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CHEMFIRST INC
Form 11-K
June 28, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the period ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

ChemFirst Inc. Commission file number 333-157-89

CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN
700 North Street
Post Office Box 1249
Jackson, Mississippi 39215-1249

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements and Schedule

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

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INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Independent Auditors' Report

Statements of Net Assets Available for Benefits as of December 31, 2001 and 2000

Statements of Changes in Net Assets Available for Benefits for the years ended
December 31, 2001 and 2000

Notes to Financial Statements

SUPPLEMENTAL SCHEDULE:

Schedule H, Line 4i - Schedule of Assets (Held at End of Year), December 31,
2001

All other schedules are omitted because there is no information to report.

INDEPENDENT AUDITORS' REPORT

The Employee Benefits Committee
ChemFirst Inc.:

We have audited the financial statements of ChemFirst Inc. 401(k) Savings and Employee Stock Ownership Plan (the Plan) as listed in the accompanying index. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of ChemFirst Inc. 401(k) Savings and Employee Stock Ownership Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years ended December 31, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2001 is not a required part of the basic

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financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the December 31, 2001 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the December 31, 2001 basic financial statements taken as a whole.

The supplemental schedule of assets (held at end of year) as of December 31, 2001, that accompanies the Plan's financial statements does not disclose the historical cost of certain nonparticipant-directed plan assets held by the Plan investment manager. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/ KPMG LLP

Jackson, Mississippi
May 17, 2002

CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Benefits

December 31, 2001 and 2000

| | 2001 | 2000 |
|---|------------------------|---------------------|
| | ----- | ----- |
| Cash | \$ -- | 50 |
| Investments: | | |
| Mutual funds, at fair value | 31,465,175 | 36,066,316 |
| Participant loans, at cost which approximates fair value | 1,223,579 | 1,756,278 |
| ChemFirst Inc. common stock, at fair value | 8,208,232 | 8,812,453 |
| Total investments | ----- 40,896,986 | ----- 46,635,047 |
| Receivables: | | |
| Employers' contributions | 191,696 | 302,420 |
| Participants' contributions | 129,272 | 262,763 |
| Total receivables | ----- 320,968 | ----- 565,183 |
| Net assets available for benefits | ----- \$ 41,217,954 | ----- 47,200,280 |
| | ===== | ===== |

See accompanying notes to financial statements.

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN
Statements of Changes in Net Assets Available for Benefits
Years ended December 31, 2001 and 2000

| | 2001 | 2000 |
|---|---------------|-------------|
| | ----- | ----- |
| Contributions: | | |
| Participants | \$ 2,318,302 | 2,376,628 |
| Employers | 1,269,257 | 1,296,182 |
| | ----- | ----- |
| Total contributions | 3,587,559 | 3,672,810 |
| | ----- | ----- |
| Net investment income (loss): | | |
| Interest income | 272,720 | 250,915 |
| Dividend income | 144,975 | 178,769 |
| | ----- | ----- |
| Total interest and dividend income | 417,695 | 429,684 |
| | ----- | ----- |
| Net depreciation in fair value of investments | (4,917,959) | (4,181,373) |
| | ----- | ----- |
| Advisory fees | (11,031) | (56,980) |
| | ----- | ----- |
| Net investment loss | (4,511,295) | (3,808,669) |
| | ----- | ----- |
| Rollovers from other plans | 280,898 | 61,838 |
| Withdrawals and terminations | (5,263,257) | (3,988,356) |
| Transfer of participant account balances to other plans | (76,231) | (314,644) |
| | ----- | ----- |
| Net decrease in net assets available for benefits | (5,982,326) | (4,377,021) |
| | ----- | ----- |
| Net assets available for benefits: | | |
| Beginning of period | 47,200,280 | 51,577,301 |
| | ----- | ----- |
| End of period | \$ 41,217,954 | 47,200,280 |
| | ===== | ===== |

See accompanying notes to financial statements.

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

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December 31, 2001 and 2000

(1) DESCRIPTION OF PLAN

The following description of ChemFirst Inc. 401(k) Savings and Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for more complete information.

(a) GENERAL

The ChemFirst Inc. 401(k) Savings Plan became effective July 1, 1974. The ChemFirst Inc. Employee Stock Ownership Plan became effective January 1, 1978. The two plans were merged and restated as the ChemFirst Inc. 401(k) Savings and Employee Stock Ownership Plan effective January 1, 1997. The 401(k) Savings Plan is the surviving plan.

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan currently covers substantially all employees of the Company and its subsidiaries.

(b) PARTICIPATION

An employee becomes a participant in the Plan on the first day of employment. The Plan is available to all regular employees, defined as employees (whether full-time or part-time) hired to fill a specific position on a permanent basis and for whom the employer annually budgets compensation and benefits.

(c) CONTRIBUTIONS

The 401(k) provisions of the Plan allow deferral of tax by the participants on their contributions and earnings thereon. Plan participants may elect to contribute from 1% to 15% of monthly base pay to the Plan, subject to regulatory limitations. The Company matches these 401(k) contributions up to 4% of monthly base pay.

Additionally, the Company may elect to make a contribution to the Plan under the employee stock ownership provisions of the Plan. The contribution, if any, will be an amount determined and authorized by the Board of Directors of the Company and will be allocated by the ratio of each eligible participant's compensation to the total compensation of all eligible participants. The Company made contributions under the employee stock ownership provisions of the Plan of \$121,462 and \$161,026 in 2001 and 2000, respectively.

(d) LOANS

The Plan provides for participant loans. A participant can borrow up to 50% of the participant's vested 401(k) account balance, not to exceed \$50,000 less the participant's highest outstanding loan balance during the previous twelve months. The minimum loan amount is \$1,000 per loan, and three loans per participant may be outstanding at any time. The interest rate charged on loan balances is equal to the prime rate plus

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1%, and the interest charged is credited to the borrowing participant's account. Maturities cannot exceed five years, except for loans made to purchase a primary residence, in which case the maturity cannot exceed 10 years. Effective October 1, 2000, the participant must

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2001 and 2000

pay a \$35 set-up fee and a \$3.75 quarterly administrative fee for each loan. Prior to October 1, 2000, the participant paid a \$50 set-up fee and a \$2.50 monthly administrative fee for each loan.

(e) PARTICIPANT ACCOUNTS

Individual accounts are maintained for each participant to reflect the participants' contributions, related matching contribution, and allocated earnings or losses thereon. The fund investment options selected by participants allocate income or loss based on participant shares held in a particular fund investment option. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

(f) VESTING

Participants' 401(k) contributions and allocated earnings or losses thereon are fully vested at all times and are not subject to forfeiture for any reason. Employers' 401(k) matching contributions and employers' contributions made under the employee stock ownership plan and allocated earnings or losses thereon on each fully vest after a participant completes three years of service or upon a participant's retirement, disability or death, whichever occurs first.

(g) FORFEITURES

A participant's forfeiture of their employers' 401(k) matching contributions may be used to pay plan expenses and/or to reduce employers' 401(k) matching contributions in the year in which the forfeitures are determined to occur.

A participant's forfeiture of their ESOP account balances is used to reduce the Company's ESOP contributions in the year in which the forfeitures are determined to occur.

(h) BENEFITS

Benefits are generally payable on termination, retirement, death, or disability. Benefits may be paid by either (a)

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lump-sum payment, (b) deferred payment, or (c) installment payments, as requested by the participant. The benefit payment options available to participants depend on the reason for the separation from service.

(i) ADMINISTRATIVE EXPENSES

Administrative expenses, with the exception of advisory fees, are generally paid by the Company, but may be paid by the Plan. Advisory fees are for the management of the mutual funds in which plan assets are invested and are paid by the Plan.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting.

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(b) DIVIDENDS

Dividend income is recorded as of the dividend record date.

(c) INVESTMENTS

Investments in cash and participant loans are stated at cost, which approximates fair value. Investments in ChemFirst Inc., common stock and mutual funds are stated at quoted market value. Investment transactions are accounted for on the trade date basis.

The Plan does not require any collateral or other security from the trustee to support the investments.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(e) INCOME TAXES

In a determination letter dated June 23, 2000, the Internal Revenue Service held that the Plan is exempt from income taxes in accordance with applicable provisions of the Internal

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Revenue Code. It also held that participant income taxes on contributions and earnings are deferred until such amounts are received by the participant or a beneficiary. In the opinion of the Plan Administrator, this Plan has operated within the terms of the Plan and is qualified and exempt under the applicable requirements of the Internal Revenue Code.

(f) SALES OF INVESTMENTS

Effective October 1, 2000, the cost of all investments sold is determined based on the individual cost of each issue. Prior to October 1, 2000, the cost of stock and mutual fund shares sold was determined based on the average cost of the shares while the cost of other investments was determined based on the individual cost of each issue.

(g) PAYMENT OF BENEFITS

Benefits are recorded when paid.

(h) RECLASSIFICATIONS

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

(3) VOTING RIGHTS

All common stock allocated to participants' accounts carries with it full voting privileges and any other rights that the stock might have. Fidelity Trust Company (the Trustee) votes such stock in accordance with the written instructions of the participants. Unallocated stock is voted by the Trustee as instructed by the Employee Benefits Committee.

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(4) ACQUISITION LOANS

The Trustee may incur acquisition loans from time to time to finance the acquisition of ChemFirst Inc. common stock (ESOP financed shares) or to repay a prior acquisition loan. Acquisition loans are to be for a specific term, bear a reasonable rate of interest and are not payable on demand except in the event of default. An acquisition loan may be secured only by a pledge of the shares acquired.

Financed shares are allocated to the participants only as payments are made on the acquisition loan.

As of December 31, 2001 and 2000, no acquisition loans had been incurred by the Plan.

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(5) UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS

During the years ended December 31, 2001 and 2000, the Plan's investments (including bought, sold and held during the year) appreciated (depreciated) in value as follows:

| | 2001 | 2000 |
|--|----------------|-------------|
| | ----- | ----- |
| Mutual funds | \$ (5,724,140) | (3,426,194) |
| ChemFirst Inc. common stock | 806,181 | 109,271 |
| Placer Dome Inc. common stock | -- | (1,022,202) |
| Mississippi Chemical Corporation common stock | -- | 157,752 |
| | ----- | ----- |
| | \$ (4,917,959) | (4,181,373) |
| | ===== | ===== |

(6) PLAN INVESTMENTS

The following investments exceeded 5% of net assets available for benefits at December 31, 2001 and 2000:

| | DECEMBER 31, 2001 | |
|---|-----------------------------|---------------|
| | ----- | ----- |
| | SHARES OR FACE AMOUNT | FAIR VALUE |
| | ----- | ----- |
| Mutual funds: | | |
| Fidelity Aggressive Growth Fund | 123,132 | \$ 2,341,963 |
| Fidelity Balanced Fund | 479,615 | 7,146,270 |
| Fidelity Growth Company Fund | 196,718 | 10,469,314 |
| Fidelity Managed Income Portfolio Fund | 4,125,924 | 4,125,924 |
| Fidelity Retirement Money Market Fund | 3,199,732 | 3,199,732 |
| Fidelity Spartan U.S. Equity Index Fund | 57,892 | 2,352,723 |
| ChemFirst Inc. common stock: | | |
| Participant-directed | 229,302 | 5,496,352 |
| Nonparticipant-directed | 113,136 | 2,711,880 |

(Continued)

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(6) Continued

| | DECEMBER 31, 2000 | |
|---|-----------------------------|---------------|
| | SHARES OR FACE AMOUNT | FAIR VALUE |
| Mutual funds: | | |
| Fidelity Aggressive Growth Fund | 102,589 | \$ 3,710,635 |
| Fidelity Balanced Fund | 493,799 | 7,500,810 |
| Fidelity Growth Company Fund | 201,753 | 14,411,224 |
| Fidelity Managed Income Portfolio | 3,918,632 | 3,918,632 |
| Fidelity Retirement Money Market Fund | 2,944,808 | 2,944,808 |
| Fidelity Spartan U.S. Equity Index Fund | 59,282 | 2,774,987 |
| ChemFirst Inc. common stock: | | |
| Participant-directed | 275,824 | 6,085,873 |
| Nonparticipant-directed | 123,598 | 2,726,580 |

(7) NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

| | DECEMBER 31, | |
|---|--------------|-----------|
| | 2001 | 2000 |
| Net assets: | | |
| ChemFirst Inc. common stock, nonparticipant-directed | \$ 2,711,880 | 2,726,580 |

| | YEAR ENDED DECEMBER 31, | |
|------------------------------|----------------------------|-----------|
| | 2001 | 2000 |
| Changes in net assets: | | |
| Contributions | \$ 121,462 | 161,026 |
| Dividends | 49,747 | 52,111 |
| Net appreciation | 236,415 | 34,968 |
| Withdrawals and terminations | (422,324) | (150,168) |
| | \$ (14,700) | 97,937 |

(8) PLAN TERMINATION

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Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. However, no such action may deprive any participant or beneficiary under the Plan of any vested right.

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CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

Plan Sponsor: ChemFirst Inc.
Plan Sponsor EIN: 64-0679456
Plan Number: 002

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2001

| | COST ---- | SHAR FACE ----- |
|---|--------------|-----------------------|
| Mutual funds | | |
| * Fidelity Retirement Money Market Fund | b. | 3,19 |
| * Fidelity Managed Income Portfolio Fund | b. | 4,12 |
| * Fidelity Balanced Fund | b. | 47 |
| * Fidelity Spartan U.S. Equity Index Fund | b. | 5 |
| * Fidelity Fund | b. | |
| * Fidelity Growth Company Fund | b. | 19 |
| * Fidelity Aggressive Growth Fund | b. | 12 |
| * Fidelity Diversified International Fund | b. | 2 |
| * Fidelity Freedom Income Fund | b. | |
| * Fidelity Freedom 2000 Fund | b. | 2 |
| * Fidelity Freedom 2010 Fund | b. | 1 |
| * Fidelity Freedom 2020 Fund | b. | 1 |
| * Fidelity Freedom 2030 Fund | b. | 1 |
| * BrokerageLink | b. | 36 |
| Total mutual funds | | |
| *Participant loans, 1 month to 10 years maturity with interest rates 6% to 10.5% | b. | 1,22 |
| *ChemFirst Inc. common stock | a. | 34 |

a. Historical cost information is not available.

b. Historical cost information is not required.

* A party-in-interest as defined by ERISA.

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See accompanying independent auditors' report.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CHEMFIRST INC.
401(k) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

| | |
|---------------------|--|
| Date: June 26, 2002 | /s/ J. Steve Chustz ----- J. Steve Chustz Member, Employee Benefits Committee |
| Date: June 26, 2002 | /s/ William Kemp ----- William Kemp Member, Employee Benefits Committee |
| Date: June 26, 2002 | /s/ George Simmons ----- George Simmons Member, Employee Benefits Committee |
| Date: June 26, 2002 | /s/ R. Michael Summerford ----- R. Michael Summerford Member, Employee Benefits Committee |

CHEMFIRST INC.
401(K) SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

INDEX TO EXHIBITS

| EXHIBIT NUMBER ----- | DESCRIPTION ----- |
|----------------------------|-------------------------------|
| 23.1 | Independent Auditors' Consent |