

LSB INDUSTRIES INC
Form 10-K/A
March 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-7677

LSB INDUSTRIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation)

73-1015226
(I.R.S. Employer)
Identification No.)

16 South Pennsylvania Avenue
Oklahoma City, Oklahoma
(Address of Principal Executive Offices)

73107
(Zip Code)

Registrant's Telephone Number, Including Area Code: (405) 235-4546

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange On Which Registered |
|-------------------------------|--|
| Common Stock, Par Value \$.10 | American Stock Exchange |

Securities Registered Pursuant to Section 12(g) of the Act: Preferred Share Purchase Rights

(Facing Sheet Continued)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for the shorter period that the Registrant has had to file the reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which the voting common stock was last sold as of June 29, 2007, was approximately \$272 million. As a result, the Registrant is an accelerated filer as of December 31, 2007. For purposes of this computation, shares of the Registrant's common stock beneficially owned by each executive officer and director of the Registrant and by Jayhawk Capital Management, L.L.C. and its affiliates were deemed to be owned by affiliates of the Registrant as of June 29, 2007. Such determination should not be deemed an admission that such executive officers, directors and other beneficial owners of our common stock are, in fact, affiliates of the Registrant or affiliates as of the date of this Form 10-K.

As of March 7, 2008 the Registrant had 21,106,292 shares of common stock outstanding (excluding 3,448,518 shares of common stock held as treasury stock).

Explanatory Note

The Annual Report on Form 10-K for LSB Industries, Inc. for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on March 14, 2008, is being amended by this Amendment No. 1 solely to reflect the dividends declared on preferred stock on March 20, 2008 and to revise Part II, Item 5, to include information regarding the sale of unregistered securities during 2007.

In connection with filing of this Amendment No. 1 and pursuant to Rule 12b-15, certain certifications are attached as exhibits hereto. The remainder of the Form 10-K is unchanged and is not reproduced in this Amendment No. 1. Except for the foregoing amended information, the Form 10-K continues to describe conditions as of the date of the original filing of such Form 10-K, and we have not updated the disclosures contained therein to reflect events that have occurred at a later date.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is listed for trading on the American Stock Exchange under the symbol "LXU". The following table shows, for the periods indicated, the high and low bid information for our common stock which reflects inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions.

| Quarter | Year Ended December 31, | | | |
|---------|----------------------------|----------|----------|---------|
| | 2007 | | 2006 | |
| | High | Low | High | Low |
| First | \$ 15.71 | \$ 11.41 | \$ 7.48 | \$ 5.87 |
| Second | \$ 23.70 | \$ 14.76 | \$ 9.19 | \$ 6.95 |
| Third | \$ 25.25 | \$ 17.00 | \$ 10.25 | \$ 8.25 |
| Fourth | \$ 28.85 | \$ 20.54 | \$ 13.20 | \$ 8.50 |

Stockholders

As of March 7, 2008, we had 698 record holders of our common stock. This number does not include investors whose ownership is recorded in the name of their brokerage company.

Dividends

We are a holding company and, accordingly, our ability to pay cash dividends on our preferred stock and our common stock depends in large part on our ability to obtain funds from our subsidiaries. The ability of ThermaCline (which owns substantially all of the companies comprising the Climate Control Business and Chemical Business) and its wholly-owned subsidiaries to pay dividends and to make distributions to us is restricted by certain covenants

contained in the \$50 million revolving credit facility (the "Working Capital Revolver Loan") and the new \$50 million loan agreement due 2012 (the "Secured Term Loan"). Under the terms of these agreements, ThermaClime cannot transfer funds to us in the form of cash dividends or other distributions or advances, except for:

- the amount of income taxes that ThermaClime would be required to pay if they were not consolidated with us;
- an amount not to exceed fifty percent (50%) of ThermaClime's consolidated net income during each fiscal year determined in accordance with generally accepted accounting principles plus amounts paid to us within the first bullet above, provided that certain other conditions are met;
- the amount of direct and indirect costs and expenses incurred by us on behalf of ThermaClime pursuant to a certain services agreement;
- amounts under a certain management agreement between us and ThermaClime, provided certain conditions are met, and
- outstanding loans entered into subsequent to November 2, 2007 in excess of \$2.0 million at any time.

As of December 31, 2007, we have issued and outstanding 1,000,000 shares of Series D Preferred, 585 shares Non-Cumulative Preferred and 20,000 shares of Series B 12% Convertible, Cumulative Preferred Stock ("Series B Preferred"). Each share of preferred stock is entitled to receive an annual dividend, only when declared by our board of directors, payable as follows:

- Series D Preferred at the rate of \$.06 a share payable on October 9, which dividend is cumulative;
- Non-Cumulative Preferred at the rate of \$10.00 a share payable April 1, which are non-cumulative; and
- Series B Preferred at the rate of \$12.00 a share payable January 1, which dividend is cumulative.

Our board of directors has declared the following dividends, payable on March 31, 2008, to holders of record on March 21, 2008:

- \$12.00 per share on our outstanding Series B Preferred for an aggregate dividend of \$240,000;
- \$ 0.06 per share on our outstanding Series D Preferred for an aggregate dividend of \$60,000; and
- \$10.00 per share on our outstanding Non-Cumulative Preferred for an aggregate dividend of \$5,845.

All shares of Series B Preferred and Series D Preferred are owned by Jack E. Golsen, our Chairman of the Board and Chief Executive Officer, members of his immediate family (spouse and children), including Barry H. Golsen, our Vice Chairman and President, entities owned by them and trusts for which they possess voting or dispositive power as trustee.

Holders of our common stock are entitled to receive dividends only when declared by our board of directors. We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the foreseeable future. However, our board of directors has not made a definitive decision whether or not to pay such dividends in 2008.

Sale of Unregistered Securities

Following are descriptions of all of our unregistered equity securities issued during 2007, excluding transactions that were previously reported on Form 10-Q or Form 8-K. No commissions or other remuneration was paid for these issuances.

On May 17, 2007, the Company issued to Claude Rappaport (a) 5,000 shares of common stock upon the exercise of a Non-Qualified Stock Option Agreement, dated July 20, 2000, at the cash exercise price of \$5.362 per share, and (b) 80,000 shares of common stock upon exercise of a Non-Qualified Stock Option Agreement, dated July 20, 2000, at the cash exercise price of \$4.538

per share. The Company issued the shares pursuant to the exemption from the registration of securities afforded by Section 4(2) of the Securities Act, as a transaction by an issuer not involving a public offering. The purchaser agreed that the shares would be subject to the standard restrictions applicable to a private placement of securities under applicable state and federal securities laws, and appropriate legends were affixed to the share certificate issued to the purchaser. The Company will use the aggregate proceeds of \$389,850 for general working capital purposes.

On November 9, 2007, Jayhawk Institutional Partners, L.P. exercised warrants, dated March 25, 2003, for the purchase of 112,500 shares of common stock at the cash exercise price of \$3.49 per share. The Company issued the shares pursuant to the exemption from the registration of securities afforded by Section 4(2) of the Securities Act, as a transaction by an issuer not involving a public offering. The purchaser agreed that the shares would be subject to the standard restrictions applicable to a private placement of securities under applicable state and federal securities laws, and appropriate legends were affixed to the share certificate issued to the purchaser. The Company will use the aggregate proceeds of \$392,625 for general working capital purposes.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

LSB INDUSTRIES, INC.

Dated:
March 27 , 2008

By: /s/ Jack E. Golsen
Jack E. Golsen
Chairman of the Board
and
Chief Executive Officer
(Principal Executive
Officer)

Dated:
March 27 , 2008

By: /s/ Tony M. Shelby
Tony M. Shelby
Executive Vice President
of Finance
and Chief Financial
Officer
(Principal Financial
Officer)

Dated:
March 27, 2008

By: /s/ Jim D. Jones
Jim D. Jones
Senior Vice President,
Corporate Controller and
Treasurer
(Principal Accounting
Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: By: /s/ Jack E. Golsen
March 27, 2008 Jack E. Golsen, Director

Dated: By: /s/ Tony M. Shelby
March 27, 2008 Tony M. Shelby, Director

Dated: By: /s/ Barry H. Golsen
March 27, 2008 Barry H. Golsen, Director

Dated: By: /s/ David R. Goss
March 27, 2008 David R. Goss, Director

Dated: By: /s/ Raymond B.
March 27, 2008 Ackerman
Raymond B. Ackerman,
Director

Dated: By: /s/ Robert C. Brown MD
March 27, 2008 Robert C. Brown MD,
Director

Dated: By: /s/ Charles A. Burtch
March 27, 2008 Charles A. Burtch, Director

Dated: By: /s/ Robert A. Butkin
March 27, 2008 Robert A. Butkin, Director

Dated: By: /s/Bernard G. Ille
March 27, 2008 Bernard G. Ille, Director

Dated: By: /s/ Donald W. Munson
March 27, 2008 Donald W. Munson,
Director

Dated: By: /s/ Ronald V. Perry
March 27, 2008 Ronald V. Perry, Director

Dated: By: /s/ Horace G. Rhodes
March 27, 2008 Horace G. Rhodes, Director

Dated: By: /s/ John A. Shelley
March 27, 2008 John A. Shelley, Director

| Exhibit Number | Description |
|-------------------|--|
| 31.1 | Certification of Jack E. Golsen, Chief Executive Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302. |
| 31.2 | Certification of Tony M. Shelby, Chief Financial Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302. |
| 32.1 | Certification of Jack E. Golsen, Chief Executive Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906. |
| 32.2 | Certification of Tony M. Shelby, Chief Financial Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906. |

