

LSB INDUSTRIES INC  
Form 424B3  
May 31, 2006

Pursuant to Rule

424 (b) (3)  
**PROSPECTUS**  
333-134111

Registration No.



LSB INDUSTRIES, INC.

7% Convertible Senior Subordinated Debentures Due 2011  
2,542,500 Shares of Common Stock

The debentures and shares of our common stock will be offered and sold by the Selling Security Holders named in this prospectus or in any amendment or supplement to this prospectus. See "Selling Security Holders" beginning on page 46. We will not receive any of the proceeds from the sale by the Selling Security Holders of these securities.

The debentures bear interest at the rate of 7% per year. Interest on the debentures is payable on March 1 and September 1 of each year, beginning on September 1, 2006. The debentures will mature on March 1, 2011 unless earlier converted or repurchased by us.

The debentures are convertible by holders, in whole or in part, into shares of our common stock prior to their maturity on March 1, 2011. At any time prior to September 1, 2006 and on or after March 1, 2009, the conversion rate is 125 shares per \$1,000 principal amount of debentures (representing a conversion price of \$8.00 per share). During the period from September 1, 2006 to February 28, 2009, the conversion rate declines every six months, starting at 141.25 shares and ending at 129.23 shares per \$1,000 principal amount of debentures (representing conversion prices between approximately \$7.08 and \$7.74 during such period). The conversion rate is subject to adjustment. This prospectus includes 2,542,500 shares of common stock that are issuable upon conversion of the debentures at the maximum conversion rate of 141.25 shares per \$1,000 principal amount of debentures (representing a conversion price of approximately \$7.08 per share). See "Description of Debentures—Conversion of debentures."

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Our common stock is listed on the American Stock Exchange under the symbol "LXU." The last reported sale price of our common stock on the American Stock Exchange on May 5, 2006 was \$8.60 per share. There is no established market for the debentures and we do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures through any automated quotation system.

The Selling Security Holders may sell the securities offered by this prospectus from time to time on any exchange on which the securities are listed. They may also sell the securities in private sales or through dealers or agents. The Selling Security Holders may sell the securities at prevailing market prices or at prices negotiated with buyers. The Selling Security Holders will be responsible for any commissions due to brokers, dealers or agents. We will pay all expenses of the registration of the debentures and the common stock and certain other expenses as set forth in the registration rights agreement described in this prospectus.

Investing in the debentures or in our common stock involves risks.  
See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities  
commission  
has approved or disapproved of these securities or passed upon the adequacy of  
this prospectus.

Any representation to the contrary is a criminal offense.

The date of this prospectus is May 26, 2006.

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission. The securities described in this prospectus may be offered and sold by the Selling Security Holders using this prospectus from time to time as described the "Plan of Distribution" beginning on page 49. You should carefully read this prospectus and the information described under the heading "Incorporation by Reference" beginning on page 18 and "Where You Can Find More Information" beginning on page 19.

You should rely only on the information contained in, or incorporated by reference in, this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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### PROSPECTUS SUMMARY

This summary highlights certain information concerning our business and this offering. It does not contain all of the information that may be important to you and to your investment decision and is qualified in its entirety by, and should be read in conjunction with, the more detailed information about us and the debenture in this prospectus, including the section entitled "Risk Factors," along with our business information, our financial information and other documents incorporated by reference in this prospectus.

LSB Industries, Inc.

LSB Industries, Inc. (the "Company," "we," "us," or "our") was formed in 1968 as an Oklahoma corporation, and became a Delaware corporation in 1977. We are a diversified holding company operating through our subsidiaries. Our wholly-owned subsidiary, ThermaClime, Inc. ("ThermaClime") through its

subsidiaries, owns substantially all of our core businesses consisting of the:

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Climate Control Business, which is engaged in the manufacturing and selling of a broad range of heating, ventilation and air conditioning products used in commercial and residential new building construction, renovation of existing buildings and replacement of existing systems; and

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Chemical Business, which is engaged in the manufacturing and selling of chemical products produced from three plants in Texas, Arkansas and Alabama for the industrial, mining and agricultural markets.

#### Company Information

Our executive offices are located at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107, telephone (405) 235-4546. Our Web site is located at [www.lsb-okc.com](http://www.lsb-okc.com). The information on our Web site is not part of this prospectus and should not be considered in your decision to invest in the debentures or our common stock.

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#### THE OFFERING

##### Issuer

LSB Industries, Inc.

##### Selling Security Holders

The securities to be offered and sold using this prospectus will be offered and sold by the Selling Security Holders named in this prospectus, or in any amendment or supplement to this prospectus. See "Selling Security Holders."

##### Securities covered by this prospectus

\$18,000,000 aggregate principal amount of 7% convertible senior subordinated debentures due 2011.

2,542,500 shares of common stock, par value \$0.10 per share.

##### Maturity date of debentures

March 1, 2011, unless earlier converted, redeemed or repurchased.

##### Interest on debentures

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7% per annum on the principal amount, from March 3, 2006, payable semi-annually in arrears in cash on March 1 and September 1 of each year, beginning September 1, 2006.

### Ranking of debentures

The debentures are unsecured and subordinated in right of payment to the prior payment in full of all of our existing and future senior indebtedness and effectively subordinated to the indebtedness and all of the other liabilities, including trade payables, of our subsidiaries. As of March 31, 2006, we had approximately \$104.9 million of senior indebtedness outstanding, including approximately \$103.2 million of indebtedness of our subsidiaries which we have guaranteed. The debentures will also effectively be subordinated to all other present or future liabilities, including our subsidiaries' trade payables and \$7.4 million of our subsidiaries' senior unsecured debentures due 2007, which as of March 31, 2006, totaled approximately \$62.7 million. Therefore, as of March 31, 2006, the debentures are effectively subordinate to a total of \$167.6 million of senior indebtedness, including the liabilities of our subsidiaries. See "Risk Factors." Neither we nor our subsidiaries are prohibited from incurring additional debt, including senior indebtedness, under the indenture.

### Conversion of debentures

The debentures are convertible by holders in whole or in part into shares of our common stock, at any time prior to their maturity on March 1, 2011. The conversion rate of debentures for holders electing to convert all or any portion of a debenture prior to September 1, 2006, will be 125 shares per \$1,000 principal amount of debentures (representing a conversion price of \$8.00 per share). Holders of debentures electing to convert all or any portion of a debenture on or after September 1, 2006, and before March 1, 2009, will obtain the following conversion rate per \$1,000 principal amount of debentures during the dates indicated: September 1, 2006 to February 28, 2007, 141.25 shares (representing a conversion price of approximately \$7.08 per share); March 1, 2007 to August 31, 2007, 141.04 shares

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(representing a conversion price of approximately \$7.09 per share); September 1, 2007 to February 29, 2008, 137.27 shares (representing a conversion price of approximately \$7.28 per share); March 1, 2008 to August

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31, 2008, 133.32 shares (representing a conversion price of approximately \$7.50 per share); and September 1, 2008 to February 28, 2009 is 129.23 shares (representing a conversion price of approximately \$7.74 per share). On March 1, 2009, the conversion rate returns to 125 shares per \$1,000 principal amount of debentures (representing a conversion price of \$8.00 per share), until their maturity on March 1, 2011. The conversion rate is subject to adjustment. See "Description of Debentures-Conversion of debentures."

If a holder elects to convert its debentures in connection with certain changes in control, as defined herein, which occur prior to the maturity date, the holder will be entitled to receive additional shares of our common stock as a make-whole premium upon conversion under certain circumstances. See "Description of Debentures-Conversion of debentures."

Sinking fund as to debentures

None.

Optional redemption of debentures

Beginning March 1, 2009, we may redeem the debentures either in whole or in part, upon at least 30 and not more than 60 days' notice, at a redemption price, payable at our option in cash or, subject to certain conditions (see "- Payment of debentures in shares" below), shares of our common stock, equal to 100% of the principal amount of the debentures to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if: (1) the closing sale prices of our common stock for at least 20 of the 30 consecutive trading days ending on the trading day prior to the date we mail a notice of redemption, exceeds 115% of the adjusted conversion price of the debenture; (2) our common stock is listed on a U.S. national securities exchange or the NASDAQ Stock Market; and (3) a registration statement covering resales of the debentures and the common stock issuable upon conversion of the debentures is effective and expected to remain effective and available for use during the 30 days following the redemption date, unless registration is no longer required. See "Description of Debentures-Optional redemption by LSB."

Payment of debentures in shares

We may elect to pay the redemption price in shares of our common stock if, on the date of redemption: (1) our

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common stock is listed on a U.S. national securities exchange or the NASDAQ Stock Market; (2) the shares used to pay the redemption price are freely tradeable; and (3) we receive certain required opinions of counsel. Payments made with shares of our common stock will be valued at 95% of the weighted average of the closing sale prices of our common stock for the 20 consecutive trading days ending on the fifth trading day prior to the redemption date. We will publicly announce the number of shares of our common stock to be paid as the redemption price,

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per each \$1,000 principal amount of debentures to be redeemed, not later than the fourth trading day prior to the redemption date.

We may elect to pay, at maturity, up to 50% of the principal amount of the debentures, plus accrued and unpaid interest due thereon at maturity, in shares of our common stock if, on the maturity date: (1) our common stock continues to be listed on a U.S. national securities exchange or the NASDAQ Stock Market, (2) the shares used to pay the debentures and any interest thereon are freely tradeable, and (3) we receive certain required opinions of counsel. Payments made with our shares of common stock will be valued at 95% of the weighted average of the closing prices of our common stock for the 20 consecutive trading days ending on the fifth trading day prior to the maturity date. We will publicly announce the number of shares of our common stock to be paid per each \$1,000 principal amount of debentures on the maturity date, not later than the fourth trading day prior to the maturity date.

Repurchase of debentures at the option of the holder upon a designated event

If a designated event (as described under "Description of Debentures-Repurchase at option of the Holder upon a designated event") occurs prior to maturity, holders may require us to purchase, in cash, all or part of the holder's debentures at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest thereon to, but excluding, the repurchase date.

Make-whole premium of debentures

If a fundamental change occurs on or before September 1, 2009, we will pay a make-whole premium on the debentures converted in connection with the fundamental change, payable in shares of our common stock or the consideration into which our common stock has been converted or exchanged in connection with the fundamental change. The amount of the make-whole premium, if any, will be based on the stock price in the fundamental change transaction and the date of the fundamental change

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transaction. A description of how the make-whole premium will be determined and a table showing the make-whole premium that would apply at various stock prices and effective dates is set forth under "Description of Debentures-Conversion of debentures-Make-whole premium."

### No proceeds

We will not receive any proceeds from the sale made from time to time under this prospectus by the Selling Security Holders of the debentures or our common stock. See "No Proceeds."

### Registration rights

We entered into a registration rights agreement with each Selling Security Holder and have filed a registration statement of which this prospectus is a part with the SEC covering the resale of the debentures and the common stock issuable upon conversion of the debentures. We agreed to use commercially reasonable efforts to have the registration statement declared effective and to keep the registration statement effective until three years

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following the closing of the issuance of the debentures, which is March 3, 2009. See "Description of Debentures-Registration rights of the debenture holders."

### Absence of a Public Market for the Debentures

We cannot assure you that any active or liquid market will develop for the debentures. See "Plan of Distribution."

### Trading

We do not intend to apply to list the debentures on any national securities exchange or to include the debentures in any automated quotation system. Qualified institutional buyers may trade the debentures in the Private Offerings, Resale and Trading through Automated Linkages Market, commonly referred to as the PORTAL Market. The debentures sold using this prospectus, however, will no longer be eligible for trading in the PORTAL Market.

### Trustee, Paying Agent and Custodian Agent for debentures

Initially, UMB Bank, n.a.



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American Stock Exchange Symbol for our common stock

Our common stock is quoted on the American Stock Exchange under the symbol "LXU."

Transfer Agent for our common stock

UMB Bank, n.a.

### Risk Factors

You should read the "Risk Factors" section, beginning on page 6 of this prospectus, to understand the risks associated with an investment in the debentures or our common stock.

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### RISK FACTORS

An investment in the debentures or our common stock involves a high degree of risk. There are a number of factors associated with our business that could affect your decision to invest in the debentures or any common stock issuable upon conversion of the debentures. The following discussion describes the material risks currently known to us. However, additional risks that we do not know about or that we currently view as immaterial may also impair our business or adversely affect an investment in the debentures or any common stock issuable upon conversion of the debentures. You should carefully consider the risks described below, together with other information contained in, or incorporated by reference into, this prospectus before making a decision to invest in the debentures or any common stock offered under this prospectus by the Selling Security Holders.

#### **Risks Related to Us and Our Business**

##### ***Cost and availability of raw materials could materially affect our profitability and liquidity.***

Our Chemical Business' sales and profits are heavily affected by the costs and availability of its primary raw materials. Anhydrous ammonia and natural gas, which are purchased from unrelated third parties, represent the primary raw material feedstocks in the production of most of the products of the Chemical Business. The primary material utilized in anhydrous ammonia production is natural gas, and fluctuations in the price of natural gas can have a significant effect on the cost of anhydrous ammonia. During 2005, there were substantial increases in the cost of anhydrous ammonia and natural gas, and in many instances we were unable to increase our sales prices to cover all of the higher anhydrous ammonia and natural gas costs incurred. Although our Chemical Business has begun a program to enter into contracts with certain customers that provide for the pass-through of raw material costs, we have a substantial amount of sales by the Chemical Business that do not provide for these pass-throughs. Thus, in the future, we may not be able to pass along to all of our customers the full amount of increases in anhydrous ammonia and natural gas costs. As a result of the high cost of natural gas, our Chemical Business suspended ammonia production at the Cherokee Facility on December 20, 2005, until on or about January 12, 2006, and a customer of our Cherokee Facility who was taking approximately 8,000 tons of UAN per month temporarily suspended its obligations under the contract due to the high

prices of natural gas from October until December 2005 when it agreed to resume taking a limited amount of product as spot purchases as market conditions and the cost of natural gas permits. We could from time to time, suspend production at this facility due to, among other things, continuing high cost of its primary raw material, natural gas. Accordingly, our results of operations and financial condition have in the past been, and will in the future be, materially affected by cost increases of raw materials, including anhydrous ammonia and natural gas.

In addition, our Climate Control Business depends on raw materials such as copper and steel, which have recently shown considerable price volatility. While we periodically enter into fixed-price contracts on copper to hedge against price increases, there can be no assurance that our Climate Control Business will effectively manage against price fluctuations in copper and other raw materials or that future price fluctuations in copper and other raw materials will not have an adverse effect on our financial condition, liquidity and results of operations.

***In recent years our Chemical Business has been unable to generate significant positive cash flows.***

Due, in part, to lower than optimum sales levels, margin problems and extensive capital expenditures, our Chemical Business has not generated significant positive cash flows in recent years. Continuing significant cash flow expenditures by this business could have a material adverse effect on our financial condition and liquidity.

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Our Climate Control Business and its customers are sensitive to economic cycles.

Our Climate Control Business is affected by cyclical factors, such as interest rates, inflation and economic downturns. Our Climate Control Business depends on sales to customers in the commercial construction and renovation industries, which are particularly sensitive to these factors. A decline in the economic activity in the United States has in the past, and could in the future, have a material adverse effect on our customers in the commercial construction and renovation industries in which our Climate Control Business sells a substantial amount of its products. Such a decline could result in a decrease in revenues and profits, and an increase in bad debts, in our Climate Control Business.

***Weather conditions adversely affect our Chemical Business.***

The agricultural products produced and sold by our Chemical Business have in the past, and could continue in the future, to be materially affected by adverse weather conditions outside of our control (such as excessive rains or drought) in the primary markets for our fertilizer and related agricultural products. If any of these unusual weather events occur during the primary seasons for sales of our agricultural products (March-June and September-November), this could have a material adverse effect on the agricultural sales of our Chemical Business and our financial condition and results of operation.

***Environmental and regulatory matters entail significant risk for us.***

Our Chemical Business is subject to numerous environmental laws and regulations. The manufacture and distribution of chemical products are activities which entail environmental risks and impose obligations under environmental laws and regulations, many of which provide for substantial fines and potential criminal sanctions for violations. Our Chemical Business has in the past, and may in the future, be subject to fines, penalties and sanctions for violations of environmental laws and substantial expenditures for cleanup costs and other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of pollutants or other substances at or from the Chemical Business' facilities. Further, a number of our Chemical Business' facilities are dependent on environmental permits to operate, the loss of which could

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have a material adverse effect on its operations and our financial condition.

***A substantial portion of our sales is dependent upon a limited number of customers.***

During 2005, five customers of our Chemical Business accounted for 53% of its net sales and 31% of our consolidated sales, and during 2005, our Climate Control Business had one customer that accounted for 18% of its net sales and 7% of our consolidated sales. During the first quarter of 2006, four customers of our Chemical Business accounted for 46% of its net sales and 26% of our consolidated sales, and during the same period, one customer accounted for 17% of the net sales of our Climate Control Business and 7% of our consolidated net sales. The loss of, or a material reduction in purchase levels by, one or more of these customers could have a material adverse effect on our business and our results of operations, financial condition and liquidity if we are unable to replace a customer on substantially similar terms.

***Our working capital requirements fluctuate because of the seasonal nature of our Chemical Business' agricultural products.***

Because of the seasonal nature of our Chemical Business' agricultural products, our working capital requirements are significantly higher at certain times of the year due to increases in inventories of ammonium nitrate, UAN and other agricultural products prior to the beginning of each planting season. If additional working capital is required and not available under our revolving credit facility, this could have a negative impact on our other operations, including our Climate Control Business.

***There is intense competition in the Climate Control and Chemical industries.***

Substantially all of the markets in which we participate are highly competitive with respect to product quality, price, design innovations, distribution, service, warranties, reliability and efficiency. We compete with a number of established companies that have greater financial, marketing and other resources than we have and are less highly leveraged than we are. Competitive factors could require us to

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reduce prices or increase spending on product development, marketing and sales that would have a material adverse effect on our business, results of operation and financial condition.

***We are effectively controlled by the Golsen Group.***

Jack E. Golsen, our Chairman of the Board and Chief Executive Officer ("CEO"), 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 (collectively, the "Golsen Group") beneficially owned as of May 1, 2006, an aggregate of 4,845,288 shares of our common stock and 1,020,000 shares of our voting preferred stock (1,000,000 of which shares have .875 votes per share, or 875,000 votes), which together represented approximately 29.3% of the voting power of our issued and outstanding voting securities as of that date. At such date, the Golsen Group also beneficially owned options, rights and other convertible preferred stock that allowed its members to acquire an additional 525,002 shares of our common stock within 60 days of March 31, 2006. If the Golsen Group were to acquire the additional 525,002 shares of common stock, the Golsen Group would, in the aggregate, beneficially own approximately 31.8% of the then issued and

outstanding shares of our voting securities (common or preferred), which includes 1,441,668 shares that the Golsen Group has the right to acquire upon the conversion of preferred stock, stock options and a promissory note. Thus, the Golsen Group may be considered to effectively control us. As a result, the ability of other stockholders to influence our management and policies could be limited.

***Loss of key personnel could negatively affect our business.***

We believe that our performance has been and will continue to be dependent upon the efforts of our principal executive officers. We cannot promise you that our principal executive officers will continue to be available. Jack E. Golsen has an employment agreement with us. No other principal executive has an employment agreement with us. The loss of some of our principal executive officers could have a material adverse effect on us. We believe that our future success will depend in large part on our continued ability to attract and retain highly skilled and qualified personnel.

***We may have inadequate insurance.***

While we maintain liability insurance, including certain coverage for environmental contamination, it is subject to coverage limits and policies may exclude coverage for some types of damages. Although there may currently be sources from which such coverage may be obtained, it may not continue to be available to us on commercially reasonable terms or the possible types of liabilities that may be incurred by us may not be covered by our insurance. In addition, our insurance carriers may not be able to meet their obligations under the policies or the dollar amount of the liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, results of operations, financial condition and liquidity.

***Our warranty claims are not generally covered by our insurance.***

The development, manufacture, sale and use of products by our Climate Control Business involve a risk of warranty and product liability claims. Warranty claims are not generally covered by our product liability insurance and there may be types of product liability claims that are not covered by our product liability insurance. A successful warranty or product liability claim not covered by our insurance could have a material adverse effect on our business, results of operations, financial condition and liquidity.

***Terrorist attacks and other acts of violence or war, including the military conflict in Iraq and natural disasters (such as hurricanes), have and could negatively impact the U.S. and foreign companies, the financial markets, the industries where we operate, our operations and profitability.***

Terrorist attacks and natural disasters (such as hurricanes) have in the past, and can in the future, negatively affect our operations. We cannot promise that there will be no further terrorist attacks and natural disasters in the United States and elsewhere. These attacks or natural disasters have contributed

economic instability in the United States and elsewhere, and further acts of terrorism, violence, war or natural disasters could further affect the industries where we operate, our ability to purchase raw materials, our business, results of operations and financial condition. In addition, terrorist attacks and

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natural disasters may directly impact our physical facilities, especially our chemical facilities, or those of our suppliers or customers and could impact our sales, our production capability and our ability to deliver products to our customers. As a result of Hurricane Katrina, the natural gas pipeline to our Cherokee Facility was damaged causing us to shutdown this facility for several weeks in September and October 2005. Although we resumed production at the Cherokee Facility in October 2005, the damaged pipeline was not repaired, resulting, in part, in this facility operating at less than full capacity from October 2005, until we suspended production at this facility on December 20, 2005, due to high cost of natural gas. We resumed production at the Cherokee Facility on or about January 12, 2006. The effect of the damaged pipeline on this facility until it is repaired is unknown. The consequences of any terrorist attacks or hostilities or natural disasters are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations.

***Our net loss carryovers are subject to various limitations and have not been approved by the Internal Revenue Service.***

Our net loss carryovers have resulted from certain losses, and we anticipate they may be used to reduce the federal income tax payments which we would otherwise be required to make with respect to income, if any, generated in future years. We had available regular-tax net operating loss carryovers of approximately \$67 million at December 31, 2005. The use of the net operating loss carryovers is, however, subject to certain limitations and will expire to the extent not utilized by the years 2009 through 2021. In addition, the amount of these carryovers has not been audited or approved by the Internal Revenue Service, and, accordingly, we cannot promise that such carryovers will not be reduced as a result of audits in the future.

***Recent restatements and amendments to our 2004 audited financial statements and certain matters related to our disclosure controls and procedures may present a risk of future restatements and could in turn lead to legal exposure.***

As a result of comments from the SEC, our 2004 Form 10-K and other changes we made internally, we restated and amended our 2004 audited financial statements and on December 30, 2005, filed a Form 10-K/A (Amendment No. 1) for year ended December 31, 2004. As a result of the restatement and amendments to our 2004 audited financial statements and SEC comments, we also filed on December 30, 2005, an amended Form 10-Q/A for each of the quarters ended March 31, 2005 and June 30, 2005.

As a result of this restatement to our 2004 financial statements, we also

revised our 2004 Form 10-K and first two quarters 2005 Form 10-Qs to provide that our disclosure controls and procedures were not effective as of December 31, 2004, March 31, 2005 and June 30, 2005, in our Form 10-K/A and Forms 10-Q/A, as a result of assessing that the change from the LIFO method to the FIFO method of accounting was not material resulting in the decision at the time of the change not to disclose and not to restate the prior years financial statements. We believe that during December 2005, we corrected the weakness to our disclosure controls and procedures by, among other things, establishing a Disclosure Committee to maintain oversight activities and to examine and reevaluate our policies, procedures and criteria to determine materiality of items relative to our financial statements taken as a whole. Restatements by others have, in some cases, resulted in the filing of class action lawsuits against such companies and their management. Any similar lawsuit against us could result in substantial defense and/or liability costs and would likely consume a material amount of management's attention that might otherwise be applied to our business. Under certain circumstances, these costs might not be covered by, or might exceed the limits of, our insurance coverage.

***We are subject to a variety of factors that could discourage other parties from attempting to acquire us.***

Our certificate of incorporation provides for a staggered board of directors and, except in limited circumstances, a two-thirds vote of outstanding voting shares to approve a merger, consolidation or sale of all, or substantially all, of our assets. In addition, we have entered into severance agreements with our executive officers and some of the executive officers of our subsidiaries that provide, among other things, that if, within a specified period of time after the occurrence of a change in control of our company, these

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officers are terminated, other than for cause, or the officer terminates his employment for good reason, we must pay such officer an amount equal to 2.9 times the officer's average annual gross salary for the last five years preceding the change in control.

We have authorized and unissued (including shares held in treasury) 61,237,382 shares of common stock and 3,398,541 shares of preferred stock as of March 31, 2006. These unissued shares could be used by our management to make it more difficult, and thereby discourage an attempt to acquire control of us.

We have further adopted a preferred share purchase plan, which is designed to ensure that all of our stockholders receive fair and equal treatment in the event of a proposed takeover or abusive tender offer.

The foregoing provisions and agreements are designed to discourage a tender offer or proxy contest for control of us and could have the effect of making it more difficult to remove incumbent management.

Delaware has adopted an anti-takeover law which, among other things, will delay for three years business combinations with acquirers of 15% or more of the

outstanding voting stock of publicly-held companies (such as us), unless (a) the acquirer owned at least 85% of the outstanding voting stock of such company prior to commencement of the transaction, or (b) two-thirds of the stockholders, other than the acquirer, vote to approve the business combination after approval thereof by the board of directors, and (c) the stockholders decide to opt out of the statute.

**Risks related to the debentures and common stock:**

***We are a holding company and depend, in large part, on receiving funds from our subsidiaries to fund our indebtedness, including our indebtedness relating to the debentures.***

Because we are a holding company and operations are conducted through our subsidiaries, principally ThermaClime and its subsidiaries, our ability to make scheduled payments of principal and interest on our indebtedness, including the debentures, depend on operating performance and cash flows of our subsidiaries and the ability of our subsidiaries to make distributions and pay dividends to us. Under its loan agreements, ThermaClime and its subsidiaries may only make distributions and pay dividends to us under limited circumstances and in limited amounts. If ThermaClime is unable to make distributions or pay dividends to us, or the amounts of such distributions or dividends are not sufficient for us to service our debts, we may not be able to pay the principal or interest, or both, due on our indebtedness, including the debentures.

***We are a highly leveraged company, which could affect our ability to pay the debentures.***

We have a substantial amount of debt. At March 31, 2006, after giving effect to the sale of the debentures and the application of the net proceeds therefrom, our aggregate consolidated debt was approximately \$126.4 million, resulting in total debt as a percentage of total capitalization of 88.8%. The amounts of our indebtedness and the indebtedness of our subsidiaries and our total debt as a percentage of total capitalization, as of March 31, 2006, are based on unaudited numbers and are subject to change upon completion of the audit of our 2006 consolidated financial statements.

The degree to which we are leveraged could have important consequences to holders of the debentures, including the following:

- our ability to obtain additional financing in the future for refinancing indebtedness, acquisitions, working capital, capital expenditures or other purposes may be impaired;
- funds available to us for our operations and general corporate purposes or for capital expenditures will be reduced because a substantial portion of our consolidated cash flow from operations could be dedicated to the payment of the principal and interest on our indebtedness;
- we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

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- the agreements governing our long-term indebtedness, including indebtedness under the debentures, and those of our subsidiaries (including indebtedness under the debentures) and bank loans contain certain restrictive financial and operating covenants;
  - an event of default, which is not cured or waived, under financial and operating covenants contained in these debt instruments could occur and have a material adverse effect on us; and
  - we may be more vulnerable to a downturn in general economic conditions.

Our ability to make principal and interest payments, or to refinance

indebtedness, including the debentures, will depend on our future operating performance and cash flow, which are subject to prevailing economic conditions and other factors affecting us, many of which are beyond our control.

***The debentures are contractually subordinated to all of our senior debt and are effectively subordinated to all of our secured debt and to all of the debt and other liabilities of our subsidiaries.***

The debentures are our general unsecured obligations and are contractually subordinated to all of our existing and future senior debt, including obligations relating to credit facilities of our subsidiaries that we have guaranteed. As of March 31, 2006, our senior debt, including our subsidiaries' debt which we have guaranteed totaled \$104.9 million. Upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to us or our property, the holders of senior debt will be entitled to be paid in full in cash before any payment may be made with respect to the debentures. In addition, all payments on the debentures will be blocked in the event of a payment default on our senior debt and may be blocked for up to 179 days in the event of certain non-payment defaults on designated senior debt. Our assets remaining after payment of our senior debt may be insufficient to repay the debentures.

The debentures are not secured by any of our assets, and therefore will be effectively subordinated to all of our secured debt. In addition, future debt that we incur, including accounts payable and other liabilities incurred in obtaining goods and services, may be secured by our assets. If we become insolvent or are liquidated, or if payment of any of our secured debt is accelerated, the holders of that secured debt will be entitled to exercise the remedies available to secured lenders under applicable law, including the ability to foreclose on and sell the assets securing such debt to satisfy such debt. In any such case, our remaining assets may be insufficient to repay the debentures.

The debentures are obligations exclusively of LSB Industries, Inc. Since most of our operations are conducted through our wholly owned subsidiaries, principally ThermaClime and its subsidiaries, the cash flow and the consequent ability to service debt, including the debentures, are dependent upon the earnings of such subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by, those subsidiaries to us. Our subsidiaries have no obligation to pay any amounts due pursuant to the debentures or to make any funds available therefore. Any right we have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of the debentures to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors). As of March 31, 2006, we and our subsidiaries had approximately \$104.9 million in outstanding borrowings that would have constituted senior indebtedness under the indenture governing the debentures and our subsidiaries had other outstanding liabilities, all of which would be effectively senior to the debentures, of approximately \$62.7 million. There are no restrictions in the indenture on the creation of additional senior indebtedness (or any indebtedness).



The amounts of our indebtedness and the indebtedness of our subsidiaries as of March 31, 2006, are based on unaudited numbers and are subject to change upon completion of the audit of our 2006 consolidated financial statements.

***We may be unable to purchase the debentures for cash following a designated event.***

Holder of the debentures has the right to require us to repurchase the debentures upon the occurrence of a designated event prior to maturity as described under the heading "Description of

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Debentures - Repurchase at option of the holder upon a designated event." Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the debentures may be limited by law or the terms of other agreements relating to our debt outstanding at the time. However, if we fail to repurchase the debentures as required by the indenture, it would constitute an event of default under the indenture governing the debentures which would cause a default in one or more of our senior credit facilities. Important corporate events, such as takeovers, recapitalizations or similar transactions, may not constitute a designated event under the indenture governing the debentures and thus not permit the holders of the debentures to require us to repurchase or redeem the debentures.

***There is currently no public market for the debentures, and an active trading market may not develop for the debentures. The failure of a market to develop for the debentures could adversely affect the liquidity and value of the debentures.***

The debentures are a new issue of securities, and there is no existing market for the debentures. Although the debentures are eligible for trading in The PORTAL MarketSM, we do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures on any automated dealer quotation system. A market may not develop for the debentures, and if a market does develop, it may not be sufficiently liquid for your purposes. If an active, liquid market does not develop for the debentures, the market price and liquidity of the debentures may be adversely affected. Debentures traded after their initial issuance may trade at a discount from their face amount.

The liquidity of the trading market, if any, and future trading prices of the debentures will depend on many factors, including, among other things, the market price of our common stock, our ability to register the resale of the debentures, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. The market for the

debentures may be subject to disruptions, which could have a negative effect on the holders of the debentures, regardless of our operating results, financial performance or prospects.

***Resale of the debentures and the common stock issuable upon conversion of the debentures is subject to significant restrictions.***

Although we are required to register the resale by the holders of the debentures and the common stock into which the debentures are convertible, such registration may not be available to holders at all times. We are not currently eligible to register the resale of the debentures and the common stock included in this prospectus on Form S-3, and, therefore, registered the resale of these securities on Form S-1. As a result, under certain circumstances, we must update the registration statement for the resale of such debentures and common stock by filing post-effective amendments to the registration statement that will not be effective until each is declared effective by the SEC. Between the time it is determined that the registration statement must be updated by a post-effective amendment and the time the SEC declares the applicable post-effective amendment effective, the registration statement will not be available for use and the price of our common stock could decline during that time. The SEC has broad discretion to determine whether any registration statement (including and post-effective amendment) will be declared effective and may delay or deny the effectiveness of any registration statement or post effective amendment filed by us for a variety of reasons. Selling Security Holders also may be subject to restrictions and potential liability under the Securities Act. See "Description of Debentures - Registration rights of the debenture holders."

***The debentures do not restrict our ability to incur additional debt, repurchase our securities or to take other actions that could negatively impact holders of the debentures.***

We are not restricted under the terms of the debentures from incurring additional debt, including secured debt, or repurchasing our securities. In addition, the limited covenants applicable to the debentures do not require us to achieve or maintain any minimum financial results relating to our

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financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the debentures could have the effect of diminishing our ability to make payments on the debentures when due. Certain of our other debt instruments may, however, restrict these and other actions. See "Description of Debentures - Subordination of debentures."

***Determination of debenture terms***

The conversion rate of the debentures is initially 125 shares per \$1,000 principal amount of debentures, representing an initial conversion price of \$8.00, subject to adjustment. Because the market price of our common stock

fluctuate, there can be no assurance that the market price of our common stock will reach or exceed the representative price at which the debentures may be converted into shares of common stock. In addition, our right to redeem the debentures or pay the debentures at maturity in our common stock is not conditioned upon the closing sale price of our common stock exceeding the then effective conversion price of the debentures. Because the value of the common stock will be determined before the redemption date or the maturity date, if we specify that we will make payment of the redemption price or the principal and accrued interest thereon of the debentures at the maturity date in shares of our common stock, holders of debentures bear the market risk that our common stock will decline in value between the date of such determination and the redemption date or the maturity date, whichever is applicable. In addition, holders will not know the exact number of shares of common stock to be received upon redemption or maturity until the fourth trading day prior to the redemption date or maturity date, whichever is applicable. See "Description of Debentures."

***The price of our common stock, and therefore of the debentures may fluctuate significantly; and this may make it difficult for you to resell the debentures and/or our common stock when you want or at prices you find attractive.***

The price of our common stock on the American Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate. In addition, because the debentures are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the debentures. This may make it difficult for you to resell the debentures and/or our common stock when you want or at prices you find attractive.

***Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock, the value of the debentures, our ability to raise funds in new stock offerings and may dilute your percentage interest in our common stock.***

Future sales of substantial amounts of our common stock or equity-related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and the value of the debentures and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock or the value of the debentures. Such future sales could also significantly reduce the percentage ownership of our existing common stockholders.

***We have not declared or paid dividends on our outstanding common stock in many years and have a substantial amount of accrued and unpaid dividends on our outstanding series of cumulative preferred stock.***

We have not paid cash dividends on our outstanding common stock in many years,

and since January 1, 1999, through December 31, 2005, we did not pay any accrued dividends on our outstanding cumulative preferred stock. As of December 31, 2005, there was approximately \$14.5 million of accrued and unpaid dividends on our outstanding cumulative preferred stock. We intend to retain most of our future earnings, if any, to provide funds for our operations and/or expansion of our businesses. However, on January 17, 2006, our Board of Directors declared nominal dividends, payable March 15, 2006, to holders of record as of February 15, 2006, on certain outstanding series of our preferred stock, as follows:

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\$.10 per share on our outstanding \$3.25 Convertible Exchangeable Class C, Series 2, which has 623,550 shares outstanding, \$.37 on our outstanding Series B 12% Cumulative Convertible Preferred, which has 20,000 shares outstanding, and \$.31 a share on our outstanding Non-Cumulative Preferred, which has 871 shares outstanding. These dividends are not for the full amount of the required quarterly dividends pursuant to the terms of all of our outstanding series of preferred stock. As a result, the amount of accrued and unpaid dividends on our outstanding cumulative preferred stock increased to approximately \$14.9 million as of March 15, 2006.

There are no assurances that we will in the future pay any additional quarterly dividends on any of our outstanding shares of preferred stock. We do not anticipate paying cash dividends on our outstanding common stock in the foreseeable future, and until all accrued and unpaid dividends are paid on our outstanding cumulative preferred stock, no dividends may be paid on our common stock. In the event of our liquidation, winding up or dissolution, there can be no distributions on our common stock until all of the liquidation preference and stated value amounts of our outstanding preferred stock and all accrued and unpaid dividends due on our outstanding cumulative preferred stock are paid in full. Further, not paying all of cumulative accrued dividends on our outstanding preferred stock could adversely affect the marketability of our common stock and our ability to raise additional equity capital.

#### FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements." All statements in this prospectus and such incorporated information other than statements of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which could cause actual results and performance of the Company to differ materially from such statements. The words "believe", "expect", "anticipate", "intend", "will", and similar expressions identify forward-looking statements. Such forward-looking statements relate to statements about our business strategies, our expected financial position and operating results, the projected size of our markets and our financing plans and similar matters, including but not limited to, the following:

-

our Climate Control Business has developed leadership positions in niche markets by offering extensive product lines, customized products and improved technologies,

- 

we have developed the most extensive line of water source heat pumps and hydronic fan coils in the United States,

- 

we have used geothermal technology in the climate control industry to create the most energy efficient climate control systems commercially available today,

- 

we are a leading provider of water source heat pumps to the commercial construction and renovation markets in the United States,

- 

the market for commercial water source heat pumps will continue to grow due to the relative efficiency and long life of such systems as compared to other air conditioning and heating systems, as well as to the emergence of the replacement market for those systems,

- 

the longer life, lower cost to operate, and relatively short payback periods of geothermal systems, as compared with air-to-air systems, will continue to increase demand for our geothermal products,

- 

our Climate Control Business is a leading provider of hydronic fan coils,

- 

the majority of raw material cost increases, if any, will be passed to our customers in the form of higher prices and while we believe we will have sufficient materials, a shortage of raw materials could impact production of our Climate Control products,

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our Climate Control Business will continue to launch new products and product upgrades in an effort to maintain and increase our current market position and to establish a presence in new

markets,

- 

the Climate Control's emphasis on increasing the sales and operating margins of all products and to continue to develop new products and increase production to meet customer demand,

- 

one of our new products, the SureFlow® system, is an effective solution to provide a long-lasting, quiet and high quality fan coil system at an attractive price to our customers,

- 

improvement in the long-term prospects for Climate Control's new products evidenced by increases in orders for these new products,

- 

we anticipate that a new supply agreement relating to El Dorado will be finalized during the second quarter 2006 or shortly thereafter,

- 

we can establish a strong presence within the large custom air handlers market,

- 

our investment in fabrication equipment and plant-wide process control systems will raise capacity and reduce overtime relating to the Climate Control Business,

- 

we have developed significant freight and distribution advantages over many of our competitors and established leading regional market positions in our Chemical Business

- 

the current market outlook justifies continuing production at the Cherokee Facility for the foreseeable future; however, we could from time to time, suspend production at this facility due to, among other things, continuing high cost of its primary raw material, natural gas,

- 

our results of operations and financial condition at Cherokee, will in the future be, materially affected by changes in the cost of raw materials and in particular natural gas,

•

agreement in principle to modify a supply contract relating to Cherokee with a term through at least 2011 which we anticipate will be finalized in the second quarter 2006 or shortly thereafter,

•

ThermaClime's ability to maintain an adequate amount of borrowing availability under its Working Capital Revolver Loan depends on its ability to comply with the terms and conditions of its loan agreements and its ability to generate cash flow from operations,

•

El Dorado believes it will be able to utilize one of the other two options described in order to meet its June 2007 deadline under its NPDES permit,

•

paying dividends,

•

ability to meet all required covenants for 2006 under our loan agreements,

•

the soil remediation at the former Hallowell facility will occur over the next two years,

•

our performance has been and will continue to be dependent upon the efforts of our principal executive officers and our future success will depend in large part on our continued ability to attract and retain highly skilled and qualified personnel,

•

with the infusion of new capital as a result of the recently completed debenture offering and based upon current forecasts, that we will have adequate cash in 2006 from internal cash flows and financing sources to enable us to satisfy our cash requirements as they become due in 2006,

•

our net loss carryovers may be used to reduce the federal income tax payments which we would otherwise be required to make with respect to income, if any, generated in future years,

•

retain most of our future earnings, if any, to provide funds for our operations and/or expansion of our businesses,

- use all or a substantial portion of the net proceeds from the sale of the debentures (which we estimate to be approximately \$16.5 million after paying commissions to the placement agent and our expenses relating to the offering) to repay or purchase our debt or debt of our subsidiaries, including our subsidiary's \$13.3 million senior unsecured debentures due 2007, and the balance, if any, for general corporate purposes and pending such uses, the net proceeds to be invested in investments with highly rated money market funds, U.S. government securities, treasury bills and/or short-term commercial paper,

- our ability to make principal and interest payments, or to refinance indebtedness, depends on our future operating performance and cash flow, which are subject to prevailing economic conditions and other factors affecting us, many of which are beyond our control,

- four customers account for approximately 25% of our total net receivables at December 31, 2005 which we do not believe this concentration represents a significant credit risk due to the financial stability of these customers,

- during December 2005, we corrected the weakness to our disclosure controls and procedures by, among other things, establishing a Disclosure Committee to maintain oversight activities and to examine and reevaluate our policies, procedures and criteria to determine materiality of items relative to our financial statements taken as a whole,

- the "E-2" brand ammonium nitrate fertilizer is recognized as a premium product,

- the agricultural products are the only seasonal products,

- competition within the Chemical and Climate Control Businesses is primarily based on price, location of production and distribution sites, service, warranty and product performance,



- 

the backlog of confirmed orders for Climate Control products at December 31, 2005 will be filled during 2006,

- 

management taking actions to increase the production level to reduce the current backlog in the Climate Control Business,

- 

we expect to obtain our requirements for raw materials in 2006,

- 

the amount of committed capital expenditures, for 2006,

- 

amounts to be spent relating to compliance with federal, state and local environmental laws at the El Dorado Facility including matters relating to the sulfuric acid plant,

- 

liquidity and availability of funds,

- 

anticipated financial performance,

- 

adequate resources to meet our obligations as they come due,

- 

ability to make planned capital improvements,

- 

amount of and ability to obtain financing for the Discharge Water disposal project,

- 

new and proposed requirements to place additional security controls over ammonium nitrate and other nitrogen fertilizers will not materially affect the viability of ammonium nitrate as a valued product,

-

we could obtain anhydrous ammonia from other sources in the event of a termination or interruption of service under our existing purchase agreement,

- 

under the terms of an agreement with a supplier, EDC purchasing substantially all of its anhydrous ammonia requirements through December 31, 2006,

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under the terms of an agreement, Bayer purchasing from EDNC all of its requirements for nitric acid at its Baytown operation through at least May 2009,

- 

ThermaClime's forecasts for 2006 for ThermaClime's operating results meeting all required covenant tests for all quarters and the year ending in 2006,

- 

the amount of capital expenditures required under the Discharge Water permit,

- 

Capital expenditures relating to the sulfuric acid plant's air emissions,

- 

the amount of additional expenditures relating to the Air CAO,

- 

whether we will be deemed an accelerated filer as of June 30m 2006, and if so, there will be a substantial increase in cost, and

- 

our primary efforts to improve the results of the Chemical business include efforts to increase the non-seasonal sales volumes of Cherokee and El Dorado with an emphasis on customers that will accept the commodity risk inherent with natural gas and anhydrous ammonia.

While we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this report, including, but not limited to,

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decline in general economic conditions, both domestic and foreign,

- 

material reduction in revenues,

- 

material increase in interest rates,

- 

ability to collect in a timely manner a material amount of receivables,

- 

increased competitive pressures,

- 

changes in federal, state and local laws and regulations, especially environmental regulations, or in interpretation of such, pending,

- 

additional releases (particularly air emissions) into the environment,

- 

material increases in equipment, maintenance, operating or labor costs not presently anticipated by us,

- 

the requirement to use internally generated funds for purposes not presently anticipated,

- 

the inability to secure additional financing for planned capital expenditures,

- 

the cost for the purchase of anhydrous ammonia and natural gas,

- changes in competition,
- the loss of any significant customer,
- changes in operating strategy or development plans,
- inability to fund the working capital and expansion of our businesses,
- adverse results in any of our pending litigation,
- inability to obtain necessary raw materials, and

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- other factors described in "Risk Factors."

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "project" and similar expressions, as they relate to us, our management, and our industry are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Actual results may differ materially. Certain risks, uncertainties and assumptions about us that may cause actual results to differ from the results in these forward-looking statements are described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements" contained in our Annual Report on Form 10-K for the year ended December 31, 2005, and our Form 10-Q for quarter ended March 31, 2006.

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking

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statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not transpire.

### INCORPORATION BY REFERENCE

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we can disclose important information to you by referring you to another document we have filed separately with the Securities and Exchange Commission, including without limitation, (a) the information contained in our 2005 Annual Report on Form 10-K, which includes, without limitation, information with respect to our business, properties, legal proceedings, certain stockholder matters, financial statements, selected financial data, supplementary financial information, management's discussion and analysis of financial condition and results of operations, quantitative and qualitative disclosures about market risk, directors and executive officers, executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions, and (b) the information contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006, which includes without limitation, information with respect to our legal proceedings, financial statements, management's discussion and analysis of financial condition and results of operations, defaults upon senior securities, and quantitative and qualitative disclosures about market risk.

The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the Securities and Exchange Commission:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2005;
- Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006;
- Current Reports on Form 8-K filed on March 16, April 5 and May 9, 2006; and
- Current Report on Form 8-K filed May 15, 2006, which amends our Form 8-K filed December 28, 2001.

To receive a free copy of any of the documents incorporated by reference in this prospectus, other than exhibits, unless they are specifically incorporated by reference in those documents, call or write to LSB Industries, Inc., Attention: Secretary, 16 South Pennsylvania, P.O. Box 754, Oklahoma City, Oklahoma 73101-0754 (telephone (405) 235-4546). The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.

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### WHERE YOU CAN FIND MORE INFORMATION

We filed with the SEC a registration statement on Form S-1 including the exhibits, schedules and amendments to the registration statement under the Securities Act with respect to the debentures

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and shares of common stock to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information with respect to LSB Industries, the debentures, and the shares of common stock to be sold in this offering, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract, agreement or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and file periodic reports, proxy statements and other information with the SEC. You may read and copy all or any portion of the registration statement or any other information LSB Industries files at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings, including the registration statement, are also available to you on the SEC's Web site,

[www.sec.gov](http://www.sec.gov).

Such registration statement and other information filed by us may also be inspected at the American Stock Exchange offices located at 86 Trinity Place, New York, New York 10006-1872 and is available at AMEX's website, [www.amex.com](http://www.amex.com). We furnish our shareholders with annual reports containing audited financial statements and make available quarterly reports for the first three quarters of each year containing unaudited interim financial information.

Our Internet address is [www.lsbindustries.com](http://www.lsbindustries.com). We make available, free of charge, on [www.lsbindustries.com](http://www.lsbindustries.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC.

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### RATIO OF EARNINGS TO FIXED CHARGES

Years ended December 31,

Three months ended March 31,

2001

2002

2003

30

2004

2005

2005

2006

Earnings

(Dollars in thousands, except ratio)

The sum of:

Pre-tax income from  
continuing operations

\$ 7,404

\$ 2,739

;

\$ 2,894

\$ 1,238

\$ 5,119

\$ 1,232

\$ 2,501

Fixed charges

19,572

13,476

10,882

11,955

15,936

3,865

3,964

Amortization of capitalized  
interest

-

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-

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	-
	-
Share of distributed income of 50% owned affiliate	600
	115
	60
	250
	488
	88
	200
Adjusted Earnings	
	\$27,576
	\$16,330
	\$13,836
	\$13,443
	\$21,543
	\$ 5,185
	\$ 6,665

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Fixed Charges (1):

The sum of:

(i) Interest expensed

\$13,972

\$ 8,218

\$ 6,097

\$ 7,393

\$11,407

\$2,737

\$2,875

(ii) Amortized premiums,  
discounts and capitalized  
expenses related to  
indebtedness (included in  
interest)

-

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-

(iii) estimate of interest  
in rental expense

5,600

5,258

4,785

4,562

4,529

1,128

1,089

Fixed Charges

\$19,572

\$13,476

\$10,882

\$11,955

\$15,936

\$3,865

\$3,964

Ratio of earnings to fixed charges

1.4:1

1.2:1

1.3:1

1.1:1

1.4:1

1.3:1

1.7:1

(1) To estimate the amount of interest expense included in rental expense, we used various approaches, primarily the NPV approach for approximately 65% of the actual annual rent expense.

#### NO PROCEEDS

The debentures and shares of common stock to be offered and sold using this prospectus will be offered and sold by the Selling Security Holders named in this prospectus or in a supplement to this prospectus. We will not receive any proceeds from these sales or from conversion of the debentures into shares of our common stock.

#### DIVIDEND POLICY

We have not paid cash dividends on our outstanding common stock in many years, and since January 1, 1999, through December 31, 2005, we did not pay any accrued dividends on our outstanding cumulative preferred stock. As of December 31, 2005, there was approximately \$14.5 million of accrued and unpaid dividends on our outstanding cumulative preferred stock. We intend to retain most of our future earnings, if any, to provide funds for our operations and/or expansion of our businesses. However, on January 17, 2006, our Board of Directors declared nominal dividends, payable March 15, 2006, to holders of record as of February 15, 2006, on certain outstanding series of our preferred stock, as follows: \$.10 per share on our outstanding \$3.25 Convertible Exchangeable Class C, Series 2, which has 623,550

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shares outstanding, \$.37 on our outstanding Series B 12% Cumulative Convertible Preferred, which has 20,000 shares outstanding, and \$.31 a share on our outstanding Non-Cumulative Preferred, which has 871 shares outstanding. These nominal dividends were not for the full amount of the required quarterly

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dividends pursuant to the terms of all of our outstanding series of preferred stock. As a result, the amount of accrued and unpaid dividends on our outstanding cumulative preferred stock increased to approximately \$14.9 million as of March 15, 2006. There are no assurances that we will in the future pay any additional quarterly dividends on any of our outstanding shares of preferred stock.

We do not anticipate paying cash dividends on our outstanding common stock in the foreseeable future, and until all accrued and unpaid dividends are paid on our outstanding cumulative preferred stock, no dividends may be paid on our common stock. In the event of our liquidation, winding up or dissolution, there can be no distributions on our common stock until all of the liquidation preference and stated value amounts of our outstanding preferred stock and all accrued and unpaid dividends due on our outstanding cumulative preferred stock are paid in full. Further, not paying all of cumulative accrued dividends on our outstanding preferred stock could adversely affect the marketability of our common stock and our ability to raise additional equity capital.

### PRICE RANGE OF COMMON STOCK

Since December 15, 2003, our common stock has been listed for trading on the American Stock Exchange under the symbol "LXU." Prior to that date, our common stock traded on the over-the-counter bulletin board operated by the National Association of Securities Dealers, Inc. The table below shows the high and low bid prices for our common stock for the periods indicated, which reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

### Common stock price

#### High

#### Low

Fiscal year ending December 31, 2006:

Second quarter (through May 5, 2006)

\$8.75

\$6.95

First quarter

\$7.48

\$5.87

Fiscal year ending December 31, 2005:

Fourth quarter	\$6.68
	\$4.95
Third quarter	\$7.30
	\$6.10
Second quarter	\$7.49
	\$6.15
First quarter	\$7.85
	\$5.98
Fiscal year ended December 31, 2004:	
Fourth quarter	\$9.59
	\$7.43
Third quarter	\$9.49
	\$6.95
Second quarter	\$8.45
	\$6.97
First quarter	\$8.63
	\$6.00

On May 5, 2006, the closing sale price of our common stock on the American Stock Exchange was \$8.60 per share. As of May 5, 2006, there were approximately 775 holders of record of our common stock.

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DESCRIPTION OF DEBENTURES

The following description is a summary of the material provisions of the debentures, the indenture and the registration rights agreement relating to the debentures and the shares of common stock issuable upon conversion of the debentures. This summary is subject to and is qualified by reference to all the provisions of the indenture and the form of debenture, including the definitions of certain terms used in the indenture, and to all provisions of the registration rights agreement. Wherever particular provisions or defined terms of the indenture or form of debenture are referred to, these provisions or defined terms are incorporated in this prospectus by reference. We urge you to read the indenture because it, and not this description, defines the rights of a holder of the debentures.

**General**

The debentures are general unsecured indebtedness of LSB. Our payment obligations under the debentures are subordinated to our senior indebtedness and effectively subordinated to all of the indebtedness and other liabilities of our subsidiaries as described under "- Subordination of debentures." The debentures are convertible into common stock as described under "- Conversion of debentures." The debentures will mature on March 1, 2011, unless earlier converted, redeemed or repurchased.

We are not subject to any financial covenants under the indenture; however, we may not create future subordinated indebtedness unless, by its terms, it is either junior to, or *pari passu* with, the debentures. In addition, we are not restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities.

Holders of debentures are not afforded protection under the indenture in the event of a highly leveraged transaction of LSB, or in the event of a change in control of LSB except to the extent described below under

"- Repurchase at option of the holder upon a designated event" and "Make-whole premium."

The debentures bear interest at a rate of 7% per annum. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months and accrues from March 3, 2006, or from the most recent date to which interest has been paid or duly provided for. We will pay interest semiannually on March 1 and September 1 of each year, beginning on September 1, 2006, to the holders of record at the close of business on the preceding February 15 and August 15, respectively.

Each payment of interest on the debentures will include interest accrued through the day before the applicable interest payment date (or repurchase, redemption or, in certain circumstances, conversion date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day. The term "interest" as used in the indenture includes interest payable under the terms of the debentures and liquidated damages, if any, payable under the terms of the registration rights agreement as described under "- Registration rights of the debenture holders."

We will maintain, or cause the trustee to maintain, an office where we will pay the principal and premium, if any, on the debentures and you may present the debentures for conversion,



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registration of transfer or exchange for other denominations, which shall initially be an office or agency of the trustee. The trustee currently maintains an office in Kansas City, Missouri, for such purposes. We may pay interest by check mailed to the holder's address as it appears in the debenture register, provided that a holder with an aggregate principal amount in excess of \$1.0 million shall be paid, at the holder's written election, by wire transfer in immediately available funds. However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

Debentures may be presented for conversion at the office of the Company or the conversion agent and for exchange or registration of transfer at the office of the Company or the registrar. The conversion agent and the registrar shall initially be the trustee. No service charge will be made for any registration of transfer or exchange of debentures. However, we may require the holder to pay any tax, assessment or other governmental charge payable as a result of such transfer or exchange.

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### Conversion of debentures

Subject to the provisions of the indenture, holders may convert any of their debentures, in whole or in part, into shares of our common stock at any time prior to the close of business on February 28, 2011, at a conversion rate per \$1,000 principal amount of debentures determined as of the date of conversion under the conversion rate schedule below, subject to adjustment as described below under "- Conversion rate adjustments." A holder may convert debentures in part so long as such part is \$1,000 principal amount or a multiple of \$1,000.

Conversion Rate  
(Number of Shares Per  
\$1,000 Principal Amount  
of Debentures)

Approximate  
Conversion Price

Date of Debenture Conversion

125.00

\$8.00

before September 1, 2006

141.25

\$7.08

on or after September 1, 2006 and on or  
before February 28, 2007

141.04

\$7.09

on or after March 1, 2007 and on or before  
August 31, 2007

137.27

\$7.28

on or after September 1, 2007 and on or  
before February 29, 2008

133.32

\$7.50

on or after March 1, 2008 and on or before  
August 31, 2008

129.23

\$7.74

on or after September 1, 2008 and on or  
before February 28, 2009

125.00

\$8.00

on or after March 1, 2009

To convert debentures into common stock, a holder must do the following:

- complete and manually sign the conversion notice on the back of the debenture or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the debenture to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay all transfer or similar taxes; and
- if required, pay funds equal to interest payable on the next interest payment date.

The date a holder complies with these requirements is the conversion date under the indenture. If a holder's interest is a beneficial interest in a global debenture, to convert such a debenture, such holder must comply with the last three requirements listed above and comply with the depositary's procedures for converting a beneficial interest in a global debenture. A certificate, or a book-entry transfer through DTC, for the number of full shares of our common stock into which any debentures are converted, together with a cash payment for any fractional shares, will be delivered through the conversion agent as soon as practicable, but no later than the fifth business day, following the conversion date.

If we call debentures for redemption, a holder may convert its debentures only until the close of business on the business day prior to the redemption date

unless we fail to pay the redemption price. If a holder has submitted debentures for repurchase upon a designated event, such holder may convert debentures only if it first withdraws the repurchase election in accordance with the terms of the indenture.

Upon conversion, a holder will not receive any cash payment of interest. We will not issue fractional common shares upon conversion of debentures. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of the common stock on the trading day prior to the conversion date. Our delivery to the holder of the full number of shares of our common stock into which a debenture is convertible, together with any cash payment for such holder's fractional shares, will be deemed to satisfy our obligation to pay the principal amount of the debenture and accrued but unpaid interest,

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attributable to the period from the most recent interest payment date to the conversion date. As a result, accrued but unpaid interest, to the conversion date is deemed to be paid in full rather than cancelled, extinguished or forfeited. For a discussion of a holder's tax treatment upon receipt of our common stock upon conversion, see "Certain United States Federal Income Tax Considerations."

Notwithstanding the preceding paragraph, if debentures are converted after a record date but prior to the next interest payment date, holders of such debentures at the close of business on the record date will receive the interest payable on such debentures on the corresponding interest payment date notwithstanding the conversion. Such debentures, upon surrender for conversion, must be accompanied by funds equal to the amount of interest payable on the debentures so converted; provided that no such payment need be made (1) if we have specified a redemption date that is after a record date but on or prior to the next interest payment date, (2) if we have specified a repurchase date following a designated event that is after a record date but on or prior to the next interest payment date or (3) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such debenture.

#### ***Conversion rate adjustments***

The conversion rate will be subject to adjustment, without duplication, upon the occurrence of any of the following events:

1. the payment or issuance of common stock as a dividend or distribution on our common stock;
2. the issuance to all holders of common stock of rights, warrants or options to purchase our common stock (other than pursuant to our preferred share rights plan) for a period expiring within 45 days of the record date for such distribution at a price less than the average of the closing sale price for the 10 trading days preceding the declaration date for such distribution; provided that the conversion price will be readjusted to the extent that such rights, warrants or options are not exercised;
3. subdivisions, splits or combinations of our common stock; and

4. distributions to the holders of our common stock of a portion of our assets (including shares of capital stock or assets of a subsidiary) or debt or other securities issued by us or certain rights to purchase our securities (excluding dividends or distributions covered by clauses (1) or (2) above or our preferred share rights plan); provided, however, that if we distribute capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on the NASDAQ National Market or such other national or regional exchange or market on which the securities are then listed or quoted.

To the extent that we have a rights plan in effect upon conversion of the debentures into common stock, you will receive, in addition to the common stock, the rights under the rights plan unless the rights have separated from the common stock at the time of conversion, in which case the conversion rate will be adjusted as if we distributed to the holders of our common stock, a portion of our assets, or debt or other securities or rights as set forth under clause (4) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

- any reclassification of our common stock;
- a consolidation, merger or combination involving us; or
- a sale or conveyance to another person or entity of all or substantially all of our property and assets in which holders of our common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, upon conversion of a