C. ( Management );
- iv) Anthony L. Davis ( Mr. Davis ); and
- v) Kevin M. Ulrich ( Mr. Ulrich ).

This statement related to Shares (as defined herein) held for the account of Anchorage Offshore. Advisors is the investment advisor to Anchorage Offshore. Management is the sole managing member of Advisors. Mr. Davis is the President of Advisors and a managing member of Management, and Mr. Ulrich is the Chief Executive Officer of Advisors and the other managing member of Management.

**Item 2(b) Address of Principal Business Office or, if None, Residence:**

The address of the principal business office of Anchorage Offshore, Advisors, Management and Messrs. Davis and Ulrich is 610 Broadway, 6<sup>th</sup> Floor, New York, NY 10012.

**Item 2(c) Citizenship:**

- 1) Anchorage Offshore is a Cayman Islands exempted company incorporated with limited liability;
  - 2) Advisors is a Delaware limited liability company;
  - 3) Management is a Delaware limited liability company;
  - 4) Mr. Davis is a citizen of the United States; and
  - 5) Mr. Ulrich is a citizen of Canada.
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**Item 2(d) Title of Class of Securities:**  
Common Shares, without par value (the Shares ).

**Item 2(e) CUSIP Number:**  
880915103

**Item 3. If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:**  
This Item 3 is not applicable.

**Item 4. Ownership:**  
**Item 4(a) Amount Beneficially Owned:**  
As of the date hereof, each of the Reporting Persons may be deemed to be the beneficial owner of 7,929,900 Shares.

**Item 4(b) Percent of Class:**  
According to the Issuer's most recent Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, the number of Shares outstanding as of October 23, 2006 was 92,605,538. Each of the Reporting Persons may be deemed to be the beneficial owner of approximately 8.6% of the total number of Shares outstanding.

**Item 4(c) Number of shares as to which such person has:**

Anchorage Offshore

(i)	Sole power to vote or direct the vote	7,929,900
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	7,929,900
(iv)	Shared power to dispose or to direct the disposition of	0

Advisors

(i)	Sole power to vote or direct the vote	7,929,900
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	7,929,900
(iv)	Shared power to dispose or to direct the disposition of	0

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Management

(i)	Sole power to vote or direct the vote	7,929,900
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	7,929,900
(iv)	Shared power to dispose or to direct the disposition of	0

Mr. Davis

(i)	Sole power to vote or direct the vote	7,929,900
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	7,929,900
(iv)	Shared power to dispose or to direct the disposition of	0

Mr. Ulrich

(i)	Sole power to vote or direct the vote	7,929,900
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	7,929,900
(iv)	Shared power to dispose or to direct the disposition of	0

**Item 5. Ownership of Five Percent or Less of a Class:**

This Item 5 is not applicable.

**Item 6. Ownership of More than Five Percent on Behalf of Another Person:**

The investors in Anchorage Offshore have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Anchorage Offshore in accordance with their respective ownership interests in Anchorage Offshore.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:**

This Item 7 is not applicable.

**Item 8. Identification and Classification of Members of the Group:**

This Item 8 is not applicable.

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**Item 9. Notice of Dissolution of Group:**

This Item 9 is not applicable.

**Item 10. Certification:**

By signing below each of the Reporting Persons certifies that, to the best of such person's knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the Issuer of such securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.

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**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: February 6, 2007

ANCHORAGE CAPITAL MASTER OFFSHORE LTD.

By: /s/ Kevin M. Ulrich

Name: Kevin M. Ulrich

Title: Director

Date: February 6, 2007

ANCHORAGE ADVISORS, L.L.C.

By: Anchorage Advisors Management, L.L.C.,

its Managing Member

By: /s/ Anthony L. Davis

Name: Anthony L. Davis

Title: Managing Member

Date: February 6, 2007

ANCHORAGE ADVISORS MANAGEMENT, LLC

By: /s/ Anthony L. Davis

Name: Anthony L. Davis

Title: Managing Member

Date: February 6, 2007

ANTHONY L. DAVIS

/s/ Anthony L. Davis

Date: February 6, 2007

KEVIN M. ULRICH

/s/ Kevin M. Ulrich