



## LSB to Implement Strategic, Operational and Corporate Governance Enhancements

August 7, 2015

OKLAHOMA CITY--(BUSINESS WIRE)--Aug. 7, 2015-- LSB Industries, Inc. (NYSE:LXU) ("LSB or the Company"), a manufacturer of chemical products for the agricultural, mining and industrial markets and a leading manufacturer of commercial and residential climate control products, today announced that the Strategic Committee of the LSB Board of Directors (the "Strategic Committee"), comprised of entirely independent directors, presented the Board of Directors with a report and certain recommendations on July 30, 2015 following an evaluation of the Company's business strategy, corporate governance structure, related party transactions and other governance practices of the Company.

Lance Benham, Chairman of the Strategic Committee, said, "We believe the actions taken by the Board will significantly improve the Company's corporate governance structure, enhance the execution of the Company's strategic growth initiatives and ultimately drive improved shareholder value. We look forward to seeing the benefits of these initiatives and continuing to work with the management team as it lowers production costs, improves manufacturing efficiency and drives sales growth which, we believe, will lead to enhanced profitability."

As a result of the Strategic Committee's report, the Company's Board of Directors has determined the following:

### Business Strategy and Operations

The programs initiated by the LSB's management team several years ago, including the expansion of the El Dorado facility, plant reliability enhancements in the Chemical Business and the implementation of the operational excellence activities in the Climate Control business are progressing and are expected to improve the Company's business and operational performance. These programs were initiated to enhance shareholder value and provide the Company with strategic flexibility. In support of these objectives, the Board has taken the following actions:

**Operations Oversight Committee:** LSB will establish an Operations Oversight Committee of the Board to foster more direct interaction between the members of the Board and senior management in management's execution of the Company's business strategy over the next 18 to 24 months. The committee will focus on management's execution of near-term business objectives and advise management on preserving strategic optionality to enhance shareholder value.

The Committee will be comprised of Webster L. "Lance" Benham (Chairman), Louis S. Massimo, Andrew K. Mittag, and Lynn F. White, who collectively possess extensive operational, financial, and industry expertise relevant to LSB's two business segments.

**Performance Metrics:** LSB will implement key operating performance metrics related to the reliability of the Company's chemical plants and to LEAN initiatives that management has undertaken in the Climate Control business. This will provide the Board with better visibility on the effectiveness of these initiatives.

**Analysis of Margin Enhancement in Climate Control Business:** LSB will engage the services of an independent consultant to review the operations of the Climate Control business with a specific focus on driving higher margins. The purpose of this review is to assess the efficiency of all manufacturing processes and to identify opportunities for leveraging technology and incorporating industry best practices.

### Corporate Governance Structure

**Corporate Governance Guidelines:** A comprehensive review and update of LSB's Corporate Governance Guidelines and committee charters is in process by the Nominating and Governance Committee, with the assistance of outside counsel. Recommendations for governance enhancements will be brought to the Board for discussion at the October 2015 Board meeting.

**Further Strengthening the Management Team:** Over the past two years, the Company has made several key management hires to improve the performance of both the Climate Control and Chemical Businesses. To further that, the Board has directed management to undertake a review of the overall organizational structure of the Company and provide the Board with recommendations for further deepening the senior leadership team.

### Related Party Transactions

The Board directed that the Compensation Committee of the Board conduct the annual performance review for all members of the Golsen family, noting that the Compensation Committee already conducts a review for the CEO.

### Other Governance Practices Deemed Appropriate for Review

**Executive Compensation Structure:** The Company will revise its compensation structure by adopting a pay-for-performance incentive compensation plan that will ensure that executive compensation is directly linked to both short-term company performance as well as long-term value creation for shareholders. The new compensation plan will include specific performance metrics for the Company's senior management team and stock ownership requirements for the senior management team and all directors. The revised compensation structure will be in place by the end of 2015 and will apply to 2016 executive compensation.

**Shareholder Rights Plan:** The Board has elected to review the current Shareholder Rights Plan that is in effect to determine whether that plan should stay in effect until its expiration in 2019, whether it should be terminated, or whether an alternative plan should be presented to the Board for implementation. The Board will conduct its review over the next several months and come to a determination at its October 2015 meeting.

Barry Golsen, LSB's President and CEO stated "We believe the strategic initiatives we have implemented over the last few years will improve operating performance and earnings growth and allow us to capitalize on the favorable market dynamics in both our Climate Control and Chemical businesses. We are pleased that the Strategic Committee has reaffirmed the value enhancing potential of our businesses and we believe that the

initiatives and corporate governance enhancements recommended by the Strategic Committee will better position us to deliver value for our shareholders. We look forward to continuing to work closely with the Strategic Committee and Board of Directors as we implement these enhancements and execute on our strategy.”

**LSB Industries, Inc.**

LSB is a manufacturing and marketing company. LSB’s principal business activities consist of the manufacture and sale of chemical products for the agricultural, mining and industrial markets; and, the manufacture and sale of commercial and residential climate control products, such as water source and geothermal heat pumps, hydronic fan coils, modular geothermal and other chillers and large custom air handlers.

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These forward-looking statements generally are identifiable by use of the words “believe,” “expects,” “intends,” “anticipates,” “plans to,” “should,” “estimates,” “projects” or similar expressions, including, without limitation, benefits of the strategic initiatives we have implemented; initiatives and corporate governance enhancements recommended will better position us to deliver value for shareholders and enhance the execution of our strategic growth initiatives; programs initiated are expected to improve business and operational performance; performance of operation of oversight committee; and revisions to executive compensation structure. Actual results may differ materially from the forward-looking statements, including, without limitation, general economic conditions; increased competitive pressures; labor conditions; loss of significant customers or customers’ failure to abide by conditional terms; legislative or regulatory changes which could negatively affect the implementation of corporate governance enhancements; and the various factors described in the “Special Note Regarding Forward-Looking Statements” and “Risk Factors” contained in our most recent 10-K for the year ended December 31, 2014, and Forms 10-Q for quarter ended March 31, 2015. These forward looking statements speak only as of the date of this press release, and LSB expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in LSB’s expectations with regard thereto or any change in events conditions or circumstances on which any such statement is based.

View source version on businesswire.com: <http://www.businesswire.com/news/home/20150807005154/en/>

Source: LSB Industries, Inc.

LSB Industries, Inc.  
Mark Behrman, 405-235-4546  
Chief Financial Officer  
or  
Investor Relations:  
The Equity Group Inc.  
Fred Buonocore, 212-836-9607  
or  
Linda Latman, 212-836-9609