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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from __________ to __________

Commission File Number: 1-7677

LSB INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware **(State of or other Jurisdiction Incorporation or Organization)**	**73-1015226** **(I.R.S. Employer Identification No.)**
3503 NW 63rd Street, Suite 500, **Oklahoma City, Oklahoma** **(Address of Principal Executive Offices)**	**73116** **(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $.10	**LXU**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports submit such files). ☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which the voting common stock was last sold as of June 30, 2019, was approximately $80 million. As a result, the Registrant is an accelerated filer as of December 31, 2019. For purposes of this computation, shares of the Registrant's common stock beneficially owned by each executive officer and director of the Registrant and LSB Funding LLC were deemed to be owned by affiliates of the Registrant as of June 30, 2019. Such determination should not be deemed an admission that such executive officers, directors or entity of our common stock are, in fact, affiliates of the Registrant or affiliates as of the date of this Form 10-K.

As of February 14, 2020, the Registrant had 29,335,920 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its annual meeting of stockholders will be filed with the Securities and Exchange Commission within 120 days after the end of its 2019 fiscal year, are incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS

Overview

All references to "LSB Industries," "LSB," "the Company," "we," "us," and "our" refer to LSB Industries, Inc. and its subsidiaries, except where the context makes clear that the reference is only to LSB Industries, Inc. itself and not its subsidiaries. Notes referenced throughout this document refer to consolidated financial statement footnote disclosures that are found in Item 8.

The Company was formed in 1968 as an Oklahoma corporation and became a Delaware corporation in 1977. We manufacture and market chemical products for the agricultural, industrial and mining markets. We own and operate facilities in El Dorado, Arkansas (the "El Dorado Facility"), Cherokee, Alabama (the "Cherokee Facility"), and Pryor, Oklahoma (the "Pryor Facility"), and we operate a facility for Covestro AG ("Covestro") in Baytown, Texas (the "Baytown Facility"). Our products are sold through distributors and directly to end customers throughout the United States.

Our Business

Our business manufactures products for three principal markets:

- ammonia, fertilizer grade ammonium nitrate ("AN" and "HDAN") and urea ammonia nitrate ("UAN") for agricultural applications;
- high purity and commercial grade ammonia, high purity AN, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and diesel exhaust fluid ("DEF") for industrial applications; and
- industrial grade AN ("LDAN") and AN solutions for mining applications.

The products we manufacture at our facilities are primarily derived from natural gas (a raw material feedstock). Our facilities and production processes have been designed to produce products that are marketable at nearly each stage of production. This design has allowed us to develop and deploy a business model optimizing the mix of products to capture the value opportunities in the end markets we serve with a focus on balancing our production.

The chart below highlights representative products and applications in each of our end markets.

End Market	Products	Applications
Agricultural	UAN, HDAN and ammonia	Fertilizer and fertilizer blends for corn and other crops; NPK fertilizer blends
Industrial Acids and Other	Nitric acid, metallurgical and commercial grade ammonia, sulfuric acid, diesel exhaust fluid and other urea solutions, Specialty E-2 ammonium nitrate and CO2	Semi-conductor and polyurethane intermediates, ordnance; Pulp and paper, alum, water treatment, metals and vanadium processing; Power plant emissions abatement, water treatment, refrigerants, metals processing; Exhaust stream additive, horticulture / greenhouse applications; refrigeration
Mining	LDAN, AN solution and HDAN	Ammonium nitrate fuel oil (ANFO) and specialty emulsions for mining applications, surface mining, quarries, and construction

The following table summarizes net sales information relating to our products:

	2019	2018	2017
Percentage of consolidated net sales:			
Agricultural products	52%	50%	43%
Industrial acids and other chemical products	38%	39%	46%
Mining products	10%	11%	9%
Other products	0%	0%	2%
	100%	100%	100%

For information regarding our net sales, operating results and total assets for the past three fiscal years, see the Consolidated Financial Statements included in this report.

Our Strategy

We pursue a strategy of balancing the sale of product as fertilizer into the agriculture markets at spot prices or short duration pre-sales and developing industrial and mining customers that purchase substantial quantities of products, primarily under contractual obligations and/or pricing arrangements that generally provide for the pass through of some raw material and other manufacturing costs. We believe this product and market diversification strategy allows us to have more consistent levels of production compared to some of our competitors and helps reduce the volatility risk inherent in the prices of our raw material feedstock and/or the changes in demand for our products.

The strategy of developing industrial and mining customers helps to moderate the risk inherent in the agricultural markets where spot sales prices of our agricultural products may not have a correlation to the natural gas feedstock costs but rather reflect market conditions for like and competing nitrogen sources. This volatility of sales pricing in our agricultural products may, from time to time, compromise our ability to recover our full cost to produce the product. Additionally, the lack of sufficient non-seasonal agricultural sales volume to operate our manufacturing facilities at optimum levels can preclude us from balancing production and storage capabilities. Looking forward, we continually pursue profitable growth and margin enhancement. Our strategy calls for continued emphasis on the agricultural sector, while remaining committed to further developing industrial customers who assume the volatility risk associated with the raw material costs and mitigate the effects of seasonality in the agricultural sector.

Our strategy also includes evaluating acquisitions of strategic assets or companies, mergers with other companies and investment in additional production capacity where we believe those acquisitions, mergers or expansion of production capacity will enhance the value of the Company and provide appropriate returns.

Key Operating Initiatives for 2020

We believe our future results of operations and financial condition will depend significantly on our ability to successfully implement the following key initiatives:

- *Continued Focus on Becoming a “Best in Class” Chemical plant operator with respect to safe, reliable operations that produce the highest quality product.*
    - We believe that high safety standards are critical and a precursor to improved plant performance. With that in mind, we implemented and are currently managing enhanced safety programs at our facilities that focus on improving our safety culture that will reduce risks and continuously improve our safety performance.
    - Additionally, over the last several years, our focus has been on upgrading our existing maintenance management system through technology enhancements and work processes to improve our predictive and preventative maintenance programs at our facilities.
    - We have several initiatives underway that we believe will improve the overall reliability of our plants and allow us to produce more products for sale while lowering our cost of production. Those initiatives are focused on building internal expertise to improve oversight of external contractors, operating behavior and procedure enhancements including operator training, leadership training, shift change enhancements and operating and maintenance procedures.

- *Continue the Broadening of the Distribution of our Products.* To further leverage our plants' current production capacity, we are continuing to expand the distribution of our industrial and mining products by partnering with customers to take product into different markets within the U.S., as well as markets outside the U.S. Additionally, during 2019, we developed a pipeline of margin enhancement projects including product loading and unloading improvements, tank storage and capital to facilitate guest plant opportunities which, we expect will result in improved margins on the sales of our products. We expect to complete these projects over the next 12 to 18 months.
- *Improve Our Capital Structure and Overall Cost of Capital.* We are actively seeking ways to improve our capital structure and reduce our overall cost of capital. We believe that our improved operating performance will be a benefit in achieving those efforts.

We may not successfully implement any or all of these initiatives. Even if we successfully implement the initiatives, they may not achieve the results that we expect or desire.

Our Competitive Strengths

Strategically Located Chemical Assets and Long-Standing Customer Relationships

Our business benefits from highly advantageous locations with logistical and distribution benefits. We have access to the ammonia pipeline from the U.S. Gulf at our El Dorado Facility, which provides low cost transportation to distribution points. The El Dorado Facility also has rail access that is freight logical to our industrial and agricultural customers and cost advantaged when selling a number of our products West of the Mississippi River. Our Cherokee Facility is located East of the Mississippi River, allowing it to reach customers that are not freight logical for others. Our Cherokee Facility sits adjacent to the Tennessee River, providing barge receipt and shipping access, in addition to truck and rail delivery access. Our Pryor Facility is located in the heart of the Southern Plains with close proximity to the Port of Catoosa along with strategic rail and truck delivery access.

Advantaged Raw Material Cost Position

We currently produce ammonia at our El Dorado, Cherokee and Pryor Facilities, which allows us to take advantage of the spread between producing and purchasing ammonia at those facilities. Additionally, our Pryor Facility has a natural gas cost advantage as its cost of gas has historically been lower than our El Dorado and Cherokee Facilities.

Diversified Sources of Revenue

Our business serves a broad range of end markets, which we believe diminishes the cyclicality of our financial performance. Our business serves the agricultural, industrial and mining markets. The flexible nature of our production process and storage capability allows us the ability to shift our product mix based on end market demand.

Operation of Multiple Facilities and High Production Capacity

We operate our business through several facilities. Operating multiple facilities diversifies the risk and impact of operational issues that may occur at a single plant, which gives us a strategic advantage over competitors that operate their company through a single facility. Additionally, our competitive production capacity of our combined plants allows us to decrease manufacturing costs, helping us to achieve enhanced margins.

Market Conditions

As discussed in more detail under "Key Industry Factors" of "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") contained in Item 7 of this report, the price at which our agricultural products are ultimately sold depends on numerous factors, including the supply and demand for nitrogen fertilizers which, in turn, depends upon world grain demand and production levels, the cost and availability of transportation and storage, weather conditions, competitive pricing and the availability of imports. Additionally, expansions or upgrades of competitors' facilities and international and domestic political and economic developments continue to play an important role in the global nitrogen fertilizer industry economics. These factors can affect, in addition to selling prices, the level of inventories in the market which can cause price volatility and affect product margins.

From a farmers' perspective, the demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers which are impacted by factors such as financial resources, soil conditions and weather patterns.

Additionally, changes in corn prices and those of soybean, cotton and wheat prices, can affect the number of acres of corn planted in a given year, and the number of acres planted will drive the level of nitrogen fertilizer consumption, likely effecting prices.

In our industrial markets, our sales volumes are typically driven by changes in general economic conditions, energy prices, metals market prices and our contractual arrangements with certain large customers. In our mining markets, our sales volumes are typically driven by changes in the overall North American consumption levels of mining products that can be impacted by weather. Additionally, recent reduction in coal mining activities is increasing competition within the other sectors of this market.

On the supply side, given the low price of natural gas in North America over the last several years, North American fertilizer producers have become the global low-cost producers for delivered fertilizer products to the Midwest U.S. Several years ago, the market believed that low natural gas prices would continue. That belief, combined with favorable fertilizer pricing, stimulated investment in numerous expansions of existing nitrogen chemical facilities and the construction of new nitrogen chemical facilities. Following the expansions, global nitrogen fertilizer supply outpaced global nitrogen fertilizer demand causing oversupply in the global and North American markets. In addition, the new domestic supply of ammonia and other fertilizer products changed the physical flow of ammonia in North America placing pressure on nitrogen fertilizer sales pricing as the new capacity was absorbed by the market. More recently, ammonia pricing has been under pressure as a result of inordinately inclement weather in 2019, which led to limited fertilizer application and resultant elevated ammonia inventory levels in the domestic distribution channel. Additionally, UAN prices have pulled back in part, to European anti-dumping duties that were imposed on imports from certain countries, including the U.S which has caused imports of UAN into the U.S. to increase and exports from the U.S. to decrease increasing UAN supply in the U.S.

After a challenging 2019 for U.S. corn farmers, it is expected that final harvested acres and yields for the 2019 harvest year will be lower than expected. These factors have already impacted the price of corn, which has risen to its highest level since 2014. A likely decline in the stock-to-use ratio for corn should lead to an increase in planted acres in the spring 2020 planting season. Assuming normal weather conditions, industry reports currently estimate a 5% increase in corn acres to be planted during 2020 compared to 2019.

Therefore, for 2020, we expect overall stronger demand for our products some what tempered by continued pricing pressures on these products.

Agricultural Products

We produce and sell UAN, HDAN and ammonia, all of which are nitrogen-based fertilizers. We sell these agricultural products to farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the U.S. Our nitrogen-based fertilizers are used to grow food crops, biofuel feedstock crops, pasture land for grazing livestock and forage production. We maintain long-term relationships with wholesale agricultural distributors and retailers and also sell directly to agricultural end-users through our network of wholesale and retail distribution centers.

The price at which our agricultural products are ultimately sold depends on numerous factors, including the supply and demand for nitrogen fertilizers which, in turn, depends upon world grain demand and production levels, the cost and availability of transportation and storage, weather conditions, competitive pricing and the availability of imports. Additionally, expansions or upgrades of competitors' facilities combined with international and domestic political and economic developments continue to play an important role in the global nitrogen fertilizer industry economics. These factors can affect, in addition to selling prices, the level of inventories in the market which can cause price volatility and affect product margins.

We develop our market position in these areas by emphasizing high quality products, customer service and technical advice. During the past few years, we have been successful in expanding outside our traditional markets by delivering to distributors on the Tennessee and Ohio rivers by barge, and by delivering to certain Western States by rail.

In addition, we have an agreement with a third-party purchaser, Coffeyville Resources Nitrogen Fertilizers, LLC, ("CVR"), to market and sell a portion of our UAN. Demand for sales under this agreement is based on the expected needs of the purchaser's customers. The agreement provides the exclusive right (but not the obligation) to purchase, at market prices, substantially all of the UAN produced at our Pryor Facility. The term of the agreement runs through May 2020, with automatic one-year extensions, subject to a 180-day advance notice of termination from CVR or a 90-day advance notice from us.

We sell most of our agricultural products at the current spot market price in effect at the time of shipment, although we periodically enter into forward sales commitments for some of these products. Sales of our industrial and mining products are generally made to customers pursuant to sales contracts or pricing arrangements on terms that include the cost of the primary raw materials as a pass-through component in the sales price. These contractual sales stabilize the effect of commodity cost changes and fluctuations in demand for these products due to the cyclicality of the end markets.

Industrial Acids and Other Chemical Products

We manufacture and sell industrial acids and other chemical products primarily to the polyurethane intermediates, paper, fibers, emission control, and electronics industries. In addition, we produce and sell blended and regular nitric acid and industrial and high purity ammonia for many specialty applications, including the reduction of air emissions from power plants. In addition, one of our subsidiaries, El Dorado Chemical Company ("EDC") and Koch Fertilizer LLC ("Koch Fertilizer") are parties to an ammonia purchase and sale agreement, under which Koch Fertilizer agreed to purchase, with minimum purchase requirements, a portion of the ammonia that is in excess of EDC's internal needs. We began selling ammonia under this agreement during June 2016. The term of the agreement runs until June 2022, with annual renewal options thereafter.

We operate the Baytown Facility on behalf of Covestro and we believe it is one of the largest and most technologically advanced nitric acid manufacturing units in the U.S. We operate and maintain this facility pursuant to a long-term contract (the "Covestro Agreement"). The term of this agreement runs until June 2021 with options for renewal.

Our industrial products sales volumes are dependent upon general economic conditions primarily in the housing, automotive, and paper industries. Our sale prices generally vary with the market price of ammonia, sulfur or natural gas, as applicable, in our pricing arrangements with customers.

Our industrial business competes based upon service, price and location of production and distribution sites, product quality and performance and provides inventory management as part of the value-added services offered to certain customers. See our discussion above concerning broadening the distribution of our nitric acid products under "Key Operating Initiatives for 2020".

Mining Products

We produce and sell LDAN, HDAN and AN solution to the mining industry, those products are primarily used as AN fuel oil and specialty emulsions for usage in the quarry and the construction industries, for metals mining, and to a lesser extent, for coal mining. We have signed long-term contracts with certain customers that provide for the annual sale of LDAN under various natural-gas-based pricing arrangements. Also, during 2018, a current customer located an emulsion explosives plant at our El Dorado Facility. We have been selling product to that facility since the fourth quarter of 2018. See our discussion above concerning broadening the distribution of our mining products under "Key Operating Initiatives for 2020".

Raw Materials

The products we manufacture at our facilities are primarily derived from natural gas. This raw material feedstock is a commodity and subject to price fluctuations. Natural gas is the primary raw material for producing ammonia, UAN, nitric acid and acid blends and other products at our El Dorado, Cherokee and Pryor Facilities. For 2019, we purchased approximately 27.4 million MMBtus of natural gas.

The chemical facilities' natural gas feedstock requirements are generally purchased at spot market price. Periodically, we enter into volume purchase commitments and/or futures/forward contracts to lock in the cost of certain of the expected natural gas requirements primarily to match quantities needed to produce product that has been sold forward. At December 31, 2019, we had volume purchase commitments with fixed costs for natural gas of approximately 7.0 million MMBtus, representing approximately 23% or our annual usage, at an average cost of $2.23 per MMBtu. These contracts extend through December 2020.

See further discussion relating to the outlook for our business under "Key Industry Factors".

Regulatory Matters

We are subject to extensive federal, state and local environmental laws, rules and regulations as discussed under "Environmental, Health and Safety Matters" of this Item 1 and various risk factors under Item 1A.

Competition

We operate in a highly competitive market with many other larger chemical companies, such as CF Industries Holdings, Inc., Chemtrade Logistics Inc., Cornerstone Chemical, EuroChem, Inc., OCI Partners NV, Dyno Nobel, a subsidiary of Incitec Pivot Limited, The Gavilon Group, Helm AG, Koch Industries, Norfalco, Nutrien (formerly known as Agrium and Potash Corporation of Saskatchewan), Praxair, Inc., Quad Chemical Corporation, Trammo Inc. and Yara International (some of whom are our customers), many of whom have greater financial and other resources than we do. We believe that competition within the markets we serve is primarily based upon service, price, location of production and distribution sites, and product quality and performance.

Employees

As of December 31, 2019, we employed 593 persons, 162 of whom are represented by unions under agreements, including agreements being negotiated, that expire in July 2021 through November 2022.

Environmental, Health and Safety Matters

Our facilities and operations are subject to numerous federal, state and local environmental laws and to other laws regarding health and safety matters (the "Environmental and Health Laws"), many of which provide for certain performance obligations, substantial fines and criminal sanctions for violations. Certain Environmental and Health Laws impose strict liability as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken.

There can be no assurance that we will not incur material costs or liabilities in complying with such laws or in paying fines or penalties for violation of such laws. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. The Environmental and Health Laws and enforcement policies thereunder have in the past resulted, and could in the future result, in significant compliance expenses, cleanup costs (for our sites or third-party sites where our wastes were disposed of), penalties or other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of hazardous or toxic materials at or from our facilities or the use or disposal of certain of its chemical products. Historically, our subsidiaries have incurred significant expenditures in order to comply with the Environmental and Health Laws and are reasonably expected to do so in the future. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our chemical facilities should we discontinue the operations of a facility.

Available Information

We make available free of charge through our Internet website (www.lsbindustries.com) or by calling Investor Relations (212) 836-9607 our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition to the reports filed or furnished with the SEC, we publicly disclose material information from time to time in press releases, at annual meetings of stockholders, in publicly accessible conferences and investor presentations, and through our website. The information included in our website does not constitute part of this Annual Report on Form 10-K.

Section 16(a) of the Exchange Act requires our directors, officers, and beneficial owners of more than 10% of our common stock to file with the SEC reports of holdings and changes in beneficial ownership of our stock. Based solely on a review of copies of the Forms 3, 4 and 5 furnished to us with respect to 2019, or written representations that no Form 5 was required to be filed, we believe that during 2019 all our directors and officers and beneficial owners of more than 10% of our common stock timely filed their required Forms 3, 4, or 5.

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Industry

We may not be able to generate sufficient cash to service our debt and may be required to take other actions to satisfy the obligations under our debt agreements or to redeem our preferred stock, which may not be successful.

Our ability to make scheduled payments on our debt obligations and our ability to satisfy the redemption obligations for the Series E cumulative redeemable Class C preferred stock ("Series E Redeemable Preferred") depends on our financial condition and operating performance, prevailing economic and competitive conditions, and certain financial, business and other factors, some of which may be beyond our control. We may not be able to maintain a level of cash flows sufficient to pay the principal and interest on our debt, including the $435 million principal amount of our Senior Secured Notes (the "Senior Secured Notes"), or the outstanding amount of the Working Capital Revolver Loan or to pay the cumulative dividends and redemption payment on the Series E Redeemable Preferred should the holder choose to redeem it on or after October 25, 2023, that applicable optional redemption date with respect thereto.

If cash flows and capital resources are insufficient to fund our debt, dividend or preferred stock redemption obligations, we could face substantial liquidity problems and will need to seek additional capital through the issuance of debt, the issuance of equity, asset sales or a combination of the foregoing. If we are unsuccessful, we will need to reduce or delay investments and capital expenditures, or to dispose of other assets or operations, seek additional capital, or restructure or refinance debt or redeemable equity. These alternative measures may not be successful, may not be completed on economically attractive terms, or may not be adequate for us to meet our debt or preferred stock redemption obligations when due. Additionally, our debt agreements and the operating agreements associated with our Series E Redeemable Preferred limit the use of the proceeds from many dispositions of assets or operations. As a result, we may not be permitted to use the proceeds from these dispositions to satisfy our debt or preferred stock redemption obligations. If we cannot make scheduled payments on our debt, we will be in default and the outstanding principal and interest on our debt could be declared to be due and payable, in which case we could be forced into bankruptcy or liquidation or required to substantially restructure or alter our business operations or debt obligations. In such an event, we may not have sufficient assets to repay all of our debt.

Further, if we suffer or appear to suffer from a lack of available liquidity, the evaluation of our creditworthiness by counterparties and rating agencies and the willingness of third parties to do business with us could be materially and adversely affected. In particular, our credit ratings could be lowered, suspended or withdrawn entirely at any time by the rating agencies. Downgrades in our long-term debt ratings generally cause borrowing costs to increase and the potential pool of investors and funding sources to decrease and could trigger liquidity demands pursuant to the terms of contracts, leases or other agreements. Any future transactions by us, including the issuance of additional debt, the sale of any operating assets, or any other transaction to manage our liquidity, could result in temporary or permanent downgrades of our credit ratings.

Our substantial level of indebtedness, including dividend requirements relating to our preferred stock, could limit our financial and operating activities, and adversely affect our ability to incur additional debt to fund future needs.

We currently have a substantial amount of indebtedness, as well as dividend and redemption requirements relating to our preferred stock. As a result, this level could, among other things:

- require us to dedicate a substantial portion of our cash flow to the payment of principal, interest and dividends, thereby reducing the funds available for operations and future business opportunities;
- make it more difficult for us to satisfy our obligations, including our repurchase obligations;
- limit our ability to borrow additional money if needed for other purposes, including working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes, on satisfactory terms or at all;
- limit our ability to adjust to changing economic, business and competitive conditions;
- place us at a competitive disadvantage with competitors who may have less indebtedness or greater access to financing;
- make us more vulnerable to an increase in interest rates, a downturn in our operating performance or a decline in general economic conditions; and
- make us more susceptible to changes in credit ratings, which could affect our ability to obtain financing in the future and increase the cost of such financing.

Any of the foregoing could adversely affect our operating results, financial condition, and liquidity.

Our debt agreements and our preferred stock contain covenants and restrictions that could restrict or limit our financial and business operations. A breach of these covenants or restrictions could result in an event of default under one or more of our debt agreements or contracts at different entities within our capital structure, including as a result of cross acceleration or default provisions.

Our debt agreements and our preferred stock contain various covenants and other restrictions that, among other things, limit flexibility in operating our businesses. A breach of any of these covenants or restrictions could result in a significant portion of our debt becoming due and payable or could result in significant contractual liability. These covenants and other restrictions limit our ability to, among other things:

- incur additional debt or issue preferred shares;
- pay dividends on, repurchase or make distributions in respect of capital stock, make other restricted payments;
- or make investments;
- sell or transfer assets;
- create liens on assets to secure debt;
- engage in certain fundamental corporate changes or changes to our business activities;
- make certain material acquisitions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with affiliates;
- designate subsidiaries as unrestricted subsidiaries; and
- repay, repurchase or modify certain subordinated and other material debt.

The Working Capital Revolver Loan also contains certain affirmative covenants and requires the borrowers to comply with a fixed charge coverage ratio (as defined in the Working Capital Revolver Loan) if their excess availability (as defined in the Working Capital Revolver Loan) falls below a certain level.

These covenants and restrictions could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns.

In addition, certain failures to make payments when due on, or the acceleration of, significant indebtedness constitutes a default under some of our debt instruments, including the indenture governing the notes. Further, a breach of any of the covenants or restrictions in a debt instrument could result in an event of default under such debt instrument. Upon the occurrence of an event of default under one of these debt instruments, our lenders or noteholders could elect to declare all amounts outstanding under such debt instrument to be immediately due and payable and/or terminate all commitments to extend further credit. Such actions by those lenders or noteholders could cause cross defaults or accelerations under our other debt. If we were unable to repay those amounts, the lenders or noteholders could proceed against any collateral granted to them to secure such debt. In the case of a default under debt that is guaranteed, holders of such debt could also seek to enforce the guarantees. If lenders or noteholders accelerate the repayment of all borrowings, we would likely not have sufficient assets and funds to repay those borrowings. Such occurrence could result in our or our applicable subsidiary going into bankruptcy, liquidation or insolvency.

Despite our current levels of debt, we may still incur more debt ranking senior or equal in right of payment with our existing obligations, including secured debt, which would increase the risks described herein.

The agreements relating to our debt, including the Senior Secured Notes Indenture and the credit agreement governing our Working Capital Revolver Loan, limit but do not prohibit our ability to incur additional debt, including additional secured debt. Notwithstanding the fact that the Senior Secured Notes Indenture and the credit agreement governing our Working Capital Revolver Loan limit our ability to incur additional debt or grant certain liens on our assets, the restrictions on the incurrence of additional indebtedness and liens are subject to a number of important qualifications and exceptions, and the additional indebtedness and liens incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Borrowings under our Working Capital Revolver Loan bear interest at a variable rate, which subjects us to interest rate risk and could cause our debt service obligations to increase.

All of our borrowings under our Working Capital Revolver Loan are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on this variable rate indebtedness would increase even though the amount borrowed remained the same. Although we may enter into interest rate swaps to reduce interest rate volatility, we cannot provide assurances that we will be able to do so or that such swaps will be effective.

Despite continuing investment to upgrade and replace equipment on an ongoing basis, the age of our chemical manufacturing facilities increases the risk for unplanned downtime, which may be significant.

Our business is comprised of operating units of various ages and levels of automated control. While we have continued to make significant annual capital improvements, potential age or control related issues have occurred in the past and may occur in the future, which could cause damage to the equipment and ancillary facilities. As a result, we have experienced and may continue to experience additional downtime at our chemical facilities in the future.

The equipment required for the manufacture of our products is specialized, and the time for replacement of such equipment can be lengthy, resulting in extended downtime in the affected unit. In addition, the cost for such equipment could be influenced by changes in regulatory policies (including tariffs) of foreign governments, as well as the U.S. laws and policies affecting foreign trade and investment.

Although we use various reliability and inspection programs and maintain a significant inventory of spare equipment, which are intended to mitigate the extent of production losses, unplanned outages may still occur. As a result, these planned and unplanned downtime events at our chemical facilities have in the past and could in the future adversely affect our operating results, liquidity and financial condition.

LSB is a holding company and depends, in large part, on receiving funds from its subsidiaries to fund our indebtedness.

Because LSB is a holding company and operations are conducted through its subsidiaries, LSB's ability to meet its obligations depends, in large part, on the operating performance and cash flows of its subsidiaries and the ability of its subsidiaries to make distributions and pay dividends to LSB.

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

We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the near future. Although our Board of Directors (the "Board") has not made a decision whether or not to pay dividends on our common stock in 2020, it is unlikely we will pay dividends on our common stock until we have repaid or refinanced our debt and our preferred stock. In addition, there are certain limitations contained in our loan and securities purchase agreements that may limit our ability to pay dividends on our outstanding common stock.

Future issuances or potential issuances of our common stock or preferred stock could adversely affect the price of our common stock and our ability to raise funds in new stock offerings and could dilute the percentage ownership or voting power of our common stockholders.

Future sales of substantial amounts of our common stock, preferred stock or equity-related securities in the public market, or the issuance of a substantial amount of our common stock as the result of the conversion of our outstanding convertible preferred stocks, or the perception that such sales or conversions could occur, could adversely affect prevailing trading prices of our common stock and could dilute the value of common stock held by our existing stockholders. No prediction can be made as to the effect, if any, that future sales of common stock, preferred stock, or equity-related securities, conversions of our outstanding preferred stocks into 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. Such future sales or conversions could also significantly reduce the percentage ownership and voting power of our existing common stockholders.

Deterioration of global market and economic conditions could have a material adverse effect on our business, financial condition, results of operations and cash flow.

A slowdown of, or persistent weakness in, economic activity caused by a deterioration of global market and economic conditions could adversely affect our business in the following ways, among others: conditions in the credit markets could impact the ability of our customers and their customers to obtain sufficient credit to support their operations; the failure of our customers to fulfill their purchase obligations could result in increases in bad debts and affect our working capital; and the failure of certain key suppliers could increase our exposure to disruptions in supply or to financial losses. We also may experience declining demand and falling prices for some of our products due to our customers' reluctance to replenish inventories. The overall impact of a global economic downturn or reduced overall global trade on us is difficult to predict, and our business could be materially adversely impacted.

In addition, conditions in the international market for nitrogen fertilizer significantly influence our operating results. The international market for fertilizers is influenced by such factors as the relative value of the U.S. currency and its impact on the importation of fertilizers, foreign agricultural policies, the existence of, or changes in, import or foreign currency exchange barriers in certain foreign markets and other regulatory policies (including tariffs) of foreign governments, as well as the U.S. laws and policies affecting foreign trade and investment.

Seasonality can adversely affect our business.

If seasonal demand is less than we expect, we may be left with excess inventory that will have to be stored (in which case our results of operations will be negatively affected by any related increased storage costs) or liquidated (in which case the selling price may be below our production, procurement and storage costs). The risks associated with excess inventory and product shortages are exacerbated by the volatility of natural gas and nitrogen fertilizer prices and the relatively brief periods during which farmers can apply nitrogen fertilizers. If prices for our products rapidly decrease, we may be subject to inventory write-downs, adversely affecting our operating results. If seasonal demand is greater than we expect, we may experience product shortages, and customers of ours may turn to our competitors for products that they would otherwise have purchased from us.

Our operations and the production and handling of our products involve significant risks and hazards.

Our operations are subject to hazards inherent in the manufacture, transportation, storage and distribution of chemical products, including some products that are highly toxic and corrosive. These hazards include, among other things, explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving storage tanks, pipelines and rail cars; spills, discharges and releases of toxic or hazardous substances or gases; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled plant downtime; labor difficulties and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage and may result in suspension of operations for an extended period of time and/or the imposition of civil or criminal penalties and liabilities. We periodically experience minor releases of ammonia related to leads from our equipment. Similar events may occur in the future. As a result, such events could have a material adverse effect on our results of operations and financial condition.

A major factor underlying the current high level of demand for our nitrogen-based fertilizer products is the production of ethanol. A decrease in ethanol production, an increase in ethanol imports or a shift away from corn as a principal raw material used to produce ethanol could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

A major factor underlying the solid level of demand for our nitrogen-based fertilizer products is the production of ethanol in the United States and the use of corn in ethanol production. Ethanol production in the United States is highly dependent upon a myriad of federal statutes and regulations and is made significantly more competitive by various federal and state incentives and mandated usage of renewable fuels pursuant to the federal renewable fuel standards ("RFS"). To date, the RFS has been satisfied primarily with fuel ethanol blended into gasoline. However, a number of factors, including the continuing "food versus fuel" debate and studies showing that expanded ethanol usage may increase the level of greenhouse gases in the environment as well as be unsuitable for small engine use, have resulted in calls to reduce subsidies for ethanol, allow increased ethanol imports and to repeal or waive (in whole or in part) the current RFS, any of which could have an adverse effect on corn-based ethanol production, planted corn acreage and fertilizer demand. Therefore, ethanol incentive programs may not be renewed, or if renewed, they may be renewed on terms significantly less favorable to ethanol producers than current incentive programs.

Furthermore, most ethanol is currently produced from corn and other raw grains, such as milo or sorghum, especially in the Midwest. The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste and energy crops (plants grown for use to make biofuels or directly exploited for their energy content). If an efficient method of producing ethanol from cellulose-based biomass is developed, the demand for corn may decrease significantly, which could reduce demand for nitrogen fertilizer products and have a material adverse effect on the prices we receive on sales of our ammonia products and our results of operations, financial condition and ability to make cash distributions.

Our business and customers are sensitive to adverse economic cycles.

Our business can be affected by cyclical factors such as inflation, currency exchange rates, global energy policy and costs, regulatory policies (including tariffs), global market conditions and economic downturns in specific industries. Certain sales are sensitive to the level of activity in the agricultural, mining, automotive and housing industries. Therefore, substantial changes could adversely affect our operating results, liquidity, financial condition and capital resources.

Weather conditions adversely affect our business.

The products (primarily agricultural) produced and sold by us have been in the past, and could be in the future, materially affected by adverse weather conditions (such as excessive rain or drought) in the primary markets for our fertilizer and related agricultural products. In addition, weather can cause an interruption to the operations of our chemical facilities. Many scientists have concluded that increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. These climate changes might also occur as the result of other phenomena that human activity is unable to influence, including changes in solar activity and volcanic activity. Regardless of the cause, 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 our agricultural sales and our financial condition and results of operations.

There is intense competition in the markets we serve.

Substantially all of the markets in which we participate are highly competitive with respect to product quality, price, distribution, service, and reliability. We compete with many companies, domestic and foreign, that have greater financial, marketing and other resources. Competitive factors could require us to reduce prices or increase spending on product development, marketing and sales, which could have a material adverse effect on our business, results of operation and financial condition.

We compete with many U.S. producers and producers in other countries, including state-owned and government-subsidized entities. Some competitors have greater total resources and are less dependent on earnings from chemical sales, which make them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities. Our competitive position could suffer to the extent we are not able to expand our own resources sufficiently either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. An inability to compete successfully could result in the loss of customers, which could adversely affect our sales and profitability.

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

For 2019, ten customers accounted for approximately 47% 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 with other sales on substantially similar terms.

A change in the volume of products that our customers purchase on a forward basis, or the percentage of our sales volume that is sold to our customers on a forward basis, could increase our exposure to fluctuations in our profit margins and materially adversely affect our business, financial condition, results of operations and cash flows.

We offer our customers from time-to-time, the opportunity to purchase products from us on a forward basis at prices and delivery dates we propose. Under our forward sales programs, customers generally make an initial cash down payment at the time of order and pay the remaining portion of the contract sales under their usual invoice terms when the performance obligation is satisfied. Forward sales improve our liquidity due to the cash payments received from customers in advance of shipment of the product and allow us to improve our production scheduling and planning and the utilization of our manufacturing and distribution assets. Any cash payments received in advance from customers in connection with forward sales are reflected on our consolidated balance sheets as a current liability until the related performance obligations are satisfied, which can take up to several months. We believe the ability to purchase products on a forward basis is most appealing to our customers during periods of generally increasing prices for nitrogen fertilizers. Our customers may be less willing or even unwilling to purchase products on a forward basis during periods of generally decreasing or stable prices or during periods of relatively high fertilizer prices due to the expectation of lower prices in the future or limited capital resources. In periods of rising fertilizer prices, selling our nitrogen fertilizers on a forward basis may result in lower profit margins than if we had not sold fertilizer on a forward basis. Conversely, in periods of declining fertilizer prices, selling our nitrogen fertilizers on a forward basis may result in higher profit margins than if we had not sold fertilizer on a forward basis. In addition, fixing the selling prices of our products, often months in advance of their ultimate delivery to customers, typically causes our reported selling prices and margins to differ from spot market prices and margins available at the time the performance obligation is satisfied.

Cost and the lack of availability of raw materials could materially affect our profitability and liquidity.

Our sales and profits are heavily affected by the costs and availability of primary raw materials. These primary raw materials are subject to considerable price volatility. Historically, when there have been rapid increases in the cost of these primary raw materials, we have sometimes been unable to timely increase our sales prices to cover all of the higher costs incurred. While we periodically enter into futures/forward contracts to economically hedge against price increases in certain of these raw materials, there can be no assurance that we will effectively manage against price fluctuations in those raw materials.

Natural gas represents the primary raw material feedstock in the production of most of our chemical products. Although we enter into contracts with certain customers that provide for the pass-through of raw material costs, we have a substantial amount of sales that do not provide for the pass-through of raw material costs. Also, the spot sales prices of our agricultural products may not correlate to the cost of natural gas but rather reflect market conditions for similar and competing nitrogen sources. This lack of correlation can compromise our ability to recover our full cost to produce the products in this market. As a result, in the future, we may not be able to pass along to all of our customers the full amount of any increases in raw material costs. Future price fluctuations in our raw materials may have an adverse effect on our financial condition, liquidity and results of operations.

Additionally, we depend on certain vendors to deliver natural gas and other key components that are required in the production of our products. Any disruption in the supply of natural gas and other key components could result in lost production or delayed shipments.

The price of natural gas in North America and worldwide has been volatile in recent years and has declined on average due in part to the development of significant natural gas reserves, including shale gas, and the rapid improvement in shale gas extraction techniques, such as hydraulic fracturing and horizontal drilling. Future production of natural gas from shale formations could be reduced by regulatory changes that restrict drilling or hydraulic fracturing or increase its cost or by reduction in oil exploration and development prompted by lower oil prices and resulting in production of less associated natural gas. Additionally, increased demand for natural gas, particularly in the Gulf Coast Region, due to increased industrial demand and increased natural gas exports could result in increased natural gas prices.

We have suspended in the past, and could suspend in the future, production at our chemical facilities due to, among other things, the high cost or lack of availability of natural gas and other key components, which could adversely affect our competitiveness in the markets we serve. Accordingly, our financial condition, liquidity and results of operations could be materially affected in the future by the lack of availability of natural gas and other key components and increase costs relating to the purchase of natural gas and other key components.

Our business is subject to risks involving derivatives and the risk that our hedging activities might not be effective.

We may utilize natural gas derivatives to hedge our financial exposure to the price volatility of natural gas, the principal raw material used in the production of nitrogen-based products. We may use futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges to hedge our risk. Our use of derivatives can result in volatility in reported earnings due to the unrealized mark-to-market adjustments that occur from changes in the value of the derivatives that do not qualify for, or to which we do not apply, hedge accounting. To the extent that our derivative positions lose value, we may be required to post collateral with our counterparties, adversely affecting our liquidity. We have also used fixed-price, physical purchase and sales contracts to hedge our exposure to natural gas price volatility. Hedging arrangements are imperfect and unhedged risks will always exist. In addition, our hedging activities may themselves give rise to various risks that could adversely affect us. For example, we are exposed to counterparty credit risk when our derivatives are in a net asset position. The counterparties to our derivatives are multi-national commercial banks, major financial institutions or large energy companies. Our liquidity could be negatively impacted by a counterparty default on settlement of one or more of our derivative financial instruments or by the trigger of any cross-default provisions or credit support requirements. Additionally, the International Swaps and Derivative Association master netting arrangements for most of our derivative instruments contain credit-risk-related contingent features, such as cross-default and/or acceleration provisions and credit support requirements. In the event of certain defaults or a credit ratings downgrade, our counterparty may request early termination and net settlement of certain derivative trades or may require us to collateralize derivatives in a net liability position. At other times we may not utilize derivatives or derivative strategies to hedge certain risks or to reduce the financial exposure of price volatility. As a result, we may not prevent certain material adverse impacts that could have been mitigated through the use of derivative strategies.

We may not have adequate insurance.

While we maintain liability, property and business interruption insurance, including certain coverage for environmental contamination, it is subject to coverage limits and policies that may exclude coverage for some types of damages. Although there may currently be sources from which such coverage may be obtained, the coverage 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.

Furthermore, we are subject to litigation for which we could be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. If we are required to incur all or a portion of the costs arising out of any litigation or investigation as a result of inadequate insurance proceeds, if any, our business, results of operations, financial condition and liquidity could be materially adversely affected. For further discussion of our litigation, please see "Other Pending, Threatened or Settled Litigation" in Note 9 to the Consolidated Financial Statements included in this report.

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 ensure that our principal executive officers will continue to be available. Although we have employment agreements with certain of our principal executive officers, including Mark T. Behrman and Cheryl A. Maguire, we do not have employment agreements with all of our key personnel. 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 are subject to collective bargaining agreements with certain employees.

Approximately 27% of our employees are covered by collective bargaining agreements. We may not be able to renew our collective bargaining agreements on terms similar to current terms or renegotiate collective bargaining agreements on terms acceptable to us. The prolonged failure to renew or renegotiate a collective bargaining agreement could result in work stoppages. Additionally, if a collective bargaining agreement is negotiated at higher-than-anticipated cost, absorbing those costs or passing them through to customers in the form of higher prices may make us less competitive.

Terrorist attacks and other acts of violence or war, and natural disasters (such as hurricanes, pandemic health crises, etc.), have negatively affected and could negatively affect U.S. and foreign companies, the financial markets, the industries where we operate, our operations and our profitability.

Terrorist attacks in the U.S and elsewhere and natural disasters (such as hurricanes or pandemic health crises) have in the past and can in the future negatively affect our operations. We cannot predict further terrorist attacks and natural disasters in the U.S. and elsewhere. These attacks or natural disasters have contributed to economic instability in the U.S. and elsewhere, and further acts of terrorism, violence, war or natural disasters could 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 natural disasters may directly affect our physical facilities, especially our chemical facilities, or those of our suppliers or customers and could affect our sales, our production capability and our ability to deliver products to our customers. In the past, hurricanes affecting the Gulf Coast of the U.S. have negatively affected our operations and those of our customers. As previously noted, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects, whether anthropogenic or otherwise, were to occur in areas where we or our clients operate, they could have an adverse effect on our assets and operations.

Cyber security risks could adversely affect our business operations.

As we continue to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. We rely on our enterprise resource planning software ("ERP") and other information systems, among other things, to manage our manufacturing, supply chain, accounting and financial functions. This risk not only applies to us, but also to third parties on whose systems we place significant reliance for the conduct of our business. We are significantly dependent upon internet connectivity and a third-party cloud hosting vendor. We have implemented security procedures and measures in order to protect our information from being vulnerable to theft, loss, damage or interruption from a number of potential sources or events. Although we believe these measures and procedures are appropriate, we may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information systems could have an adverse effect on our results of operations, liquidity and financial condition.

Our transportation and distribution activities rely on third party providers, which subject us to risks and uncertainties beyond our control that may adversely affect our operations.

We rely on railroad, trucking, pipeline and other transportation service providers to transport raw materials to our manufacturing facilities, to coordinate and deliver finished products to our storage and distribution system and our retail centers and to ship finished products to our customers. These transportation operations, equipment and services are subject to various hazards, including adverse operating conditions, extreme weather conditions, system failures, work stoppages, equipment and personnel shortages, delays, accidents such as spills and derailments and other accidents and operating hazards.

In the event of a disruption of existing transportation or terminaling facilities for our products or raw materials, alternative transportation and terminaling facilities may not have sufficient capacity to fully serve all of our customers or facilities. An extended interruption in the delivery of our products to our customers or the supply of natural gas, ammonia or sulfur to our production facilities could adversely affect sales volumes and margins.

These transportation operations, equipment and services are also subject to environmental, safety, and regulatory oversight. Due to concerns related to accidents, terrorism or increasing concerns regarding transportation of potentially hazardous substances, local, provincial, state and federal governments could implement new regulations affecting the transportation of raw materials or our finished products. If transportation of our products is delayed or we are unable to obtain raw materials as a result of any third party's failure to operate properly or the other hazards described above, or if new and more stringent regulatory requirements are implemented affecting transportation operations or equipment, or if there are significant increases in the cost of these services or equipment, our revenues and cost of operations could be adversely affected. In addition, we may experience increases in our transportation costs, or changes in such costs relative to transportation costs incurred by our competitors.

Future technological innovation could affect our business.

Future technological innovation, such as the development of seeds that require less crop nutrients, or developments in the application of crop nutrients, if they occur, could have the potential to adversely affect the demand for our products and results of operations.

We are reliant on a limited number of key facilities.

Our nitrogen production is concentrated in four separate complexes. The suspension of operations at any of these complexes could adversely affect our ability to produce our products and fulfill our commitments and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, our facilities may be subject to failure of equipment that may be difficult to replace and could result in operational disruptions.

Potential increase of imported agricultural products.

Russia and Ukraine both have substantial capacity to produce and export fertilizers. Producers in these countries also benefit from below-market prices for natural gas, due to government regulation and other factors. We have seen imports into the U.S. from those countries increase over the last twelve months.

In addition, producers in China have substantial capacity to produce and export urea. Depending on various factors, including prevailing prices from other exporters, the price of coal, and the price of China's export tariff, higher volumes of urea from China could be imported into the U.S. at prices that could have an adverse effect on the selling prices of other nitrogen products, including the nitrogen products we manufacture and sell.

Current and future legislative or regulatory requirements affecting our business may result in increased costs and decreased revenues, cash flows and liquidity or could have other negative effects on our business.

Our business is subject to numerous health, safety, security and environmental laws and regulations. The manufacture and distribution of chemical products are activities that entail health, safety and environmental risks and impose obligations under health, safety and environmental laws and regulations, many of which provide for substantial fines and potential criminal sanctions for violations. Although we believe we have established processes to monitor, review and manage our businesses to comply with the numerous health, safety and environmental laws and regulations, we previously were, and in the future, may be, subject to fines, penalties and sanctions for violations and substantial expenditures for cleanup costs and other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of effluents at or from our chemical facilities. Further, a number of our chemical facilities are dependent on environmental permits to operate, the loss or modification of which could have a material adverse effect on their operations and our results of operation and financial condition. These operating permits are subject to modification, renewal and revocation. In addition, third parties may contest our ability to receive or renew certain permits that we need to operate, which can lengthen the application process or even prevent us from obtaining necessary permits. We regularly monitor and review our operations, procedures and policies for compliance with permits, laws and regulations. Despite these compliance efforts, risk of noncompliance or permit interpretation is inherent in the operation of our business.

There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of compliance.

Changes to the production equipment at our chemical facilities that are required in order to comply with health, safety and environmental regulations may require substantial capital expenditures.

Explosions and/or losses at other chemical facilities that we do not own (such as the April 2013 explosion in West, Texas) could also result in new or additional legislation or regulatory changes, particularly relating to public health, safety or any of the products manufactured and/or sold by us or the inability on the part of our customers to obtain or maintain insurance as to certain products manufactured and/or sold by us, which could have a negative effect on our revenues, cash flow and liquidity.

In summary, new or changed laws and regulations or the inability of our customers to obtain or maintain insurance in connection with any of our chemical products could have an adverse effect on our operating results, liquidity and financial condition.

We may be required to modify or expand our operating, sales and reporting procedures and to install additional equipment in order to comply with current and possible future government regulations.

The chemical industry in general, and producers and distributors of ammonia and AN specifically, are scrutinized by the government, industry and public on security issues. Under current and proposed regulations, we may be required to incur substantial additional costs relating to security at our chemical facilities and distribution centers, as well as in the transportation of our products. These costs could have a material effect on our results of operations, financial condition, and liquidity. The cost of such regulatory changes, if significant, could lead some of our customers to choose other products over ammonia and AN, which may have a significant adverse effect on our business.

The "Secure Handling of Ammonium Nitrate Act of 2007" was enacted by the U.S. Congress, and subsequently the U.S. Department of Homeland Security ("DHS") published a notice of proposed rulemaking in 2011. This regulation proposes to require sellers, buyers, their agents and transporters of solid AN and certain solid mixtures containing AN to possess a valid registration issued by DHS, keep certain records, report the theft or unexplained loss of regulated materials, and comply with certain other new requirements. We and others affected by this proposal have submitted appropriate comments to DHS regarding the proposed regulation. It is possible that DHS could significantly revise the requirements currently being proposed. Depending on the provisions of the final regulation to be promulgated by DHS and on our ability to pass these costs to our customers, these requirements may have a negative effect on the profitability of our AN business and may result in fewer distributors who are willing to handle the product. DHS has not finalized this rule, and has indicated that its next action, and the timing of such an action, is undetermined.

On August 1, 2013, U.S. President Obama issued an executive order addressing the safety and security of chemical facilities in response to recent incidents involving chemicals such as the explosion at West, Texas. The President directed federal agencies to enhance existing regulations and make recommendations to the U.S. Congress to develop new laws that may affect our business. In January 2016, the U.S. Chemical Safety and Hazard Investigation Board ("CSB") released its final report on the West, Texas incident. The CSB report identifies several federal and state regulations and standards that could be strengthened to reduce the risk of a similar incident occurring in the future. While the CSB does not have authority to directly regulate our business, the findings in this report, and other activities taken in response to the West, Texas incident by federal, state, and local regulators may result in additional regulation of our processes and products.

In January 2017, the U.S. Environmental Protection Agency ("EPA") finalized revisions to its Risk Management Program ("RMP"). The revisions include new requirements for certain facilities to perform hazard analyses, third-party auditing, incident investigations and root cause analyses, emergency response exercises, and to publicly share chemical and process information. Compliance with many of the rule's new requirements will be required beginning in 2021. The EPA temporarily delayed the rule's effective date however, the delay was subsequently vacated with an immediate effective date. On December 3, 2018, the EPA published a final rule that incorporates amendments to the RMP under 40 CFR Part 68. However, on November 21, 2019, EPA finalized its Risk Management Program Reconsideration Rule which rescinded third-party auditing, incident investigation and root cause analysis, and the public sharing of specific chemical and process information. The passage of the Reconsideration Rule has reduced the potential negative effect on the profitability of our AN business compared to the January 2017 RMP amendments. The Occupational Safety and Health Administration ("OSHA") is likewise considering changes to its Process Safety Management standards. In addition, DHS, the EPA, and the Bureau of Alcohol, Tobacco, Firearms and Explosives updated a joint chemical advisory on the safe storage, handling, and management of AN. While these actions may result in additional regulatory requirements or changes to our operators, it is difficult to predict at this time how these and any other possible regulations, if and when adopted, will affect our business, operations, liquidity or financial results.

Proposed and existing governmental laws and regulations relating to greenhouse gas and other air emissions may subject certain of our operations and customers to significant new costs and restrictions on their operations and may reduce sales of our products.

Our chemical manufacturing facilities use significant amounts of electricity, natural gas and other raw materials necessary for the production of their chemical products that result, or could result, in certain greenhouse gas emissions into the environment. Federal and state legislatures and administrative agencies, including the EPA, are considering the scope and scale of greenhouse gas or other air emission regulation. Legislation and administrative actions have been considered that would regulate greenhouse gas emissions at some point in the future for our facilities, and existing and possible actions have already affected certain of our customers, leading to closure or rate reductions of certain facilities.

In response to findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment, the EPA adopted regulations pursuant to the federal Clean Air Act to reduce greenhouse gas emissions from various sources. For example, the EPA requires certain large stationary sources to obtain preconstruction and operating permits for pollutants regulated under the Prevention of Significant Deterioration and Title V programs of the Clean Air Act. Facilities required to obtain preconstruction permits for such pollutants are also required to meet "best available control technology" standards that are being established by the states. These regulatory requirements could adversely affect our operations and restrict or delay our ability to obtain air permits for new or modified sources.

Although greenhouse gas regulation could: increase the price of the electricity and other energy sources purchased by our chemical facilities; increase costs for natural gas and other raw materials (such as ammonia); potentially restrict access to or the use of certain raw materials necessary to produce our chemical products; and require us to incur substantial expenditures to retrofit our chemical facilities to comply with the proposed new laws and regulations regulating greenhouse gas emissions. Federal, state and local governments may also pass laws mandating the use of alternative energy sources, such as wind power and solar energy, which may increase the cost of energy use in certain of our chemical and other manufacturing operations. For instance, the EPA published a rule, known as the Clean Power Plan, to limit greenhouse gases from electric power plants. The EPA is currently reviewing the Clean Power Plan however, it could result in increased electricity costs due to increased requirements for use of alternative energy sources, and a decreased demand for coal-generated electricity.

Laws, regulations or other issues related to climate change could have a material adverse effect on us.

If we, or other companies with which we do business become subject to laws or regulations related to climate change, it could have a material adverse effect on us. The United States may enact new laws, regulations and interpretations relating to climate change, including potential cap-and-trade systems, carbon taxes and other requirements relating to reduction of carbon footprints and/or greenhouse gas emissions. Other countries have enacted climate change laws and regulations and the United States has been involved in discussions regarding international climate change treaties. The federal government and some of the states and localities in which we operate have enacted certain climate change laws and regulations and/or have begun regulating carbon footprints and greenhouse gas emissions. Although these laws and regulations have not had any known material adverse effect on us to date, they could result in substantial costs, including compliance costs, monitoring and reporting costs and capital. Furthermore, our reputation could be damaged if we violate climate change laws or regulations. We cannot predict how future laws and regulations, or future interpretations of current laws and regulations, related to climate change will affect our business, results of operations, liquidity and financial condition. Lastly, the potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages and changing temperatures. Any of these matters could have a material adverse effect on us.

Certain of our stockholders control a significant amount of our voting stock, and their interests could conflict with interests of other stockholders.

LSB Funding LLC ("LSB Funding"), our largest voting shareholder, owned 4,069,324 shares of common stock and one share of Series F redeemable Class C preferred stock (the "Series F Redeemable Preferred"), which has voting rights equal to 456,225 shares of common stock, which together represents approximately 15.2% of the voting power of our common stock and the Series F Redeemable Preferred as of December 31, 2019.

Jack E. Golsen ("J. Golsen"), Steven J. Golsen ("S. Golsen"), Barry H. Golsen ("B. Golsen"), Linda Golsen Rappaport ("L. Rappaport"), Golsen Family LLC, an Oklahoma limited liability company ("Family LLC"), SBL LLC, an Oklahoma limited liability company ("SBL LLC"), and Golsen Petroleum Corp., an Oklahoma corporation ("GPC", and together with Messrs. J. Golsen, S. Golsen and B. Golsen, Ms. L. Rappaport, Family LLC, SBL LLC, each a "Golsen Holder" and, collectively, the "Golsen Holders") owned as of December 31, 2019, an aggregate of 2,185,517 shares of our common stock and 1,020,000 shares of our voting preferred stock (1,000,000 of which shares have 0.875 votes per share, or 875,000 votes), which together vote as a class and represent approximately 10.2% of the voting power (prior to conversion of the shares of voting preferred) of our issued and outstanding voting securities as of that date. The series of preferred represented by the 20,000 shares of voting preferred is convertible into an aggregate of 666,666 shares of our common stock.

Pursuant to a Board Representation and Standstill Agreement entered into in connection with LSB Funding's purchase of preferred stock in December 2015, as amended in October 2017 and 2018, LSB Funding has the right to designate two directors on our Board, and the Golsen Holders have the right to appoint two directors on our Board, subject to reduction in each case in certain circumstances. This is in addition to their ability to vote generally in the election of directors. As a result, each of LSB Funding and the Golsen Holders have significant influence over the election of directors to our Board.

The interests of LSB Funding and the Golsen Holders may conflict with interests of other stockholders (as well as with each other). As a result of the voting power and board designation rights of LSB Funding and the Golsen Holders, the ability of other stockholders to influence our management and policies could be limited.

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 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 certain subsidiaries that provide, among other things, that if, within a specified period of time after the occurrence of a change in control of LSB, these officers are terminated, other than for cause, or the officer terminates his employment for good reason, the officer would be entitled to certain severance benefits. Certain of our preferred stock series and debt instruments also provide special rights in a change of control, including in some cases the ability to be repaid in full or redeemed.

We have authorized and unissued (including shares held in treasury) 45,726,356 shares of common stock and 4,090,231 shares of preferred stock as of December 31, 2019. These unissued shares could be used by our management to make it more difficult, and thereby discourage an attempt to acquire control of us.

The foregoing provisions and agreements may discourage a third-party tender offer, proxy contest, or other attempts to acquire control of us and could have the effect of making it more difficult to remove incumbent management. In addition, LSB Funding and the Golsen Holders have significant voting power and rights to designate board representatives, all of which may further discourage a third-party tender offer, proxy contest, or other attempts to acquire control of us.

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:

- prior to such time the Board of the corporation approved the business combination that results in the stockholder becoming an invested stockholder;
- the acquirer owned at least 85% of the outstanding voting stock of such company prior to commencement of the transaction;
- two-thirds of the stockholders, other than the acquirer, vote to approve the business combination after approval thereof by the Board; or
- the stockholders of the corporation amend its articles of incorporation or by-laws electing not to be governed by this provision.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained within this report may be deemed “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933 (as amended, the “Securities Act”) and Section 21E of the Securities Exchange Act. All statements in this report 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,” “plan,” “may,” “could” and similar expressions identify Forward-Looking Statements. Forward-Looking Statements contained herein include, but are not limited to, the following: our ability to invest in projects that will generate best returns for our stockholders;

- our future liquidity outlook;
- the outlook our chemical products and related markets;
- the amount, timing and effect on the nitrogen market from the current nitrogen expansion projects;
- the effect from the lack of non-seasonal volume;
- our belief that competition is based upon service, price, location of production and distribution sites, and product quality and performance;
- our outlook for the coal industry;
- the availability of raw materials;
- the result of our product and market diversification strategy;
- changes in domestic fertilizer production;
- the increasing output and capacity of our existing production facilities;
- on-stream rates at our production facilities;
- our ability to moderate risk inherent in agricultural markets;
- the sources to fund our cash needs and how this cash will be used;
- the ability to enter into the additional borrowings;
- the anticipated cost and timing of our capital projects;
- certain costs covered under warranty provisions;
- our ability to pass to our customers cost increases in the form of higher prices;
- our belief as to whether we have sufficient sources for materials and components;
- annual natural gas requirements;
- compliance by our Facilities with the terms of our permits;
- the costs of compliance with environmental laws, health laws, security regulations and transportation regulations;
- our belief as to when Turnarounds will be performed and completed;
- expenses in connection with environmental projects;
- the effect of litigation and other contingencies;
- the increase in interest expense;
- our ability to comply with debt servicing and covenants;
- our ability to meet debt maturities or redemption obligations when due; and
- our beliefs as to whether we can meet all required covenant tests for the next twelve months.

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, the following:

- changes in general economic conditions, both domestic and foreign;
- material reductions in revenues;
- material changes in interest rates;
- our ability to collect in a timely manner a material amount of receivables;
- increased competitive pressures;
- adverse effects on increases in prices of raw materials;
- changes in federal, state and local laws and regulations, especially environmental regulations or the American Reinvestment and Recovery Act, or in the interpretation of such;
- changes in laws, regulations or other issues related to climate change;
- releases of pollutants into the environment exceeding our permitted limits;
- 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 or financing obligations due in the near future;
- our substantial existing indebtedness;
- material changes in the cost of natural gas and certain precious metals;
- limitations due to financial covenants;
- changes in competition;
- the loss of any significant customer;
- increases in cost to maintain internal controls over financial reporting;
- changes in operating strategy or development plans;
- an inability to fund the working capital and expansion of our businesses;
- changes in the production efficiency of our facilities;
- adverse results in our contingencies including pending litigation;
- unplanned downtime at one or more of our chemical facilities;
- changes in production rates at any of our chemical plants;
- an inability to obtain necessary raw materials and purchased components;
- material increases in cost of raw materials;
- material changes in our accounting estimates;
- significant problems within our production equipment;
- fire or natural disasters;
- an inability to obtain or retain our insurance coverage;
- difficulty obtaining necessary permits;
- difficulty obtaining third-party financing;
- risks associated with proxy contests initiated by dissident stockholders;
- changes in fertilizer production;
- reduction in acres planted for crops requiring fertilizer;

- decreases in duties for products we sell resulting in an increase in imported products into the U.S.;
- adverse effects from regulatory policies, including tariffs;
- volatility of natural gas prices;
- weather conditions;
- increases in imported agricultural products;
- other factors described in the MD&A contained in this report; and
- other factors described in “Risk Factors” contained in this report.

Given these uncertainties, all parties are cautioned not to place undue reliance on such Forward-Looking Statements. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the Forward-Looking Statements contained herein to reflect future events or developments.

Defined Terms

The following is a list of terms used in this report.

ADEQ	-	The Arkansas Department of Environmental Quality.
AN	-	Ammonium nitrate.
ARO	-	Asset retirement obligation.
ASU	-	Accounting Standard Update.
B. Golsen	-	Barry H. Golsen.
Baytown Facility	-	The nitric acid production facility located in Baytown, Texas.
CAO	-	A consent administrative order.
CEO	-	Chief Executive Officer.
Cherokee Facility	-	Our chemical production facility located in Cherokee, Alabama.
Chevron	-	Chevron Environmental Management Company.
Covestro	-	The party with whom our subsidiary, EDN, has entered the Covestro Agreement.
Covestro Agreement	-	A long-term contract that (a) allows us to pass-through most of the costs of producing the nitric acid that Covestro purchases, including the cost of ammonia; (b) to receive management fees for managing the operations and marketing nitric acid at the Baytown Facility and; (c) to receive a portion of any carbon credits that are sold. The term of this agreement runs until June 2021 with options for renewal.
CVR	-	Coffeyville Resources Nitrogen Fertilizers, LLC.
DD&A	-	Depreciation, depletion and amortization.
DEF	-	Diesel Exhaust Fluid.
DHS	-	The U.S. Department of Homeland Security.
EDA	-	El Dorado Ammonia L.L.C.
EDC	-	El Dorado Chemical Company.
EDN	-	El Dorado Nitrogen L.L.C.
El Dorado Facility	-	Our chemical production facility located in El Dorado, Arkansas.
Environmental and Health Laws	-	Numerous federal, state and local environmental, health and safety laws.
ERP	-	Enterprise Resource Planning Software.
EPA	-	The U.S. Environmental Protection Agency.
Family LLC	-	Golsen Family LLC, an Oklahoma limited liability company.
FASB	-	Financial Accounting Standards Board.
Financial Covenant	-	Certain springing financial covenants associated with the working capital revolver loan.

GAAP	-	U.S. Generally Accepted Accounting Principles.
Global	-	Global Industrial, Inc., a subcontractor asserting mechanics liens for work rendered to LSB and EDC.
Golsen Holders	-	Jack E. Golsen ("J. Golsen"), Steven J. Golsen ("S. Golsen"), Barry H. Golsen ("B. Golsen"), Linda Golsen Rappaport ("L. Rappaport"), Golsen Family LLC, an Oklahoma limited liability company ("Family LLC"), SBL LLC, an Oklahoma limited liability company ("SBL LLC"), and Golsen Petroleum Corp., an Oklahoma corporation ("GPC," and together with Messrs. J. Golsen, S. Golsen and B. Golsen, Ms. L. Rappaport, Family LLC, SBL LLC, each a "Golsen Holder" and, collectively, the "Golsen Holders").
GPC	-	Golsen Petroleum Corp., an Oklahoma corporation.
Hallowell Facility	-	A chemical facility previously owned by two of our subsidiaries located in Kansas.
HDAN	-	High density ammonium nitrate prills used in the agricultural industry.
Interim Loan	-	A loan agreement between EDC and a lender with up to $7.5 million of available borrowing for the construction of certain equipment.
Interim Loan Period	-	The time period covered by the Interim Loan for certain equipment construction between EDC and a lender.
IRS	-	U.S. Internal Revenue Service.
J. Golsen	-	Jack E. Golsen.
KDHE	-	The Kansas Department of Health and Environment.
Koch Fertilizer	-	Koch Fertilizer L.L.C.
LDAN	-	Low density ammonium nitrate prills used in the mining industry.
Leidos	-	Leidos Constructors L.L.C.
Liquidation Preference	-	The Series E Redeemable Preferred liquidation preference of $1,000 per share plus accrued and unpaid dividends plus the participation rights value.
LSB	-	LSB Industries, Inc.
LSB Funding	-	LSB Funding L.L.C.
MD&A	-	Management's Discussion and Analysis of Financial Condition and Results of Operations found in Item 7 of this report.
NOL	-	Net Operating Loss.
New Notes	-	The notes issued on June 21, 2019 with an interest rate of 9.625%, which mature in May 2023.
Note	-	A note in the accompanying notes to the consolidated financial statements.
Notes	-	The notes issued on April 28, 2018 with an interest rate of 9.625%, which mature in May 2023.
NPDES	-	National Pollutant Discharge Elimination.
NPK	-	Compound fertilizer products which are a solid granular fertilizer product for which the nutrient content is a combination of nitrogen, phosphorus, and potassium.
ODEQ	-	The Oklahoma Department of Environmental Quality.
OSHA	-	Occupational Safety and Health Administration.
PBRS	-	Performance-based restricted stock.
PCC	-	Pryor Chemical Company.
PP&E	-	Plant, property and equipment.
Pryor Facility	-	Our chemical production facility located in Pryor, Oklahoma.
Purchaser	-	LSB Funding L.L.C.
Retirement Date	-	Date of retirement of Jack E. Golsen as Executive Chairman of the Board, December 31, 2017.
RFS	-	Federal renewable fuel standards.
RMP	-	Risk Management Program.

RSU	-	Restricted stock unit.
SBL LLC	-	SBL LLC, an Oklahoma limited liability company.
S. Golsen	-	Steven J. Golsen.
SEC	-	The U.S. Securities and Exchange Commission.
Secured Promissory Note due 2019	-	A secured promissory note between EDC and a lender which matures in June 2019.
Secured Promissory Note due 2021	-	A secured promissory note between EDC and a lender which matures in March 2021.
Secured Promissory Note due 2023	-	A secured promissory note between EDA and a lender which matures in May 2023.
Senior Secured Notes	-	The Senior Secured Notes due on May 1, 2023 with a stated interest rate of 9.625%.
Series B Preferred	-	The Series B 12% cumulative convertible Class C Preferred stock.
Series D Preferred	-	The Series D 6% cumulative convertible Class C preferred stock.
Series E Redeemable Preferred	-	The 14% Series E Redeemable Preferred stock with participating rights and liquidating distributions based on a certain number of shares of our common stock, including the amended terms discussed in Note 10 to the Consolidated Financial Statements.
Series F Redeemable Preferred	-	The Series F Redeemable Preferred stock with one share to vote as a single class on all matters with our common stock equal to 456,225 shares of our common stock, including the amended terms discussed in Note 10 to the Consolidated Financial Statements.
SG&A	-	Selling, general and administrative expense.
Tax Cut Act	-	The Tax Cuts and Jobs Act of 2017.
Transition Agreement	-	An agreement between Jack Golsen and LSB, dated June 30, 2017.
TSR	-	Total shareholder return.
Turnaround	-	A planned major maintenance activity.
UAN	-	Urea ammonia nitrate.
U.S.	-	United States.
USDA	-	United States Department of Agriculture.
WASDE	-	World Agricultural Supply and Demand Estimates Report.
West Fertilizer	-	West Fertilizer Company.
Working Capital Revolver Loan	-	Our secured revolving credit facility.
2005 Agreement	-	A death benefit agreement with Jack E. Golsen.
2008 Plan	-	The 2008 Incentive Stock Plan.
2016 Plan	-	The 2016 Long Term Incentive Plan.
2018 Crop	-	Corn crop marketing year (September 1 - August 31), which began in 2017 and ended in 2018 and primarily relates to corn planted and harvested in 2017.
2019 Crop	-	Corn crop marketing year (September 1 - August 31), which began in 2018 and ended in 2019 and primarily relates to corn planted and harvested in 2018.
2020 Crop	-	Corn crop marketing year (September 1 - August 31), which began in 2019 and will end in 2020 and primarily relates to corn planted and harvested in 2019.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table presents our significant properties for 2019:

Facility	El Dorado Facility	Cherokee Facility	Pryor Facility	Baytown Facility	Chemical Distribution Centers
Location	El Dorado, AR	Cherokee, AL	Pryor, OK	Baytown, TX	(A)
Plant Area (acres)	150	160	47	2	
Site Area (acres)	1,400	1,300	104	Covestro site	
Site Status	Owned	Owned	Owned	Operating Agreement	(A)
Ammonia Production Capacity (tons)	468,000 (B)	188,000 (C)	201,000 (D)	Not Applicable	

(A) We distribute our agricultural products through 10 wholesale and retail distribution centers, with 9 of the centers located in Texas (8 of which we own and 1 of which we lease); and 1 center located in Missouri (owned).
(B) The ammonia production capacity is based on optimal 1,350 tons per day of production but excludes 18 Turnaround days during 2019.
(C) The ammonia production capacity is based on 515 tons per day of production for the year. The Cherokee Facility did not perform a Turnaround during 2019.
(D) The ammonia production capacity is based on 675 tons per day of production for the year but excludes 67 Turnaround days during 2019.

For 2019, our facilities produced approximately 742,000 tons of ammonia.

Most of our real property and equipment located at our chemical facilities are being used to secure our long-term debt. All of the properties utilized by our businesses are suitable and adequate to meet the current needs of that business and relate to domestic operations.

ITEM 3. LEGAL PROCEEDINGS

See Legal Matters under Note 9 to the Consolidated Financial Statements included in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is trading on the New York Stock Exchange under the symbol "LXU".

Stockholders

As of February 18, 2020, we had approximately 388 record holders of our common stock. This number does not include investors whose ownership is recorded in the name of their brokerage company.

Equity Compensation Plans

Discussions relating to our equity compensation plans under Item 12 of Part III are incorporated by reference to our definitive proxy statement which we intend to file with the SEC on or before April 29, 2020.

Sale of Unregistered Securities

There were no unregistered sales of equity securities in 2019 that have not been previously reported in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

ITEM 6. SELECTED FINANCIAL DATA (1)

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(In Thousands, Except Per Share Data)				
Selected Statement of Operations Data in Dollars:					
Net sales (2)	$ 365,070	$ 378,160	$ 427,504	$ 374,585	$ 437,695
Operating loss	(39,091)	(23,025)	(34,091)	(90,223)	(71,166)
Interest expense, net	46,389	43,064	37,267	30,945	7,371
Provisions (benefit) for income taxes	(20,924)	1,740	(40,759)	(41,956)	(32,520)
Loss from continuing operations	(63,417)	(72,226)	(30,293)	(88,133)	(46,146)
Income from discontinued operations, net of taxes (3)	—	—	1,076	200,301	11,381
Net income (loss)	(63,417)	(72,226)	(29,217)	112,168	(34,765)
Net income (loss) income attributable to common stockholders	$ (96,441)	$ (102,741)	$ (59,447)	$ 64,760	$ (38,038)
Income (loss) per common share attributable to common stockholders:					
Basic:					
Loss from continuing operations	$ (3.44)	$ (3.74)	$ (2.22)	$ (5.28)	$ (2.17)
Income from discontinued operations, net of taxes	$ —	$ —	$ 0.04	$ 7.82	$ 0.50
Net income (loss)	$ (3.44)	$ (3.74)	$ (2.18)	$ 2.54	$ (1.67)
Diluted:					
Loss from continuing operations	$ (3.44)	$ (3.74)	$ (2.22)	$ (5.28)	$ (2.17)
Income from discontinued operations, net of taxes	$ —	$ —	$ 0.04	$ 7.82	$ 0.50
Net income (loss)	$ (3.44)	$ (3.74)	$ (2.18)	$ 2.54	$ (1.67)
Selected Balance Sheet Data in Dollars:					
Total assets	$ 1,088,489	$ 1,148,333	$ 1,189,182	$ 1,270,420	$ 1,361,827
Long-term debt, including current portion, net	$ 459,044	$ 425,199	$ 409,399	$ 420,220	$ 520,422
Redeemable preferred stocks	$ 234,893	$ 202,169	$ 174,959	$ 145,029	$ 177,272
Stockholders' equity	$ 247,327	$ 342,197	$ 438,196	$ 492,513	$ 421,580
Selected Other Data in Dollars:					
Cash dividends declared per common share	$ —	$ —	$ —	$ —	$ —

(1) The following selected consolidated financial data were derived from our audited consolidated financial statements and should be read in conjunction with, and are qualified by reference, to the MD&A contained in Item 7 of Part II of this report. The financial information presented may not be indicative of our future performance.

(2) Upon adoption of ASC 606, net sales for the years 2015 – 2017 have not been adjusted under the modified retrospective method.

(3) See discussion of our discontinued operations in Note 17 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following MD&A should be read in conjunction with a review of the other Items included in this Form 10-K and our December 31, 2019 consolidated financial statements included elsewhere in this report. A reference to a "Note" relates to a note in the accompanying notes to the consolidated financial statements. Certain statements contained in this MD&A may be deemed to be forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Overview

General

LSB is headquartered in Oklahoma City, Oklahoma and through its subsidiaries, manufactures and sells chemical products for the agricultural, mining, and industrial markets. We own and operate facilities in Cherokee, Alabama; El Dorado, Arkansas; and Pryor, Oklahoma, and operate a facility for Covestro in Baytown, Texas. Our products are sold through distributors and directly to end customers throughout the U.S.

Key Operating Initiatives for 2020

We believe our future results of operations and financial condition will depend significantly on our ability to successfully implement the following key initiatives:

- *Continued Focus on Becoming a "Best in Class" Chemical plant operator with respect to safe, reliable operations that produce the highest quality product.*
  - We believe that high safety standards are critical and a precursor to improved plant performance. With that in mind, we implemented and are currently managing enhanced safety programs at our facilities that focus on improving our safety culture that will reduce risks and continuously improve our safety performance.
  - Additionally, over the last several years, our focus has been on upgrading our existing maintenance management system through technology enhancements and work processes to improve our predictive and preventative maintenance programs at our facilities.
  - We have several initiatives underway that we believe will improve the overall reliability of our plants and allow us to produce more products for sale while lowering our cost of production. Those initiatives are focused on building internal expertise to improve oversight of external contractors, operating behavior and procedure enhancements including operator training, leadership training, shift change enhancements and operating and maintenance procedures.
- *Continue Broadening of the Distribution of our Products.* To further leverage our plants current production capacity, we are continuing to expand the distribution of our industrial and mining products by partnering with customers to take product into different markets within the U.S. as well as markets outside the U.S. Additionally, during 2019, we developed a pipeline of margin enhancement projects including product loading and unloading improvements, tank storage and capital to facilitate guest plant opportunities which, we expect will result in improved margins on the sales of our products. We expect to complete these projects over the next 12 to 18 months.
- *Improve Our Capital Structure and Overall Cost of Capital.* We are actively seeking ways to improve our capital structure and reduce our overall cost of capital. We believe that our improved operating performance will be a benefit in achieving those efforts.

We may not successfully implement any or all of these initiatives. Even if we successfully implement the initiatives, they may not achieve the results that we expect or desire.

Business Developments - 2019

Financing Transaction

As discussed in Note 7, in June 2019, we completed the issuance and sale of $35 million of the New Notes. The New Notes were issued at a price equal to 102.125% of their face value. We expect to use the net proceeds from the New Notes to fund approximately $20 million in anticipated capital expenditures over a 12 to 18-month period that are intended to enhance our margins as discussed above under "Key Operating Initiatives for 2020". The remaining net proceeds have been used for general corporate purposes.

Completion of Turnarounds at our El Dorado and Pryor Facilities

During August 2019, we completed an 18-day Turnaround on our ammonia plant at our El Dorado Facility. Additionally, during November 2019, the ammonia plant at our El Dorado Facility was taken out of service for 16 days in order to make adjustments that improved the ammonia plant reliability and production volume. Also, during November 2019, we completed a 28-day Turnaround on our sulfuric acid plant at our El Dorado Facility, which included the installation of a new sulfuric acid converter which will increase reliability and production volume. During November 2019, we completed an extensive 67-day Turnaround at our Pryor Facility including the installation of a new, larger urea reactor. The next Turnarounds for these facilities are scheduled in 2021 for our Pryor Facility and 2022 for our El Dorado Facility. See additional discussion below under "Items Affecting Comparability of Results."

Amended Ammonia Agreement

During October 2019, the ammonia purchase and sale agreement between El Dorado Chemical Company ("EDC") and Koch Fertilizer LLC ("Koch Fertilizer") was amended, pursuant to which Koch Fertilizer agrees to purchase, with minimum purchase requirements, a portion of the ammonia that (a) will be produced at the El Dorado Facility and (b) that is in excess of EDC's needs. As amended, the term of the agreement expires in June 2022 but automatically continues for additional one-year terms unless terminated by either party by delivering a notice of termination at least nine months prior to the end of term in effect.

Assets Held for Sale

During November 2019, in conjunction with management's review of our long-range strategy, development of the 2020 budget and the completion of the 2019 Turnarounds, certain long-lived assets were identified for sale and a plan to sell such assets was finalized by management. Based on information obtained from various potential buyers and vendors to dissemble the assets, the carrying amount of these assets held for sale was written down to a de minimis amount and the corresponding non-cash charge of $9.7 million was recognized and included in other expense. Costs to disassemble these assets, in conjunction with disposals, will be recognized as incurred. We expect the sales of these assets, which will be sold primarily for scrap value, to be completed within one year.

Key Industry Factors

Supply and Demand

Agricultural

Sales of our agricultural products were approximately 52% of our total net sales for 2019. The price at which our agricultural products are ultimately sold depends on numerous factors, including the supply and demand for nitrogen fertilizers which, in turn, depends upon world grain demand and production levels, the cost and availability of transportation and storage, weather conditions, competitive pricing and the availability of imports. Additionally, expansions or upgrades of competitors' facilities and international and domestic political and economic developments continue to play an important role in the global nitrogen fertilizer industry economics, including the impact from the Phase 1 trade agreement between the U.S and China. These factors can affect, in addition to selling prices, the level of inventories in the market which can cause price volatility and affect product margins.

From a farmers' perspective, the demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors such as their financial resources, soil conditions, weather patterns and the types of crops planted.

Additionally, changes in corn prices and those of soybean, cotton and wheat prices, can affect the number of acres of corn planted in a given year, and the number of acres planted will drive the level of nitrogen fertilizer consumption, likely effecting prices. The USDA estimates corn production for the 2020 Crop at approximately 13.7 billion bushels, down 5 percent from the 2019 Crop. The average yield in the U.S. was estimated at 168.0 bushels per acre, 8.4 bushels below the 2019 Crop yield of 176.4 bushels per acre. The following February estimates are associated with the corn market:

	2020 Crop (2019 Harvest) January Report (1)	2019 Crop (2018 Harvest) January Report (1)	Percentage Change (2)	2018 Crop (2017 Harvest) January Report (1)	Percentage Change (3)
U.S. Area Planted *(Million acres)*	89.7	88.9	0.9%	90.2	(0.6%)
U.S. Yield per Acre *(Bushels)*	168.0	176.4	(4.8%)	176.6	(4.9%)
U.S. Production *(Million bushels)*	13,692	14,340	(4.5%)	14,609	(6.3%)
U.S. Ending Stocks *(Million metric tons)*	48.1	56.4	(14.7%)	54.4	(11.6%)
World Ending Stocks *(Million metric tons)*	296.8	320.5	(7.4%)	341.3	(13.0%)

(1) Information obtained from WASDE reports dated February 11, 2020 (February Report) for the 2019/2020 ("2020 Crop"), 2018/2019 ("2019 Crop") and 2017/2018 ("2018 Crop") corn marketing years. The marketing year is the twelve-month period during which a crop normally is marketed. For example, the marketing year for a corn crop is from September 1 of the current year to August 31 of the next year. The marketing year begins at the harvest and continues until just before harvest of the following year.

(2) Represents the percentage change between the 2020 Crop amounts compared to the 2019 Crop amounts.

(3) Represents the percentage change between the 2020 Crop amounts compared to the 2018 Crop amounts.

On the supply side, given the low price of natural gas in North America over the last several years, North American fertilizer producers have become the global low-cost producers for delivered fertilizer products to the Midwest U.S. Several years ago, the market believed that low natural gas prices would continue. That belief, combined with favorable fertilizer pricing, stimulated investment in numerous expansions of existing nitrogen chemical facilities and the construction of new nitrogen chemical facilities. Following the expansions, global nitrogen fertilizer supply outpaced global nitrogen fertilizer demand causing oversupply in the global and North American markets. In addition, the new domestic supply of ammonia and other fertilizer products changed the physical flow of ammonia in North America placing pressure on nitrogen fertilizer selling prices as the new capacity was absorbed by the market. More recently, ammonia pricing has been under pressure as a result of inordinately inclement weather in late 2018 and 2019, which led to limited fertilizer application and resultant elevated ammonia inventory levels in the domestic distribution channel. Additionally, UAN prices have pulled back in part, to European anti-dumping duties that were imposed on imports from certain countries, including the U.S which has caused imports of UAN into the U.S. to increase and exports from the U.S. to decrease increasing UAN supply in the U.S.

After a challenging 2019 for U.S. corn farmers, it is expected that final harvested acres and yields for the 2019 harvest year will be lower than expected. These factors have already impacted the price of corn, which has risen to its highest level since 2014. A likely decline in the stock-to-use ratio for corn should lead to an increase in planted acres in the spring 2020 planting season. Assuming normal weather conditions, industry reports currently estimate a 5% increase in corn acres to be planted during 2020 compared to 2019.

Therefore, for 2020, we expect overall stronger demand for our products somewhat tempered by continued pricing pressures on these products.

Industrial

Sales of our industrial products were approximately 38% of our total net sales for 2019. Our industrial products sales volumes are dependent upon general economic conditions primarily in the housing, automotive, and paper industries. According to the American Chemistry Council, the U.S. economic indicators point to modest growth in 2020 in the U.S market we serve and export weakness due to the softening global economy and trade tensions. Our sales prices generally vary with the market price of ammonia or natural gas, as applicable, in our pricing arrangements with customers.

Mining

Sales of our mining products were approximately 10% of our total net sales for 2019. Our mining products are LDAN and AN solution, which are primary used as AN fuel oil and specialty emulsions for usage in the quarry and the construction industries, for metals mining, and to a lesser extent, for coal. In our mining markets, our sales volumes are typically driven by changes in the overall North American consumption levels of mining products that can be impacted by weather. Additionally, recent reduction in coal mining activities is increasing competition within the other sectors of this market. While we believe our plants are well located to support the more stable quarry and construction industries and the metals mining industries, our 2019 mining sales volumes were affected by overall lower customer demand in our mining markets.

Farmer Economics

The demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors such as their financial resources, soil conditions, weather patterns and the types of crops planted.

Natural Gas Prices

Natural gas is the primary feedstock used to produce nitrogen fertilizers at our manufacturing facilities. In recent years, U.S. natural gas reserves have increased significantly due to, among other factors, advances in extracting shale gas, which has reduced and stabilized natural gas prices, providing North America with a cost advantage over certain imports. As a result, our competitive position and that of other North American nitrogen fertilizer producers has been positively affected.

We historically have purchased natural gas either on the spot market, through forward purchase contracts, or a combination of both and have used forward purchase contracts to lock in pricing for a portion of our natural gas requirements. These forward purchase contracts are generally either fixed-price or index-price, short-term in nature and for a fixed supply quantity. We are able to purchase natural gas at competitive prices due to our connections to large distribution systems and their proximity to interstate pipeline systems. The following table shows the annual volume of natural gas we purchased and the average cost per MMBtu:

	2019	2018
Natural gas volumes (MMBtu in millions)	27.4	27.8
Natural gas average cost per MMBtu	$ 2.55	$ 2.91

Transportation Costs

Costs for transporting nitrogen-based products can be significant relative to their selling price. For example, ammonia is a hazardous gas at ambient temperatures and must be transported in specialized equipment, which is more expensive than other forms of nitrogen fertilizers. In recent years, a significant amount of the ammonia consumed annually in the U.S. was imported. Therefore, nitrogen fertilizers prices in the U.S. are influenced by the cost to transport product from exporting countries, giving domestic producers who transport shorter distances an advantage. However, we continue to evaluate the recent rising costs of rail and truck freight domestically. Additionally, the Magellan ammonia pipeline, which had an annual capacity to transport approximately 900,000 tons per year, most of which was produced in Oklahoma and Texas and delivered via the pipeline in the Midwest, is in the process of being permanently shut down. Pipeline closure began at the southern end of the pipeline in September of 2019 and is expected to continue on the northern end of the pipeline in early 2020. Without the pipeline in place for ammonia transport, producers will have to rely on other transportation venues, primarily by truck but will also include rail and barge transport of ammonia. Higher transportation costs may impact our margins if we are not able to pass through these costs. As a result, we continue to evaluate supply chain efficiencies to reduce or counter the impact of higher logistics costs.

Key Operational Factors

Facility Reliability

Consistent, reliable and safe operations at our chemical plants are critical to our financial performance and results of operations. The financial effects of planned downtime at our plants, including Turnarounds, is mitigated through a diligent planning process that considers the availability of resources to perform the needed maintenance and other factors. Unplanned downtime of our plants typically results in lost contribution margin from lost sales of our products, lost fixed cost absorption from lower production of our products and increased costs related to repairs and maintenance. All Turnarounds result in lost contribution margin from lost sales of our products, lost fixed cost absorption from lower production of our products, and increased costs related to repairs and maintenance, which repair and maintenance costs are expensed as incurred.

Our Pryor Facility completed an extensive Turnaround during 2019. The Pryor Facility will continue on a two-year Turnaround cycle with the next Turnaround planned for the third quarter of 2021. At that time, we will seek to move to a three-year Turnaround cycle.

In addition, our El Dorado Facility completed a partial Turnaround during 2018. The remaining portion of this Turnaround was completed during 2019. The El Dorado Facility has moved to a three-year Turnaround cycle with the next Turnaround planned in the third quarter of 2022.

Our Cherokee Facility is currently on a three-year Turnaround cycle with the next Turnaround to be performed in the third quarter of 2021.

Prepay Contracts

We use forward sales of our fertilizer products to optimize our asset utilization, planning process and production scheduling. These sales are made by offering customers the opportunity to purchase product on a forward basis at prices and delivery dates that are agreed upon. We use this program to varying degrees during the year depending on market conditions and our view of changing price environments. Fixing the selling prices of our products months in advance of their ultimate delivery to customers typically causes our reported selling prices and margins to differ from spot market prices and margins available at the time of shipment.

Consolidated Results for 2019

Our consolidated net sales for 2019 were $365.1 million compared to $378.2 million for 2018. Our consolidated operating loss was $39.1 million compared to $23.0 million for 2018. The items affecting our operating results are discussed below and under “Results of Operations.”

Items Affecting Comparability of Results

On-Stream Rates

The on-stream rates of our plants affect our production, the absorption of fixed costs of each plant and sales of our products. It is a key operating metric that we use to manage our business. In particular, we closely monitor the on-stream rates of our ammonia plants as ammonia is the basic product as used to produce all upgraded products. The on-stream rates noted below exclude Turnaround days, when applicable.

Our average overall on-stream rate of our ammonia plants was 91% for 2019 compared to 89% for 2018. For 2020, we are targeting an average overall on-stream rate of 94%.

We believe that our focus on improving on-stream rates as discussed in key operating initiatives will continue to improve our overall on-stream rate for 2020.

Turnaround Expense

During 2019, we incurred Turnaround costs totaling approximately $13.2 million associated with a 67-day Turnaround performed on our plants at our Pryor Facility and a total of 46 days associated with Turnaround activity performed on our plants at our El Dorado Facility which consisted of an 18-day Turnaround on the ammonia plant and a 28-day Turnaround on the sulfuric acid plant.

During 2018, we incurred Turnaround costs totaling approximately $9.8 million associated with a 35-day Turnaround performed on our plants at our Cherokee Facility and a total of 12 days associated with Turnaround activity at our El Dorado Facility.

Selling Prices

During 2019, we experienced improved selling prices for our agricultural products compared to 2018. Average selling prices for our UAN, ammonia, and HDAN increased 14%, 2% and 1%, respectively compared to 2018 average selling prices. During the back half of 2019 selling prices began to decline reflecting a lowering in the Southern Plains benchmark price for ammonia resulting from elevated inventory levels from the inordinately inclement weather throughout the Midwest over the past year and the closure of the Magellan ammonia pipeline. In addition, UAN selling prices also deteriorated in the second half of 2019, as import volumes increased while export volumes declined due, in part, to European anti-dumping duties.

Our 2019 average industrial selling prices for our ammonia decreased compared to the same period of 2018 as a result of the aforementioned elevated ammonia inventory levels. The 2019 average Tampa Ammonia price declined approximately 21% as compared to the same period in 2018, which led to a decrease in industrial selling prices as many of our industrial contracts are indexed to the Tampa Ammonia benchmark price.

With respect to our outlook for 2020, we expect that agricultural and industrial pricing will continue to be impacted by the aforementioned factors, impacting the agricultural market coupled with excess ammonia inventories weighing on the industrial market, as was the case in the second half of 2019.

Legal Fees

For 2019 and 2018, legal fees were approximately $12.8 million and $8.3 million, respectively. The change primarily relates to fees incurred as we pursue our claims against Leidos to recover damages and losses associated with the construction of the ammonia plant and other assets at our El Dorado Facility as discussed in footnote B of Note 9. We expect to continue to incur legal fees associated with this matter through March 2020, the scheduled date of the trial.

Depreciation Expense

During 2019 and 2018, depreciation expense was $68.3 million and $70.3 million, respectively. For 2018, approximately $2.0 million relates to accelerated depreciation at the El Dorado Facility due to the boiler tube failures caused by a power outage.

Charge Associated with Assets Held for Sale (2019 only)

As discussed above under “Business Developments – 2019”, we recognized a non-cash charge of $9.7 million associated with assets held for sale, which amount is included in other expense.

Interest Expense

During 2019 and 2018, interest expense was $46.4 million and $43.1 million, respectively. The change primarily relates to our Senior Secured Notes as discussed in Note 7.

Provision (benefit) for Income Taxes

For 2019, the benefit for income taxes was $20.9 million compared to a provision of $1.7 million for 2018. The resulting benefit rate for 2019 was 24.8% compared to an effective tax rate of 2.5% for 2018, which includes the impact from tax reform adjustments. The increase in the benefit rate is primarily due to changes to the state deferred tax assets and liabilities resulting from state tax law changes enacted during 2019 and due to federal and state indefinite lived carryforward benefits that can be realized through the reversal of deferred tax liabilities. The 2018 effective tax rate was impacted by adjustments made to our valuation allowances including a reversal of approximately $2.3 million of state valuation allowance related to tax law changes.

Loss on Extinguishment of Debt (2018 only)

As the result of the financing transactions relating to the Senior Secured Notes and repurchase of the senior secured notes due 2019, we incurred a loss on extinguishment of debt of $6.0 million in 2018.

Severance Benefits and Accelerated Stock-based Compensation (2018 only)

During 2018, we incurred $5.3 million associated with certain severance benefits and accelerated stock-based compensation relating to Daniel D. Greenwell, our former Chief Executive Officer (“CEO”), electing not to renew his employment agreement in December 2018.

Recovery from a Settlement with a Vendor (2018 only)

During 2018, we and a vendor mediated a settlement relating primarily to a business interruption claim caused by defective work performed by the vendor at our Pryor Facility. As a result of the settlement, the vendor paid us $4.0 million. As part of the settlement, we paid the vendor $0.5 million to settle $1.1 million of invoices that were held in our accounts payable. As a result, we recognized a recovery from this settlement totaling $4.6 million of which $4.4 million was classified as a reduction to cost of sales (primarily relating to our business interruption claim) and the remaining balance of $0.2 million as a reduction to PP&E.

Results of Operations

The following Results of Operations should be read in conjunction with our consolidated financial statements for the years ended December 31, 2019 and 2018 and accompanying notes and the discussions under "Overview" and "Liquidity and Capital Resources" included in this MD&A. You should carefully review and consider the information in the MD&A of our 2018 Form 10-K, filed with the SEC on February 26, 2019, for an understanding of our results of operations and liquidity discussions and analysis comparing 2018 to 2017.

We present the following information about our results of operations. Net sales to unaffiliated customers are reported in the consolidated financial statements and gross profit represents net sales less cost of sales. Net sales are reported on a gross basis with the cost of freight being recorded in cost of sales.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following table contains certain financial information:

	2019	2018	Change	Percentage Change
		(Dollars In Thousands)		
Net sales:				
Agricultural products	$ 187,641	$ 187,164	$ 477	0%
Industrial and mining products	177,429	190,996	(13,567)	(7)%
Total net sales	$ 365,070	$ 378,160	$ (13,090)	(3)%
Gross profit:				
Agricultural products (1)	$ 28,453	$ 21,406	$ 7,047	33%
Industrial and mining products (1)	58,005	74,381	(16,376)	(22)%
Adjusted gross profit by market (1)	86,458	95,787	(9,329)	(10)%
Depreciation and amortization (2)	(68,263)	(70,184)	1,921	(3)%
Turnaround expense	(13,210)	(9,768)	(3,442)	35%
Total gross profit	4,985	15,835	(10,850)	(69)%
Selling, general and administrative expense	34,172	40,811	(6,639)	(16)%
Other expense (income), net	9,904	(1,951)	11,855	
Operating loss	(39,091)	(23,025)	(16,066)	(70)%
Interest expense, net	46,389	43,064	3,325	8%
Loss on extinguishment of debt	—	5,951	(5,951)	
Non-operating other income, net	(1,139)	(1,554)	415	
Provision (benefit) for income taxes	(20,924)	1,740	(22,664)	
Net loss	$ (63,417)	$ (72,226)	$ 8,809	12%
Other information:				
Gross profit percentage (3)	1.4%	4.2%	(2.8)%	
Property, plant and equipment expenditures	$ 36,081	$ 37,050	$ (969)	(3)%

(1) Represents a non-GAAP measure since the amount excludes depreciation, amortization and Turnaround expenses.
(2) Represents amount classified as cost of sales.
(3) As a percentage of total net sales.

The following table provides certain financial information by market (dollars in thousands):

	2019		2018		Change	
	Agricultural Products	Industrial and Mining Products	Agricultural Products	Industrial and Mining Products	Agricultural Products	Industrial and Mining Products
Net sales	$ 187,641	$ 177,429	$ 187,164	$ 190,996	$ 477	$ (13,567)
Adjusted gross profit by market (1)	$ 28,453	$ 58,005	$ 21,406	$ 74,381	$ 7,047	$ (16,376)
Adjusted gross profit percentage by market (2)	15.2%	32.7%	11.4%	38.9%	3.8%	(6.2)%

(1) Represents a non-GAAP measure since the amount excludes depreciation, amortization and Turnaround expenses. See reconciliation included in the financial information table above.

(2) As a percentage of the respective net sales.

The following tables provide key sales metrics for the agricultural products:

Product (tons sold)	2019	2018	Change	Percentage Change
UAN	359,905	400,054	(40,149)	(10)%
HDAN	277,820	284,433	(6,613)	(2)%
Ammonia	83,924	82,586	1,338	2%
Other	19,655	23,422	(3,767)	(16)%
Total	741,304	790,495	(49,191)	(6)%

Gross Average Selling Prices (price per ton)	2019	2018	Change	Percentage Change
UAN	$ 200	$ 176	$ 24	14%
HDAN	$ 266	$ 264	$ 2	1%
Ammonia	$ 324	$ 319	$ 5	2%

With respect to sales of industrial products, the following tables indicate key operating metrics of our major products:

Product (tons sold)	2019	2018	Change	Percentage Change
Ammonia	275,253	238,520	36,733	15%
Nitric Acid	99,544	110,975	(11,431)	(10)%
Other Industrial Products	35,107	32,110	2,997	9%
Total	409,904	381,605	28,299	7%
Tampa Ammonia Benchmark (price per metric ton)	$ 248	$ 313	$ (65)	(21)%

With respect to sales of mining products, the following tables indicate key operating metrics of our major products:

Product (tons sold)	2019	2018	Change	Percentage Change
LDAN/HDAN/AN Solution	151,935	163,308	(11,373)	(7)%

Net Sales

- Agricultural products sales were slightly higher primarily from improved selling prices for all of our agricultural products in conjunction with improved sales volumes for ammonia. This improvement was partially offset by lower sales volumes of UAN and HDAN resulting from unfavorable weather conditions in the markets we serve compared to 2018, as well as an extensive 67-day turnaround at our Pryor Facility which was completed in November of 2019.
- Industrial acids and other industrial chemical products sales decreased primarily from lower selling prices due to lower Tampa ammonia benchmark pricing along with lower sales volumes for nitric acid due to certain spot sales made to a customer during 2018 to meet their demand caused by a disruption of their plant operations. This decline was partially offset by improved sales volumes for ammonia from improved on-stream rates during 2019 allowing for the sale of more product. The average Tampa ammonia pricing was approximately $65 per ton lower compared to 2018 as discussed below.

- Mining products sales decreased primarily as the result of overall lower sales volume and selling prices for our mining products. This decline is primarily driven by lower customer demand as the overall coal market conditions remain suppressed in conjunction with competitive pressures in our marketing region.

Gross Profit

As noted in the tables above, we recognized a gross profit $5.0 million for 2019 compared to $15.8 million for 2018, or a decrease of approximately $10.8 million. Overall, our gross profit percentage decreased to 1.4% for 2019 compared to 4.2% for 2018.

Our agricultural products adjusted gross profit percentage increased to 15% for 2019 from 11% for 2018 due primarily to increased selling prices for all of our agricultural products along with improved production and sales volumes for ammonia, partially offset by lower UAN and HDAN sales volumes as discussed above.

Industrial and mining products adjusted gross profit percentage declined for 2019 to 33% from 39% for 2018 primarily driven by lower overall Tampa ammonia pricing, which averaged approximately $248 per metric ton during 2019 compared to approximately $313 per metric ton for 2018 driven by a poor weather negatively impacting the 2018 fall and the 2019 spring and fall application seasons in the U.S. agricultural markets, combined with weather impacting the movement of ammonia from the Gulf region, which caused a build-up of ammonia inventory across the distribution channel, resulting in downward pressure on Tampa ammonia benchmark pricing and Gulf ammonia in general.

The net negative effect on gross profit from sales activity discussed above was partially offset by approximately $9.9 million in lower natural gas costs per MMBtu, approximately $1.9 million decline in depreciation expense, and improved cost absorption from higher overall plant on-stream rates partially offset by approximately $3.4 million increase in turnaround costs and approximately $1.0 million of higher freight costs incurred to move product for storage as a result of the delay in the spring application season.

Also, as discussed above under “Items Affecting Comparability of Results-Recovery from a Settlement with a Vendor”, our 2018 gross profit included a recovery from a settlement with a vendor of $4.4 million classified as a reduction to cost of sales (primarily relating to our business interruption claim).

Selling, General and Administrative

Our SG&A expenses were $34.2 million for 2019, a decrease of $6.6 million compared to 2018, of which $5.3 million was associated with severance benefits and accelerated stock-based compensation recognized in 2018 relating to our former CEO electing not to renew his employment agreement in December 2018. Excluding this impact, SG&A expenses decreased $1.3 million primarily driven by a $5.0 million reduction in compensation-related costs and $0.9 million reduction in insurance and other miscellaneous items partially offset by a $4.6 million increase in professional fees, including legal fees associated with the legal matter discussed above under “Items Affecting Comparability of Results-Legal”.

Other Expense (Income), net

Other expense for 2019 was $9.9 million primarily relating to a non-cash charge associated with assets held for sale discussed above under “Business Developments-2019.” Other income for 2018 was $2.0 million primarily relating to the sales of certain non-core assets (primarily consisting of real estate).

Interest Expense, net

Interest expense for 2019 was $46.4 million compared to $43.1 million for 2018. The net increase relates primarily to interest expense associated with the Notes issued in April 2018 and the New Notes issued in June 2019 partially offset by $0.9 million of debt modification fees incurred in 2018.

Loss on Extinguishment of Debt

During 2018, we incurred a loss on extinguishment of debt of approximately $6.0 million relating to the repurchase of the senior secured notes that were scheduled to mature in 2019.

Provision (benefit) for Income Taxes

The benefit for income taxes for 2019 was $20.9 million compared to a provision of $1.7 million for 2018. The resulting benefit rate for 2019 was 24.8% compared to an effective tax rate of 2.5% for 2018 including the impact of tax reform adjustments. The increase in the benefit rate is primarily due to changes to the state deferred tax assets and liabilities resulting from state tax law changes enacted during 2019 and due to federal and state indefinite lived carryforward benefits that can be realized through the reversal of deferred tax liabilities. The 2018 effective tax rate was impacted by adjustments made to our valuation allowances during 2018 including a reversal of approximately $2.3 million of state valuation allowance related to tax law changes. Also, see discussion in Note 8.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our continuing cash flow activities for 2019 and 2018:

	2019	2018	Change
	(In Thousands)		
Net cash flows from operating activities	$ 2,099	$ 17,622	$ (15,523)
Net cash flows from investing activities	$ (35,925)	$ (25,740)	$ (10,185)
Net cash flows from financing activities	$ 30,569	$ 547	$ 30,022

Net Cash Flow from Operating Activities

Net cash provided by operating activities was $2.1 million for 2019 compared to $17.6 million for 2018, a decrease of $15.5 million.

For 2019, net cash provided is the result of a net loss of $63.4 million plus adjustments of $69.6 million for depreciation and amortization of PP&E, non-cash charge of $9.7 million associated assets held for sale, and other adjustments of $5.7 million less an adjustment of $20.9 million for deferred taxes and net cash provided of approximately $1.4 million primarily from our working capital.

For 2018, net cash provided is the result of a net loss of $72.2 million plus adjustments of $70.3 million for depreciation, depletion and amortization of PP&E, $8.4 million for stock-based compensation, $6.0 million for a loss on extinguishment of debt, $1.8 million for deferred taxes and other adjustments totaling approximately $2.8 million and net cash provided of approximately $0.5 million primarily from our working capital including an increase in inventories and accounts payables and a decrease in accrued interest.

Net Cash Flow from Investing Activities

Net cash used by investing activities was $35.9 million for 2019 compared to $25.7 million for 2018, a change of $10.2 million.

For 2019, net cash used relates primarily to expenditures for PP&E.

For 2018, net cash used is the result of $37.1 million on expenditures for PP&E partially offset by $6.7 million from net proceeds from the sale of PP&E, $2.7 million representing the remaining proceeds from an indemnity escrow account associated with the sale of our former Climate Control business in 2016 and approximately $2.0 million relating to a recovery from a property insurance claim and other investing activities.

Net Cash Flow from Financing Activities

Net cash provided by financing activities was $30.6 million for 2019 compared to $0.5 million for 2018, a change of approximately $30.0 million.

For 2019, net cash provided primarily consists of net proceeds of $35.1 million from the New Notes, net proceeds of $7.5 million, net of payments, from other long-term debt and insurance premium short-term financing partially offset by net payments of $10 million on the Working Capital Revolver Loan, and payments of $2.0 million for other financing activities.

For 2018, net cash provided consists of net proceeds of $390.5 million from the Notes, $10.9 million from insurance premium short-term financing, and $10.0 million from our Working Capital Revolver Loan partially offset by $375 million repayment of the senior secured notes due 2019, payments of $20.0 million on other long-term debt and short-term financing, payments of $11.0 million for debt related costs, payments of $2.8 million of fees associated with the modification of terms of our Series E Redeemable Preferred and approximately $2.1 million of other financing activities.

Capitalization

The following is our total current cash, long-term debt, redeemable preferred stock and stockholders' equity:

	December 31, 2019	December 31, 2018
	(In Millions)	
Cash and cash equivalents	$ 22.8	$ 26.0
Revolving credit facility and long-term debt:		
Working Capital Revolver Loan	—	10.0
Senior Secured Notes due 2023	435.0	400.0
Secured Promissory Note due 2021	4.7	8.1
Secured Promissory Note due 2023	12.7	14.7
Secured Financing (1)	13.5	7.2
Secured Loan Agreement	5.2	—
Other	0.2	0.2
Unamortized discount and debt issuance costs	(12.3)	(15.0)
Total long-term debt, including current portion, net	$ 459.0	$ 425.2
Series E and F redeemable preferred stock (2)	$ 234.9	$ 202.2
Total stockholders' equity	$ 247.3	$ 342.2

(1) A portion of the proceeds from the Secured Financing due in 2023 was used to pay off the secured financing due in 2019.
(2) Liquidation preference of $242.8 million as of December 31, 2019.

We currently have a revolving credit facility, our Working Capital Revolver Loan, with a borrowing base of $75 million. As of December 31, 2019, our Working Capital Revolver Loan was undrawn and had approximately $42.1 million of availability.

We expect capital expenditures to be approximately $25 million to $30 million for 2020, which includes approximately $5 million to $10 million for margin enhancement projects. The remaining capital spending is planned for reliability and maintenance capital projects.

We believe that the combination of our cash on hand, the availability on our revolving credit facility, and our cash flow from operations will be sufficient to fund our anticipated liquidity needs for the next twelve months.

Compliance with Long - Term Debt Covenants

As discussed below under "Loan Agreements," the Working Capital Revolver Loan requires, among other things, that we meet certain financial covenants. The Working Capital Revolver Loan does not include financial covenant requirements unless a defined covenant trigger event has occurred and is continuing. As of December 31, 2019, no trigger event had occurred.

Loan Agreements and Redeemable Preferred Stock

Senior Secured Notes due 2023 - LSB has $435 million aggregate principal amount of the 9.625% Senior Secured Notes currently outstanding, including the $35 million associated with the New Notes as discussed in footnote (B) of Note 7. Interest is to be paid semiannually on May 1st and November 1st, maturing May 1, 2023. As a result of the financing transactions, our interest expense has increased as compared to 2018.

Secured Promissory Note due 2021 – EDC is party to a secured promissory note due in March 2021. This promissory note bears interest at the annual rate of 5.25%. Principal and interest are payable in monthly installments.

Secured Promissory Note due 2023 - EDA is party to a secured promissory note due in May 2023. Principal and interest are payable in equal monthly installments with a final balloon payment of approximately $6.1 million. This promissory note bears interest at a rate that is based on the monthly LIBOR rate plus a base rate for a current total rate of 6.03%.

Secured Loan Agreement - EDC entered into a $15 million secured financing arrangement with an affiliate of LSB Funding L.L.C. ("LSB Funding") in May 2019 with a current interest rate of 8.76%. Beginning in June 2019, principal and interest are payable in 48 equal monthly installments with a final balloon payment of approximately $3 million due on June 1, 2023. This financing arrangement is secured by the cogeneration facility equipment and is guaranteed by LSB. During 2019, EDC entered into a secured loan agreement with an affiliate of LSB Funding. Under the terms of the agreement, EDC has up to $7.5 million of available borrowings (the "Interim Loan") during the construction of a new sulfuric acid converter (the "Interim Loan Period), subject to certain conditions. During the Interim Loan Period, interest only is payable in monthly installments. The Interim Loan will be replaced by a term loan in 2020. Principal and interest will be payable in 60 equal monthly installments under the term loan.

Working Capital Revolver Loan - At December 31, 2019, the Working Capital Revolver Loan was undrawn and the net credit available for borrowings under our Working Capital Revolver Loan was approximately $42.1 million, based on our eligible collateral, less outstanding standby letters of credit as of that date. Also see discussion above under "Compliance with Long-Term Debt Covenants.

Redemption of Series E Redeemable Preferred – At December 31, 2019, there were 139,768 outstanding shares of Series E Redeemable Preferred and the aggregate liquidation preference (par value plus accrued dividends) was $242.8 million.

At any time on or after October 25, 2023, each Series E holder has the right to elect to have such holder's shares redeemed by us at a redemption price per share equal to the liquidation preference per share of $1,000 plus accrued and unpaid dividends plus the participation rights value (the "Liquidation Preference"). Additionally, at our option, we may redeem the Series E Redeemable Preferred at any time at a redemption price per share equal to the Liquidation Preference of such share as of the redemption date. Lastly, with receipt of (i) prior consent of the electing Series E holder or a majority of shares of Series E Redeemable Preferred and (ii) all other required approvals, including under any principal U.S. securities exchange on which our common stock is then listed for trading, we can redeem the Series E Redeemable Preferred by the issuance of shares of common stock having an aggregate common stock price equal to the amount of the aggregate Liquidation Preference of such shares being redeemed in shares of common stock in lieu of cash at the redemption date.

In the event of liquidation, the Series E Redeemable Preferred is entitled to receive its Liquidation Preference before any such distribution of assets or proceeds is made to or set aside for the holders of our common stock and any other junior stock. In the event of a change of control, we must make an offer to purchase all of the shares of Series E Redeemable Preferred outstanding at the Liquidation Preference.

Since carrying values of the redeemable preferred stocks are being increased by periodic accretions (including the amount for dividends earned but not yet declared or paid) using the interest method so that the carrying amount will equal the redemption value as of October 25, 2023, the earliest possible redemption date by the holder, this accretion has and will continue to affect income (loss) per common share. However, this accretion will change if the expected redemption date changes.

Also, see discussion in Note 10.

Capital Expenditures – 2019

For 2019, capital expenditures relating to PP&E were $36.1 million, which expenditures include approximately $2.0 million associated with maintaining compliance with environmental laws, regulations and guidelines. Approximately $5.2 million related to the new sulfuric acid converter, which was financed, and the remaining capital expenditures were primarily funded with cash.

See discussion above under "Capitalization" for our expected annual capital expenditures for 2020.

Expenses Associated with Environmental Regulatory Compliance

We are subject to specific federal and state environmental compliance laws, regulations and guidelines. As a result, we incurred expenses of $4.9 million in 2019 in connection with environmental projects. For 2020, we expect to incur expenses ranging from $4.5 million to $5.0 million in connection with additional environmental projects. However, it is possible that the actual costs could be significantly different than our estimates.

Dividends

We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the near future.

Dividends on the Series E Redeemable Preferred are cumulative and payable semi-annually (May 1 and November 1) in arrears at the current annual rate of 14% of the liquidation value of $1,000 per share, but such annual rate will increase beginning on April 25, 2021 as discussed in Note 10. Each share of Series E Redeemable Preferred is entitled to receive a semi-annual dividend, only when declared by our Board. In addition, dividends in arrears at the dividend date, until paid, shall compound additional dividends at the current annual rate of 14%, but such annual rate will increase beginning on April 25, 2021. The current semi-annual compounded dividend is approximately $118.87 per share for the current aggregate semi-annual dividend of $16.6 million. We also must declare a dividend on the Series E Redeemable Preferred on a pro rata basis with our common stock. As long as the Purchaser holds at least 10% of the Series E Redeemable Preferred, we may not declare dividends on our common stock and other preferred stocks unless and until dividends have been declared and paid on the Series E Redeemable Preferred for the then current dividend period in cash. As of December 31, 2019, the amount of accumulated dividends on the Series E Redeemable Preferred was approximately $103.0 million.

Dividends on the Series D 6% cumulative convertible Class C preferred stock (the "Series D Preferred") and Series B 12% cumulative convertible Class C Preferred Stock (the "Series B Preferred") are payable annually, only when declared by our Board, as follows:

- $0.06 per share on our outstanding non-redeemable Series D Preferred for an aggregate dividend of $60,000, and
- $12.00 per share on our outstanding non-redeemable Series B Preferred for an aggregate dividend of $240,000.

As of December 31, 2019, the amount of accumulated dividends on the Series D Preferred and Series B Preferred totaled approximately $1.3 million. All shares of the Series D Preferred and Series B Preferred are owned by the Golsen Holders. There are no optional or mandatory redemption rights with respect to the Series B Preferred or Series D Preferred.

Seasonality

We believe fertilizer products sold to the agricultural industry are seasonal while sales into the industrial and mining sectors generally are less susceptible. The selling seasons for agricultural products are primarily during the spring and fall planting seasons, which typically extend from March through June and from September through November in the geographical markets we distribute the majority of our agricultural products. As a result, we typically increase our inventory of fertilizer products prior to the beginning of each planting season in order to meet the demand for our products. In addition, the amount and timing of sales to the agricultural markets depend upon weather conditions and other circumstances beyond our control.

Performance and Payment Bonds

We are contingently liable to sureties in respect of insurance bonds issued by the sureties in connection with certain contracts entered into by subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of December 31, 2019, we have agreed to indemnify the sureties for payments, up to $10 million, made by them in respect of such bonds. All of these insurance bonds are expected to expire or be renewed in 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Exchange Act of 1934.

Aggregate Contractual Obligations

As of December 31, 2019, our aggregate contractual obligations are summarized in the following table:

Contractual Obligations	Total	Payments Due in the Year Ending December 31, 2020	2021	2022	2023	2024	Thereafter
				(In Thousands)			
Long-term debt:							
Senior Secured Notes	$ 435,000	$ —	$ —	$ —	$ 435,000	$ —	$ —
Other	36,305	9,447	7,598	6,769	12,491	—	—
Total long-term debt	471,305	9,447	7,598	6,769	447,491	—	—
Interest payments on long-term debt (1)	152,889	44,344	43,767	43,245	21,533	—	—
Series E redeemable preferred stock (2)	139,768	—	—	—	139,768	—	—
Dividends earned - Series E redeemable preferred stock (2)	276,783	—	—	—	276,783	—	—
Capital expenditures (3)	30,000	30,000	—	—	—	—	—
Operating leases	18,709	5,189	3,951	3,282	2,969	1,715	1,603
Firm purchase commitments	15,694	15,694	—	—	—	—	—
Natural gas pipeline commitment (4)	4,500	720	720	720	720	720	900
Other contractual obligations	15,705	5,028	2,697	1,943	3,573	1,095	1,369
Other contractual obligations included in noncurrent accrued and other liabilities (5)	3,626	—	2,526	16	1,084	—	—
Total	$ 1,128,979	$ 110,422	$ 61,259	$ 55,975	$ 893,921	$ 3,530	$ 3,872

(1) The estimated interest payments relating to variable interest rate debt are based on interest rates at December 31, 2019.

(2) The Series E redeemable preferred stock (including dividends) are assumed to be redeemed and paid on the earliest possible redemption date by the holder (October 25, 2023) and that dividends are accrued until that date.

(3) Capital expenditures include only the estimated committed amounts (high end of range) at December 31, 2019.

(4) Our proportionate share of the minimum costs to ensure capacity relating to a gathering and pipeline system.

(5) The future cash flows relating to executive and death benefits are based on estimates at December 31, 2019. The participation rights value associated with embedded derivative of our Series E redeemable preferred stock is based on the value of our common stock at December 31, 2019 and is based on the earliest possible redemption date by the holder, October 25, 2023.

New Accounting Pronouncements

Refer to Notes 1 and 2 for recently adopted and issued accounting standards.

Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and disclosures of contingencies and fair values. It is reasonably possible that the estimates and assumptions utilized as of December 31, 2019, could change in the near term. The more critical areas of financial reporting affected by management's judgment, estimates and assumptions include the following:

Contingencies – Certain conditions may exist which may result in a loss, but which will only be resolved when future events occur. We and our legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. If the assessment of a contingency indicates that it is probable that a loss has been incurred, we would accrue for such contingent losses when such losses can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Estimates of potential legal fees and other directly related costs associated with contingencies are not accrued but rather are expensed as incurred. Loss contingency liabilities are included in current and noncurrent accrued and other liabilities and are based on current estimates that may be revised in the near term. In addition, we recognize contingent gains when such gains are realized or realizable and earned.

We are involved in various legal matters that require management to make estimates and assumptions, including costs relating to the lawsuit styled *City of West, Texas v CF Industries, Inc., et al*, discussed under "Other Pending, Threatened or Settled Litigation" of Note 9.

It is reasonably possible that the actual costs could be significantly different than our estimates.

Regulatory Compliance – As discussed under "Environmental, Health and Safety Matters" in Item 1 of this report, we are subject to specific federal and state regulatory compliance laws and guidelines. We have developed policies and procedures related to regulatory compliance. We must continually monitor whether we have maintained compliance with such laws and regulations and the operating implications, if any, and amount of penalties, fines and assessments that may result from noncompliance. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our chemical facilities should we discontinue the operations of a facility. However, certain conditions exist which may result in a loss, but which will only be resolved when future events occur relating to these matters. We are involved in various environmental matters that require management to make estimates and assumptions, including our current inability to develop a meaningful and reliable estimate (or range of estimate) as to the costs relating to a corrective action study work plan approved by the Kansas Department of Health and Environment ("KDHE") discussed under footnote 3 – Other Environmental Matters of Note 9. At December 31, 2019 and 2018, liabilities totaling $0.2 million for both periods have been accrued relating to these issues as discussed. This liability is included in current accrued and other liabilities and is based on current estimates that may be revised in the near term. At the time that cost estimates for any corrective action are received, we will adjust our accrual accordingly. It is reasonably possible that the adjustment to the accrual and the actual costs could be significantly different than our current estimates.

Charge Associated with Assets Held for Sale – As discussed in Note 1, assets held for sale are generally reported at the lower of the carrying amounts of the assets or fair values less costs to sell. During 2019, in conjunction with management's review of our long-range strategy, development of the 2020 budget and the completion of the 2019 Turnarounds, certain non-core long-lived assets were identified and authorized to be sold. As a result, these assets were classified as assets held for sale. Because the estimated costs to sell these assets (primarily to dismantle) exceeds the estimated fair values, the carrying amount of these assets were written down to a de minimis amount and a non-cash charge of approximately $9.7 million was recognized and classified as other expense. We expect these assets to be sold in 2020. At December 31, 2018, we had no long-lived assets classified as held for sale.

Income Tax – As discussed under "Income Taxes" in Note 1 and in Note 8, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. We establish valuation allowances if we believe it is more-likely-than-not that some or all of deferred tax assets will not be realized. Significant judgment is applied in evaluating the need for and the magnitude of appropriate valuation allowances against deferred tax assets. At December 31, 2019 and 2018, our valuation allowance on deferred tax assets was $51.6 million and $45.6 million, respectively.

Redeemable Preferred Stocks – In December 2015, we issued the Series E and F Redeemable Preferred. The redeemable preferred stocks are redeemable outside of our control and are classified as temporary/mezzanine equity on our consolidated balance sheet. In addition, certain embedded features (the "embedded derivative") included in the Series E Redeemable Preferred required bifurcation and are classified as derivative liabilities.

Currently, the carrying values of the redeemable preferred stocks are being increased by periodic accretions (recorded to retained earnings and included in determining income or loss per share) using the interest method so that the carrying amount will equal the redemption value as of October 25, 2023, the earliest possible redemption date by the holder. Approximately $33 million of accretion (including the amount for earned dividends) was recorded to retained earnings in 2019. At December 31, 2019, the carrying value of these redeemable preferred stocks was $234.9 million.

For the embedded derivative, changes in fair value are recorded in our statement of operations. At December 31, 2019 and 2018, we estimated that the embedded contingent redemption features have fair value since we estimate that it is probable that a portion of the shares of this preferred stock would be redeemed prior to October 25, 2023.

At December 31, 2019 and 2018, the fair value of the embedded derivative was $1.1 million and $1.6 million, respectively, primarily relating to the participation rights based on the equivalent of 303,646 shares of our common stock at $4.20 and $5.52 per share, respectively. No valuation input adjustments were considered necessary relating to nonperformance risk for the embedded derivative based on our current forecast. The valuation is classified as Level 3.

Management's judgment and estimates in the above areas are based on information available from internal and external resources at that time. Actual results could differ materially from these estimates and judgments, as additional information becomes known.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Our results of operations and operating cash flows are affected by changes in market prices of natural gas, changes in market interest rates and changes in market currency exchange rates.

Forward Sales Commitments Risk

Periodically, we enter into forward firm sales commitments for products to be delivered in future periods. As a result, we could be exposed to embedded losses should our product costs exceed the firm sales prices. At December 31, 2019, we had no embedded losses associated with sales commitments with firm sales prices.

Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. We are exposed to commodity price risk as we generally do not use derivative financial instruments to manage risks related to changes in prices of commodities. We periodically enter into contracts to purchase natural gas for anticipated production needs. Generally, these contracts are considered normal purchases and sales because they provide for the purchase of natural gas that will be delivered in quantities expected to be used over a reasonable period of time in the normal course of business, these contracts are exempt from the accounting and reporting requirements relating to derivatives. At December 31, 2019, we did not have any natural gas derivatives not meeting the definition of a normal purchase and sale.

Interest Rate Risk

Generally, we are exposed to variable interest rate risk with respect to our revolving credit facility. As of December 31, 2019, we had no outstanding borrowings on this credit facility. We are also exposed to interest rate risk on variable rate borrowings for certain commercial loans in the amount of approximately $17.9 million. We currently do not hedge our interest rate risk associated with these variable interest loans.

The following table presents principal amounts and related weighted-average interest rates by maturity date for our interest rate sensitive debt agreements as of December 31, 2019:

	Years ending December 31,						
	2020	2021	2022	2023	2024	Thereafter	Total
	(Dollars In Thousands)						
Expected maturities of long-term debt (1):							
Variable interest rate debt	$ 3,122	$ 3,335	$ 3,458	$ 8,010	$ —	$ —	$ 17,925
Weighted-average interest rate	6.79%	6.72%	6.57%	6.43%	—	—	6.57%
Fixed interest rate debt	$ 6,325	$ 4,263	$ 3,311	$ 439,481	$ —	$ —	$ 453,380
Weighted-average interest rate	9.56%	9.59%	9.61%	9.61%	—	—	9.61%

(1) The variable and fixed interest rate debt balances and weighted-average interest rate are based on the aggregate amount of debt outstanding as of December 31, 2019.

At December 31, 2019 and 2018, we did not have any financial instruments with fair values significantly different from their carrying amounts (which excludes issuance costs, if applicable). The fair value of financial instruments is not indicative of the overall fair value of our assets and liabilities since financial instruments do not include all assets, including intangibles, and all liabilities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

We have included the financial statements and supplementary financial information required by this item immediately following Part IV of this report and hereby incorporate by reference the relevant portions of those statements and information into this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, our Principal Executive Officer and our Principal Financial Officer have concluded that our disclosure controls and procedures were effective. There were no changes to our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Our internal control system is a process, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework). Based on our assessment, we believe that, as of December 31, 2019, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on the following page.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of LSB Industries, Inc.

Opinion on Internal Control over Financial Reporting

We have audited LSB Industries, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, LSB Industries, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Oklahoma City, Oklahoma

February 25, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

Item 10, Item 11, Item 12, Item 13 and Item 14 are incorporated by reference to our definitive proxy statement which we intend to file with the SEC on or before April 29, 2020.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following consolidated financial statements of the Company appear immediately following this Part IV:

(a) (2) Financial Statement Schedule

The Company has included the following schedule in this report:

We have omitted all other schedules because the conditions requiring their filing do not exist or because the required information appears in our Consolidated Financial Statements, including the notes to those statements.

(a)(3) Exhibits

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
3(i).1	Restated Certificate of Incorporation of LSB Industries, Inc., dated January 21, 1977, as amended August 27, 1987	Exhibit 3(i).1 to the Company's Form 10-K filed on February 28, 2013
3(ii).1	Amended and Restated Bylaws of LSB Industries, Inc. dated August 20, 2009, as amended February 18, 2010, January 17, 2014, February 4, 2014 and August 21, 2014	Exhibit 3(ii).1 to the Company's Form 8-K filed August 27, 2014
3(ii).2	Fifth Amendment to the Amended and Restated Bylaws of LSB Industries, Inc., dated as of April 26, 2015	Exhibit 3(ii) to the Company's Form 8-K filed April 30, 2015
3(ii).3	Sixth Amendment to the Amended and Restated Bylaws of LSB Industries, Inc., dated as of December 2, 2015	Exhibit 3(ii) to the Company's Form 8-K filed December 8, 2015
3(ii).4	Seventh Amendment to the Amended and Restated Bylaws of LSB Industries, Inc., dated as of December 22, 2015	Exhibit 3(ii) to the Company's Form 8-K filed December 29, 2015
4.1(P)	Specimen Certificate for the Company's Series B Preferred Stock	Exhibit 4.27 to the Company's Registration Statement on Form S-3 No. 33-9848
4.2	Specimen Certificate for the Company's Series D 6% Cumulative, Convertible Class C Preferred Stock	Exhibit 4.3 to the Company's Form 10-K filed March 3, 2011
4.3	Specimen Certificate for the Company's Common Stock	Exhibit 4.3 to the Company's Registration Statement on Form S-3 ASR filed November 16, 2012
4.4	Certificate of Designations of Series E Cumulative Redeemable Class C Preferred Stock of LSB Industries, Inc., dated as of December 4, 2015	Exhibit 4.1 to the Company's Form 8-K filed December 8, 2015
4.5	Certificate of Designations of Series E-1 Cumulative Redeemable Class C Preferred Stock of LSB Industries, Inc., dated as of October 18, 2018	Exhibit 4.1 to the Company's Form 8-K filed October 19, 2018
4.6	Certificate of Correction to Certificate of Designations of the Series E-1 Cumulative Redeemable Class C Preferred Stock of LSB Industries, Inc.	Exhibit 4.1 to the Company's Form 8-K filed November 2, 2018
4.7	Certificate of Designations of Series F Cumulative Redeemable Class C Preferred Stock of LSB Industries, Inc., dated as of December 4, 2015	Exhibit 4.2 to the Company's Form 8-K filed December 8, 2015
4.8	Certificate of Designations of Series F-1 Redeemable Class C Preferred Stock of LSB Industries, Inc., dated as of October 18, 2018	Exhibit 4.2 to the Company's Form 8-K filed October 19, 2018
4.9	Renewed Rights Agreement, dated as of December 2, 2008, between the Company and UMB Bank, n.a.	Exhibit 4.1 to the Company's Form 8-K filed December 5, 2008
4.10	Amendment to Renewed Rights Agreement, dated December 3, 2008, between LSB Industries, Inc. and UMB Bank, n.a.	Exhibit 4.3 to the Company's Form 8-K filed December 5, 2008
4.11	Amendment to Renewed Rights Agreement, dated as of December 4, 2015, by and between LSB Industries, Inc. and UMB Bank, n.a., dated as of December 4, 2015	Exhibit 4.3 to the Company's Form 8-K filed December 8, 2015
4.12	Indenture, dated August 7, 2013, among LSB Industries, Inc., the guarantors named therein and UMB Bank, n.a., as trustee	Exhibit 4.1 to the Company's Form 8-K filed August 14, 2013
4.13	First Supplemental Indenture, dated as of September 7, 2016, by and among LSB Industries, Inc., the guarantors party thereto and UMB Bank, n.a., as trustee and notes collateral agent	Exhibit 4.1 to the Company's Form 8-K filed October 4, 2016.

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
4.14	Intercreditor Agreement, dated August 7, 2013, by and among Wells Fargo Capital Finance, Inc., as agent and UMB Bank, n.a., as collateral agent, and acknowledged and agreed to by LSB Industries, Inc. and the other grantors named therein	Exhibit 99.1 to the Company's Form 8-K filed August 14, 2013
4.15	Indenture, dated as of April 25, 2018, among LSB Industries, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent.	Exhibit 4.1 to the Company's Form 8-K filed April 25, 2018
4.16	Form of 9.625% Senior Secured Notes due 2023 (included in Exhibit 4.1).	Exhibit 4.2 to the Company's Form 8-K filed April 25, 2018
4.17(a)	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	
10.1*	Form of Death Benefit Plan Agreement, dated April 1, 1981	Exhibit 10.2 to the Company's Form 10-K filed March 31, 2006
10.2*	LSB Industries, Inc. Outside Directors Stock Purchase Plan, dated May 24, 1999	Exhibit 99.2 to the Company's Form 8-K filed October 23, 2014
10.3*	LSB Industries, Inc. 2008 Incentive Stock Plan, effective June 5, 2008, as amended by First Amendment, effective June 5, 2014	Exhibit 99.3 to the Company's Form 8-K filed June 11, 2014
10.4*	Form of Restricted Stock Agreement	Exhibit 10.3 to the Company's Form 8-K filed January 8, 2016
10.5*	Form of Incentive Stock Option Agreement for 2008 Plan	Exhibit 10.8 to the Company's Form 10-K filed February 29, 2016
10.6*	LSB Industries, Inc. 2016 Long Term Incentive Plan	Exhibit 4.8 to the Company's Form S-8 filed June 28, 2016
10.7*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Stock Option Agreement	Exhibit 4.9 to the Company's Form S-8 filed June 28, 2016
10.8*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Restricted Stock Unit Agreement (Director Award)	Exhibit 4.10 to the Company's Form S-8 filed June 28, 2016
10.9*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Restricted Stock Agreement	Exhibit 4.11 to the Company's Form S-8 filed June 28, 2016
10.10*	Form of Time-Based Restricted Stock Agreement of LSB Industries, Inc.	Exhibit 10.4 to the Company's Form 8-K filed January 3, 2019
10.11*	Form of Performance-Based Restricted Stock Agreement of LSB Industries, Inc.	Exhibit 10.5 to the Company's Form 8-K filed January 3, 2019
10.12*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Mark Behrman	Exhibit 10.12 to the Company's Form 10-K filed February 26, 2019
10.13*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Mark Behrman	Exhibit 10.4 to the Company's Form 10-Q filed October 24, 2018
10.14*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Mark T. Behrman	Exhibit 10.1 to the Company's Form 8-K filed January 3, 2019
10.15*	Restricted Stock Agreement by and between LSB Industries, Inc. and Mark Behrman, dated as of December 31, 2015	Exhibit 10.17 to the Company's Form 10-K filed February 29, 2016
10.16*	Employment Agreement by and between LSB Industries, Inc. and Daniel D. Greenwell, dated as of December 31, 2015	Exhibit 10.1 to the Company's Form 8-K/A filed January 7, 2016
10.17*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Daniel D. Greenwell	Exhibit 10.3 to the Company's Form 10-Q filed October 24, 2018

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.18*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Daniel D. Greenwell	Exhibit 10.18 to the Company's Form 10-K filed February 26, 2019
10.19*	General Release Agreement by and between LSB Industries, Inc. and Daniel D. Greenwell, dated as of January 14, 2019	Exhibit 10.19 to the Company's Form 10-K filed February 26, 2019
10.20*	Restricted Stock Agreement by and between LSB Industries, Inc. and Daniel D. Greenwell, dated as of December 31, 2015	Exhibit 10.2 to the Company's Form 8-K/A filed January 7, 2016
10.21*	Employment Agreement by and between LSB Industries, Inc. and Michael Foster, dated as of January 5, 2016	Exhibit 10.25 to the Company's Form 10-K filed February 29, 2016
10.22*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Michael J. Foster	Exhibit 10.5 to the Company's Form 10-Q filed October 24, 2018
10.23*	Notice Period Extension Regarding Employment Agreement by and between LSB Industries, Inc. and Michael J. Foster	Exhibit 10.23 to the Company's Form 10-K filed February 26, 2019
10.24*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Michael J. Foster	Exhibit 10.3 to the Company's Form 8-K filed January 3, 2019
10.25*	Restricted Stock Agreement by and between LSB Industries, Inc. and Michael Foster, dated as of January 5, 2016	Exhibit 10.26 to the Company's Form 10-K filed February 29, 2016
10.26*	Separation and Release Agreement by and between LSB Industries, Inc. and Tony M. Shelby, dated as of February 22, 2016	Exhibit 10.1 to the Company's Form 8-K filed February 25, 2016
10.27*	Employment Agreement by and between LSB Industries, Inc. and John Diesch, executed as of July 21, 2016	Exhibit 10.1 to the Company's Form 8-K filed August 2, 2016
10.28*	Employment Agreement by and between LSB Industries, Inc. and John Diesch, executed as of February 8, 2019	Exhibit 10.1 to the Company's Form 8-K filed February 11, 2019
10.29*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Cheryl Maguire	Exhibit 10.2 to the Company's Form 8-K filed January 3, 2019
10.30*(a)	Employment Agreement, dated December 20, 2019 and to be effective not later than February 3, 2020, between LSB Industries, Inc. and John Burns	
10.31*	Form of Retention Bonus Agreement	Exhibit 10.28 to the Company's Form 10-K filed February 29, 2016
10.32	Indemnification Agreement, dated October 14, 2015, by and between the Company and Jack E. Golsen, together with a schedule identifying other substantially identical agreements between the Company and each of the other directors identified on the schedule	Exhibit 10.1 to the Company's Form 8-K filed October 19, 2015
10.33	Indemnification Agreement, dated October 14, 2015 by and between the Company and David M. Shear, together with a schedule identifying other substantially identical agreements between the Company and each of its executive officers identified on the schedule	Exhibit 10.2 to the Company's Form 8-K filed October 19, 2015
10.34	Indemnification Agreement, dated as of December 4, 2015, by and between LSB Industries, Inc. and Jonathan S. Bobb, together with a schedule identifying other substantially identical agreements between the Company and each of the other directors identified on the schedule	Exhibit 10.5 to the Company's Form 8-K filed December 8, 2015

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.35	Nitric Acid Supply, Operating and Maintenance Agreement, dated October 23, 2008, by and among El Dorado Nitrogen, L.P., El Dorado Chemical Company and Bayer MaterialScience LLC	Exhibit 10.1 to the Company's Form 10-Q filed November 6, 2008 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A COMMISSION ORDER CF #30125, DATED OCTOBER 4, 2013, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.36	Second Amendment to the Nitric Acid Supply, Operating and Maintenance Agreement, dated June 16, 2010, by and among El Dorado Nitrogen, L.P., El Dorado Chemical Company and Bayer MaterialScience LLC	Exhibit 10.2 to the Company's Form 10-Q filed August 6, 2010 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A COMMISSION ORDER CF #30124, DATED OCTOBER 4, 2013, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.37	Third Amendment to the Nitric Acid Supply, Operating and Maintenance Agreement, dated June 25, 2013, by and among El Dorado Nitrogen, L.P., El Dorado Chemical Company and Bayer MaterialScience LLC	Exhibit 10.3 to the Company's Form 10-Q filed August 9, 2013 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS SUBJECT OF A COMMISSION ORDER CF #30123, DATED OCTOBER 4, 2013, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.38	Asset Purchase Agreement, dated as of December 6, 2002, by and among Energetic Systems Inc. LLC, UTeC Corporation, LLC, SEC Investment Corp. LLC, DetaCorp Inc. LLC, Energetic Properties, LLC, Slurry Explosive Corporation, Universal Tech Corporation, El Dorado Chemical Company, LSB Chemical Corp., LSB Industries, Inc. and Slurry Explosive Manufacturing Corporation, LLC	Exhibit 2.1 to the Company's Form 8-K dated December 27, 2002
10.39	Exhibits and Disclosure Letters to the Asset Purchase Agreement, dated as of December 6, 2002, by and among Energetic Systems Inc. LLC, UTeC Corporation, LLC, SEC Investment Corp. LLC, DetaCorp Inc. LLC, Energetic Properties, LLC, Slurry Explosive Corporation, Universal Tech Corporation, El Dorado Chemical Company, LSB Chemical Corp., LSB Industries, Inc. and Slurry Explosive Manufacturing Corporation, LLC	Exhibit 10.1b to the Company's Form 10-Q filed August 6, 2010

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.40	Ammonia Purchase and Sale Agreement by and between El Dorado Chemical Company and Koch Fertilizer, LLC, dated as of November 2, 2015	Exhibit 10.49 to the Company's Form 10-K filed February 29, 2016 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A COMMISSION ORDER CF #33502, DATED APRIL 4, 2016, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.41	Second Amendment to Ammonia Purchase and Sale Agreement Between Koch Fertilizer, LLC and El Dorado Chemical Company, dated as of September 30, 2019	Exhibit 10.1 to the Company's Form 10-Q filed October 29, 2019 CERTAIN CONFIDENTIAL INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED.
10.42	Urea Ammonium Nitrate Purchase and Sale Agreement dated as of March 3, 2016 and effective as of June 1, 2016 between Coffeyville Resources Nitrogen Fertilizers, LLC and Pryor Chemical Company	Exhibit 10.1 to the Company's Form 10-Q filed August 8, 2016 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A COMMISSION ORDER CF #33783. DATED AUGUST 30, 2016, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.43	Stock Purchase Agreement by and among Consolidated Industries L.L.C. The Climate Control Group, Inc., NIBE Energy Systems Inc. and, solely for purposes of Sections 6.8, 6.19 and 11.15 therein, LSB Industries, Inc., and solely for purposes of Section 11.16 therein, NIBE Indistrier AB (publ), dated as of May 11, 2016.	Exhibit 10.1 to the Company's Form 8-K filed May 13, 2016
10.44	Contract on the supply of Basic Engineering Package, Detail Engineering Package, Tagged Major Equipment and related Advisory Services, between Weatherly Inc. and El Dorado Chemical Company, dated November 30, 2012	Exhibit 99.2 to the Company's Form 8-K filed December 6, 2012
10.45	Engineering, Procurement and Construction Agreement, dated August 12, 2013, between El Dorado Ammonia L.L.C. and SAIC Constructors, LLC	Exhibit 10.1 to the Company's Form 8-K filed August 15, 2013
10.46	Construction Agreement-DMW2, dated November 6, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.1 to the Company's Form 8-K filed November 12, 2013
10.47	Construction Agreement – NACSAC, dated November 6, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.2 to the Company's Form 8-K filed November 12, 2013
10.48	Engineering, Procurement and Construction Agreement, dated December 31, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.1 to the Company's Form 8-K filed January 7, 2014

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.49	Engineering, Procurement and Construction Contract, Amendment No. 1 dated October 20, 2015, by and between El Dorado Ammonia LLC and SAIC Constructors, LLC	Exhibit 10.1 to the Company's Form 8-K filed October 26, 2015
10.50	Settlement Agreement, dated April 26, 2015, by and among the Company and Starboard Value LP and its certain affiliates and associates	Exhibit 99.1 to the Company's Form 8-K filed April 30, 2015
10.51	Consent Decree, dated May 28, 2014, by and among, LSB Industries, Inc., El Dorado Chemical Co., Cherokee Nitrogen Co., Pryor Chemical Co., El Dorado Nitrogen, L.P., the U.S. Department of Justice, the U.S. Environmental Protection Agency, the Alabama Department of Environmental Management, and the Oklahoma Department of Environment Quality	Exhibit 99.1 to the Company's Form 8-K filed June 3, 2014
10.52	Second Amended and Restated Loan and Security Agreement, dated December 31, 2013, by and among LSB Industries, Inc., each of its subsidiaries that are signatories thereto, the lenders signatories thereto, and Wells Fargo Capital Finance, LLC	Exhibit 4.9 to the Company's Form 10-K filed February 27, 2014
10.53	Amendment No. 1 to the Second Amended and Restated Loan and Security Agreement, dated as of June 11, 2015, by and among LSB Industries, Inc. its subsidiaries identified on the signature pages thereof, the lenders identified on the signature pages thereof and Wells Fargo Capital Finance, LLC, as the arranger and administrative agent for the Lenders	Exhibit 99.1 to the Company's Form 8-K filed June 17, 2015
10.54	Amendment No. 2 to the Second Amended and Restated Loan and Security Agreement, dated as of November 9, 2015, by and among LSB Industries, Inc., its subsidiaries identified on the signature pages thereof, the lenders identified on the signature pages thereof, and Wells Fargo Capital Finance, LLC, as the arranger and administrative agent for the Lenders	Exhibit 10.3 to the Company's Form 8-K filed November 16, 2015
10.55	Third Amended and Restated Loan and Security Agreement, dated as of January 17, 2017, by and among LSB Industries, Inc., the subsidiaries of LSB Industries, Inc. party thereto, the lenders party thereto, and Wells Fargo Capital Finance, LLC, as the arranger and administrative agent.	Exhibit 10.1 to the Company's Form 8-K filed January 20, 2017
10.56	First Amendment to Third Amended and Restated Loan and Security Agreement, dated as of April 16, 2018, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors.	Exhibit 10.1 to the Company's Form 8-K filed April 20, 2018
10.57	Second Amendment to Third Amended and Restated Loan and Security Agreement, dated as of February 26, 2019, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors.	Exhibit 4.1 to the Company's Form 8-K filed February 28, 2019
10.58	Security Agreement dated as of August 7, 2013, among LSB Industries, Inc. and the other grantors identified therein in favor of UMB Bank, N.A. as Collateral Agent	Exhibit 10.72 to the Company's Form 10-K filed February 29, 2016

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.59	Supplement No. 1 to Security Agreement February 12, 2014 among LSB Industries, Inc. and the other grantors identified therein in favor of UMB Bank, N.A., as Collateral Agent	Exhibit 10.73 to the Company's Form 10-K filed February 29, 2016
10.60	Note Purchase Agreement, dated November 9, 2015, by and among LSB Industries, Inc., the guarantors party thereto and LSB Funding LLC	Exhibit 10.1 to the Company's Form 8-K filed November 16, 2015
10.61	Promissory Note, dated November 9, 2015, by LSB Industries, Inc.	Exhibit 10.2 to the Company's Form 8-K filed November 16, 2015
10.62	Joinder Agreement to Intercreditor Agreement, dated November 9, 2015, by and among LSB Funding LLC, Wells Fargo Capital Finance, Inc., as ABL Agent, UMB Bank, N.A., as Notes Agent, LSB Industries, Inc. and the guarantors party thereto	Exhibit 10.4 to the Company's Form 8-K filed November 16, 2015
10.63	Amendment No. 1 to Intercreditor Agreement, dated as of April 25, 2018, among Wells Fargo Capital Finance, LLC, UMB Bank, n.a. and Wilmington Trust, National Association, and acknowledged by LSB Industries, Inc. and the subsidiary guarantors party thereto.	Exhibit 10.1 to the Company's Form 8-K filed April 25, 2018
10.64	Joinder Agreement to Security Agreement, dated November 9, 2015, by and among LSB Funding LLC, UMB Bank, N.A., as Collateral Agent, LSB Industries, Inc. and the guarantors party thereto	Exhibit 10.5 to the Company's Form 8-K filed November 16, 2015
10.65	Securities Purchase Agreement by and among LSB Industries, Inc., LSB Funding LLC, and Security Benefit Corporation, dated as of December 4, 2015	Exhibit 10.1 to the Company's Form 8-K filed December 8, 2015
10.66	Warrant to Purchase Common Stock issued by LSB Industries, Inc. to LSB Funding LLC, dated as of December 4, 2015	Exhibit 10.2 to the Company's Form 8-K filed December 8, 2015
10.67	Board Representation and Standstill Agreement by and among LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly and the Golsen Holders (as defined therein), dated as of December 4, 2015	Exhibit 10.3 to the Company's Form 8-K filed December 8, 2015
10.68	Registration Rights Agreement by and between LSB Industries, Inc. and LSB Funding LLC, dated as of December 4, 2015	Exhibit 10.4 to the Company's Form 8-K filed December 8, 2015
10.69	Letter Agreement, dated as of August 12, 2016, by and among LSB Industries, Inc., LSB Funding LLC and Security Benefit Corporation	Exhibit 10.1 to the Company's Form 8-K filed August 12, 2016
10.70	Securities Exchange Agreement, dated as of October 18, 2018, by and between LSB Industries, Inc. and LSB Funding LLC	Exhibit 10.1 to the Company's Form 8-K filed October 19, 2018
10.71	Purchase and Sale Agreement dated May 11, 2017 between Zena Energy L.L.C and BKV Chelsea, LLC	Exhibit 10.1 to the Company's Form 8-K filed May 11, 2017.
10.72*	Transition Agreement dated June 30, 2017 by and between Jack E. Golsen and LSB Industries, Inc.	Exhibit 10.1 to the Company's Form 8-K filed on June 30, 2017
10.73	Amendment, dated October 26, 2017, to the Board Representation and Standstill Agreement by and between LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly, Jack E. Golsen, Barry H. Golsen, Linda Golsen Rappaport, Golsen Family LLC, SBL LLC and Golsen Petroleum Corp., dated as of December 4, 2015	Exhibit 10.1. to the Company's Form 8-K Filed on October 26, 2017
10.74	Amendment to Board Representation and Standstill Agreement, dated as of October 18, 2018, by and among LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly and the Golsen Holders (as defined therein)	Exhibit 10.2 to the Company's Form 8-K filed October 19, 2018

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
21.1(a)	Subsidiaries of the Company	
23.1(a)	Consent of Independent Registered Public Accounting Firm	
31.1(a)	Certification of Mark T. Behrman, Chief Executive Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302	
31.2(a)	Certification of Cheryl A. Maguire, Chief Financial Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302	
32.1(b)	Certification of Mark T. Behrman, Chief Executive Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
32.2(b)	Certification of Cheryl A. Maguire, Chief Financial Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
101.INS(a)	XBRL Instance Document	
101.SCH(a)	XBRL Taxonomy Extension Schema Document	
101.CAL(a)	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF(a)	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB(a)	XBRL Taxonomy Extension Labels Linkbase Document	
101.PRE(a)	XBRL Taxonomy Extension Presentation Linkbase Document	

* Executive Compensation Plan or Arrangement
(a) Filed herewith
(b) Furnished herewith
(P) Paper copy filed

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 25, 2020	By:	/s/ Mark T. Behrman Mark T. Behrman, President, Chief Executive Officer and Director

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

Dated: February 25, 2020	By:	/s/ Mark T. Behrman Mark T. Behrman, President and Chief Executive Officer (Principal Executive Officer) and Director
Dated: February 25, 2020	By:	/s/ Cheryl A. Maguire Cheryl A. Maguire, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Dated: February 25, 2020	By:	/s/ Harold L. Rieker Jr. Harold L. Rieker Jr., Vice President - Financial Reporting (Principal Accounting Officer)
Dated: February 25, 2020	By:	/s/ Richard W. Roedel Richard W. Roedel, Chairman of the Board of Directors
Dated: February 25, 2020	By:	/s/ Jonathan S. Bobb Jonathan S. Bobb, Director
Dated: February 25, 2020	By:	/s/ Jack E. Golsen Jack E. Golsen, Chairman Emeritus
Dated: February 25, 2020	By:	/s/ Barry H. Golsen Barry H. Golsen, Director
Dated: February 25, 2020	By:	/s/ Kanna Kitamura Kanna Kitamura, Director
Dated: February 25, 2020	By:	/s/ Richard S. Sanders Jr. Richard S. Sanders Jr., Director
Dated: February 25, 2020	By:	/s/ Lynn F. White Lynn F. White, Director

LSB Industries, Inc.

Consolidated Financial Statements
And Schedule for Inclusion in Form 10-K
For the Fiscal Year ended December 31, 2019

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of LSB Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LSB Industries, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02 (Topic 842) and No. 2014-09 (Topic 606)

As discussed in Note 1 and Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in the December 31, 2019 financial statements to reflect the accounting method change due to the adoption of ASU 2016-02 Leases (Topic 842). Additionally, in the December 31, 2018 financial statements the Company changed its method of accounting for revenue due to the adoption of ASU 2014-09 Revenue from Contracts with Customers (Topic 606).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

Oklahoma City, Oklahoma

February 25, 2020

LSB Industries, Inc.

Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 22,791**	$ 26,048
Accounts receivable	**40,203**	67,043
Allowance for doubtful accounts	**(261)**	(351)
Accounts receivable, net	**39,942**	66,692
Inventories:		
Finished goods	**21,738**	27,726
Raw materials	**1,573**	1,483
Total inventories	**23,311**	29,209
Supplies, prepaid items and other:		
Prepaid insurance	**11,837**	10,924
Supplies	**24,689**	24,576
Other	**8,303**	8,964
Total supplies, prepaid items and other	**44,829**	44,464
Total current assets	**130,873**	166,413
Property, plant and equipment, net	**936,474**	974,248
Other assets:		
Operating lease assets	**15,330**	—
Intangible and other assets, net	**5,812**	7,672
	21,142	7,672
	$ 1,088,489	$ 1,148,333

(Continued on following page)

LSB Industries, Inc.

Consolidated Balance Sheets (continued)

	December 31, 2019	2018
	(In Thousands)	
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 58,477**	$ 62,589
Short-term financing	**9,929**	8,577
Accrued and other liabilities	**25,484**	42,129
Current portion of long-term debt	**9,410**	12,518
Total current liabilities	**103,300**	125,813
Long-term debt, net	**449,634**	412,681
Noncurrent operating lease liabilities	**11,404**	—
Other noncurrent accrued and other liabilities	**6,214**	8,861
Deferred income taxes	**35,717**	56,612
Commitments and contingencies (Note 9)		
Redeemable preferred stocks:		
Series E 14% cumulative, redeemable Class C preferred stock, no par value, 210,000 shares issued; 139,768 outstanding; aggregate liquidation preference of $242,800,000 ($212,071,000 at December 31, 2018)	**234,893**	202,169
Series F redeemable Class C preferred stock, no par value, 1 share issued and outstanding; aggregate liquidation preference of $100	—	—
Stockholders' equity:		
Series B 12% cumulative, convertible preferred stock, $100 par value; 20,000 shares issued and outstanding; aggregate liquidation preference of $3,025,000 ($2,785,000 at December 31, 2018)	**2,000**	2,000
Series D 6% cumulative, convertible Class C preferred stock, no par value; 1,000,000 shares issued and outstanding; aggregate liquidation preference of $1,252,000 ($1,192,000 at December 31, 2018)	**1,000**	1,000
Common stock, $.10 par value; 75,000,000 shares authorized, 31,283,210 shares issued (31,283,210 shares at December 31, 2018)	**3,128**	3,128
Capital in excess of par value	**196,833**	198,482
Retained earnings	**57,632**	153,773
	260,593	358,383
Less treasury stock, at cost:		
Common stock, 2,009,566 shares (2,438,305 shares at December 31, 2018)	**13,266**	16,186
Total stockholders' equity	**247,327**	342,197
	$ 1,088,489	$ 1,148,333

See accompanying notes.

LSB Industries, Inc.

Consolidated Statements of Operations

	Year Ended December 31, 2019	2018	2017
	(In Thousands, Except Per Share Amounts)		
Net sales	$ **365,070**	$ 378,160	$ 427,504
Cost of sales	**360,085**	362,325	422,038
Gross profit	**4,985**	15,835	5,466
Selling, general and administrative expense	**34,172**	40,811	34,990
Other expense (income), net	**9,904**	(1,951)	4,567
Operating loss	**(39,091)**	(23,025)	(34,091)
Interest expense, net	**46,389**	43,064	37,267
Loss on extinguishment of debt	**—**	5,951	—
Non-operating other income, net	**(1,139)**	(1,554)	(306)
Loss from continuing operations before provision (benefit) for income taxes	**(84,341)**	(70,486)	(71,052)
Provision (benefit) for income taxes	**(20,924)**	1,740	(40,759)
Loss from continuing operations	**(63,417)**	(72,226)	(30,293)
Income from discontinued operations, net of taxes	**—**	—	1,076
Net loss	**(63,417)**	(72,226)	(29,217)
Dividends on convertible preferred stocks	**300**	300	300
Dividends on Series E redeemable preferred stock	**30,729**	26,840	23,443
Accretion of Series E redeemable preferred stock	**1,995**	3,375	6,487
Net loss attributable to common stockholders	$ **(96,441)**	$ (102,741)	$ (59,447)
Basic and dilutive income (loss) per common share:			
Loss from continuing operations	$ **(3.44)**	$ (3.74)	$ (2.22)
Income from discontinued operations, net of taxes	**—**	—	0.04
Net loss	$ **(3.44)**	$ (3.74)	$ (2.18)

See accompanying notes.

LSB Industries, Inc.

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Treasury Stock-Common Shares	Non-Redeemable Preferred Stock	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock-Common	Total
				(In Thousands)				
Balance at December 31, 2016	31,281	(3,005)	$ 3,000	$ 3,128	$ 192,172	$ 314,301	$ (20,088)	$ 492,513
Cumulative effect of change in accounting principle						1,060		1,060
Net loss						(29,217)		(29,217)
Dividend accrued on redeemable preferred stock						(23,443)		(23,443)
Accretion of redeemable preferred stock						(6,487)		(6,487)
Stock-based compensation					5,099			5,099
Issuance of restricted stock, net		317			(3,175)		1,814	(1,361)
Other		26			(140)		172	32
Balance at December 31, 2017	31,281	(2,662)	3,000	3,128	193,956	256,214	(18,102)	438,196
Net loss						(72,226)		(72,226)
Dividend accrued on redeemable preferred stock						(26,840)		(26,840)
Accretion of redeemable preferred stock						(3,375)		(3,375)
Stock-based compensation					8,358			8,358
Issuance of restricted stock, net		224			(3,852)		1,916	(1,936)
Other	2				20			20
Balance at December 31, 2018	31,283	(2,438)	3,000	3,128	198,482	153,773	(16,186)	342,197
Net loss						**(63,417)**		**(63,417)**
Dividend accrued on redeemable preferred stock						**(30,729)**		**(30,729)**
Accretion of redeemable preferred stock						**(1,995)**		**(1,995)**
Stock-based compensation					**2,220**			**2,220**
Issuance of restricted stock, net		**428**			**(3,869)**		**2,920**	**(949)**
Balance at December 31, 2019	**31,283**	**(2,010)**	**$ 3,000**	**$ 3,128**	**$ 196,833**	**$ 57,632**	**$ (13,266)**	**$ 247,327**

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended December 31, 2019	2018	2017
		(In Thousands)	
Cash flows from continuing operating activities			
Net loss	**$ (63,417)**	$ (72,226)	$ (29,217)
Adjustments to reconcile net loss to net cash provided by continuing operating activities:			
Income from discontinued operations, net of taxes	**—**	—	(1,076)
Deferred income taxes	**(20,895)**	1,825	(40,445)
Charge on extinguishment of debt	**—**	5,951	—
Depreciation, depletion and amortization of property, plant and equipment	**68,325**	70,266	66,996
Amortization of intangible and other assets	**1,249**	2,361	2,147
Loss associated with assets held for sale	**9,701**	—	—
Loss (gain) on sales of businesses and other property and equipment	**678**	(1,637)	6,977
Stock-based compensation	**2,220**	8,358	5,213
Other	**2,794**	2,098	434
Cash provided (used) by changes in assets and liabilities (net of effects of discontinued operations):			
Accounts receivable	**8,800**	(2,167)	(6,321)
Inventories	**6,092**	(6,698)	56
Other supplies, prepaid items and other	**(934)**	564	(2,139)
Accounts payable	**(7,987)**	14,208	1,374
Accrued interest	**586**	(6,919)	(1)
Other current and noncurrent liabilities	**(5,113)**	1,638	(1,722)
Net cash provided by continuing operating activities	**2,099**	17,622	2,276
Cash flows from continuing investing activities			
Expenditures for property, plant and equipment	**(36,081)**	(37,050)	(35,425)
Proceeds from sales of businesses and other property and equipment	**61**	6,660	23,841
Proceeds from property insurance recovery associated with property, plant and equipment	**—**	1,531	—
Net proceeds from sale of discontinued operations	**—**	2,730	—
Other investing activities	**95**	389	739
Net cash used by continuing investing activities	**(35,925)**	(25,740)	(10,845)

(Continued on following page)

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31, 2019	2018	2017
	(In Thousands)		
Cash flows from continuing financing activities			
Proceeds from revolving debt facility	**$ 5,000**	$ 10,000	$ —
Payments on revolving debt facility	**(15,000)**	—	—
Net proceeds from 9.625% senior secured notes	**35,086**	390,473	—
Payments on senior secured notes	**—**	(375,000)	—
Proceeds from other long-term debt	**20,219**	—	—
Payments on other long-term debt	**(14,073)**	(9,170)	(14,121)
Payments of debt-related costs, including extinguishment and modification costs	**(1,065)**	(10,974)	(90)
Proceeds from short-term financing	**12,179**	10,865	10,919
Payments on short-term financing	**(10,828)**	(10,872)	(11,479)
Payments of preferred stock modification costs	**—**	(2,777)	—
Proceeds from exercises of stock options	**—**	20	—
Taxes paid on equity awards	**(949)**	(2,018)	(1,361)
Net cash provided (used) by continuing financing activities	**30,569**	547	(16,132)
Cash flows of discontinued operations:			
Net cash used by operating activities	**—**	—	(1,461)
Net cash used by financing activities	**—**	—	(236)
Net cash used by discontinued operations	**—**	—	(1,697)
Net decrease in cash and cash equivalents	**(3,257)**	(7,571)	(26,398)
Cash and cash equivalents at beginning of year	**26,048**	33,619	60,017
Cash and cash equivalents at end of year	**$ 22,791**	$ 26,048	$ 33,619

See accompanying notes.

1. Summary of Significant Accounting Policies

Basis of Consolidation – LSB Industries, Inc. (“LSB”) and its subsidiaries (the “Company”, “We”, “Us”, or “Our”) are consolidated in the accompanying consolidated financial statements. LSB is a holding company with no significant operations or assets other than cash, cash equivalents, and investments in its subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

Nature of Business – We are engaged in the manufacture and sale of chemical products. The chemical products we primarily manufacture, market and sell are ammonia, fertilizer grade AN (“HDAN”) and UAN for agricultural applications, high purity and commercial grade ammonia, high purity AN, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and diesel exhaust fluid for industrial applications, and industrial grade AN (“LDAN”) and solutions for the mining industry. We manufacture and distribute our products in four facilities; three of which we own and are located in El Dorado, Arkansas (the “El Dorado Facility”); Cherokee, Alabama (the “Cherokee Facility”); and Pryor, Oklahoma (the “Pryor Facility”); and one of which we operate on behalf of a global chemical company in Baytown, Texas (the “Baytown Facility”).

Sales to customers include farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the United States (U.S.); industrial users of acids throughout the U. S. and parts of Canada; and explosive manufacturers in the U.S.

Other products consisted of natural gas sales from our working interests in certain natural gas properties of our former subsidiary Zena Energy L.L.C. and sales of industrial machinery and related components, which were sold during 2017.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Investments, which consist of highly liquid investments with original maturities of three months or less, are considered cash equivalents.

Accounts Receivable – Our accounts receivable are stated at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on accounts receivable balances. Our estimate is based on historical experience and periodic assessment of outstanding accounts receivable, particularly those accounts that are past due (based upon the terms of the sale). Our periodic assessment of our accounts receivable is based on our best estimate of amounts that are not recoverable. Our contract assets consist of receivables from contracts with customers. Our accounts receivable primarily relate to these contract assets and are presented in our consolidated balance sheets.

Sales to our customers are generally unsecured. Credit is extended to customers based on an evaluation of the customer’s financial condition and other factors. Customer payments are generally due thirty to sixty days after the invoice date. Concentrations of credit risk with respect to trade receivables are monitored and this risk is reduced due to short-term payment terms relating to most of our significant customers. Nine customers (including their affiliates) account for approximately 46% of our total net receivables at December 31, 2019.

Inventories – Inventories are stated at the lower of cost (determined using the first-in, first-out (“FIFO”) basis) or net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, transportation or disposal. Finished goods include material, labor, and manufacturing overhead costs.

Inventory reserves associated with cost exceeding net realizable value were not material at December 31, 2019 and 2018.

1. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment – Property, plant and equipment ("PP&E") are stated at cost, net of accumulated depreciation, depletion and amortization ("DD&A"). Leases meeting finance lease criteria (formerly classified as capital leases) are capitalized in PP&E. Major renewals and improvements that increase the life, value, or productive capacity of assets are capitalized in PP&E while maintenance, repairs and minor renewals are expensed as incurred. In addition, maintenance, repairs and minor renewal costs relating to planned major maintenance activities ("Turnarounds") are expensed as they are incurred. All long-lived assets relate to domestic operations.

Fully depreciated assets are retained in PP&E and accumulated DD&A accounts until disposal. When PP&E is retired, sold, or otherwise disposed, the asset's carrying amount and related accumulated DD&A is removed from the accounts and any gain or loss is included in other income or expense.

For financial reporting purposes, depreciation of the costs of PP&E is primarily computed using the straight-line method over the estimated useful lives of the assets. No provision for depreciation is made on construction in progress or capital spare parts until such time as the relevant assets are put into service.

In general, assets held for sale are reported at the lower of the carrying amounts of the assets or fair values less costs to sell. During 2019, in conjunction with management's review of our long-range strategy, development of the 2020 budget and the completion of the 2019 Turnarounds, certain non-core long-lived assets were identified and authorized to be sold. As a result, these assets were classified as assets held for sale. Because the estimated costs to sell these assets (primarily to dismantle) exceeds the estimated fair values, the carrying amount of these assets were written down to a de minimis amount and a non-cash charge of approximately $9.7 million was recognized and classified as other expense. We expect these assets to be sold in 2020. At December 31, 2018, we had no long-lived assets classified as held for sale.

Impairment of Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset (asset group) exceeds the estimated undiscounted future cash flows expected to result from the use of the asset (asset group) and its eventual disposition. If assets to be held and used are considered to be impaired, the impairment to be recognized is the amount by which the carrying amounts of the assets exceed the fair values of the assets as measured by the present value of future net cash flows expected to be generated by the assets or their appraised value. In general, and depending on the event or change in circumstances, our asset groups are reviewed for impairment on a facility-by-facility basis (such as the Cherokee, El Dorado or Pryor Facility).

In addition, if the event or change in circumstance relates to the probable sale of an asset (or group of assets), the specific asset (or group of assets) is reviewed for impairment.

Concentration of Credit Risks for Cash and Cash Equivalents and Sales – Financial instruments relating to cash and cash equivalents potentially subject us to concentrations of credit risk. These financial instruments were held by financial institutions within the U.S. None of the financial instruments held within U.S. were in excess of the federally insured limits.

Net sales to one customer, Koch Fertilizer LLC ("Koch Fertilizer"), represented approximately 11%, 13% and 10% of our total net sales for 2019, 2018 and 2017, respectively. Net sales to one customer, Coffeyville Resources Nitrogen Fertilizer, LLC ("CVR"), represented approximately 11% of our total net sales for 2018. Net sales to one customer, Covestro AG ("Covestro"), represented approximately 12% of our total net sales for 2017.

Accrued Insurance Liabilities – We are self-insured up to certain limits for group health, workers' compensation and general liability claims. Above these limits, we have commercial stop-loss insurance coverage for our contractual exposure on group health claims and statutory limits under workers' compensation obligations. We also carry umbrella insurance of $100 million for most general liability and auto liability risks. We have a separate $50 million insurance policy covering pollution liability at our chemical facilities. Additional pollution liability coverage for our other facilities is provided in our general liability and umbrella policies.

Our accrued self-insurance liabilities are based on estimates of claims, which include the reported incurred claims amounts plus the reserves established by our insurance adjustors and/or estimates provided by attorneys handling the claims, if any, up to the amount of our self-insurance limits. In addition, our accrued insurance liabilities include estimates of incurred, but not reported, claims based on historical claims experience. The determination of such claims and the appropriateness of the related liability is periodically reviewed and revised, if needed. Changes in these estimated liabilities are charged to operations. Potential legal fees and other directly related costs associated with insurance claims are not accrued but rather are expensed as incurred. Accrued insurance claims are included in accrued and other liabilities. It is reasonably possible that the actual development of claims could be different than our estimates.

1. Summary of Significant Accounting Policies (continued)

Executive Benefit Agreements – We are party to certain benefit agreements with certain key current and former executives. Costs associated with these individual benefit agreements are accrued based on the estimated remaining service period when such benefits become probable, they will be paid. Total costs accrued equal the present value of specified payments to be made after benefits become payable.

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. We establish valuation allowances if we believe it is more-likely-than-not that some or all of deferred tax assets will not be realized. Significant judgment is applied in evaluating the need for and the magnitude of appropriate valuation allowances against deferred tax assets.

In addition, we do not recognize a tax benefit unless we conclude that it is more likely than not that the benefit will be sustained on audit by the relevant taxing authorities based solely on the technical merits of the associated tax position. If the recognition threshold is met, we recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is greater than 50% likely to be realized. We record interest related to unrecognized tax positions in interest expense and penalties in operating other expense.

Income tax benefits associated with amounts that are deductible for income tax purposes are recorded through the statement of operations. These benefits are principally generated from exercises of non-qualified stock options and restricted stock. We reduce income tax expense for investment tax credits in the period the credit arises and is earned.

See Note 8 – Income Taxes discussing the Tax Cuts and Jobs Act of 2017 and Staff Accounting Bulletin No. 118 ("SAB 118") issued by the SEC.

Contingencies – Certain conditions may exist which may result in a loss, but which will only be resolved when future events occur. We and our legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. If the assessment of a contingency indicates that it is probable that a loss has been incurred, we would accrue for such contingent losses when such losses can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Estimates of potential legal fees and other directly related costs associated with contingencies are not accrued but rather are expensed as incurred. Loss contingency liabilities are included in current and noncurrent accrued and other liabilities and are based on current estimates that may be revised in the near term. In addition, we recognize contingent gains when such gains are realized or when the contingencies have been resolved (generally at the time a settlement has been reached).

Asset Retirement Obligations – In general, we record the estimated fair value of an asset retirement obligation (“ARO”) associated with tangible long-lived assets in the period it is incurred and when there is sufficient information available to estimate the fair value. An ARO associated with long-lived assets is a legal obligation under existing or enacted law, statute, written or oral contract or legal construction. AROs, which are initially recorded based on estimated discounted cash flows, are accreted to full value over time through charges to cost of sales. In addition, we capitalize the corresponding asset retirement cost as PP&E, which cost is depreciated or depleted over the related asset’s respective useful life. We do not have any assets restricted for the purpose of settling our AROs.

Redeemable Preferred Stocks – Our redeemable preferred stocks that are redeemable outside of our control are classified as temporary/mezzanine equity. The redeemable preferred stocks were recorded at fair value upon issuance, net of issuance costs or discounts. In addition, certain embedded features included in the Series E Redeemable Preferred required bifurcation and are classified as derivative liabilities. The carrying values of the redeemable preferred stocks are being increased by periodic accretions (including the amount for dividends earned but not yet declared or paid) using the interest method so that the carrying amount will equal the redemption value as of October 25, 2023, the earliest possible redemption date by the holder. The accretion was recorded to retained earnings.

However, this accretion will change if the expected redemption date changes.

Equity Awards – Equity award transactions with employees are measured based on the estimated fair value of the equity awards issued. For equity awards with service conditions that have a graded vesting period, we recognize compensation cost on a straight-line basis over the requisite service period for the entire award. Forfeitures are accounted for as they occur. Historically, we issue new shares of common stock upon the exercise of stock options, but treasury shares may be used.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Other Information

Revenue Recognition and Performance Obligations

We determine revenue recognition through the following steps:

- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Generally, satisfaction occurs when control of the promised goods is transferred to the customer or as services are rendered or completed in exchange for consideration in an amount for which we expect to be entitled. Generally, control is transferred when the preparation for shipment of the product to a customer has been completed. Most of our contracts contain a single performance obligation with the promise to transfer a specific product. When the terms of a contract include the transfer of multiple products, each distinct product is identified as a separate performance obligation.

Most of our revenue is recognized from performance obligations satisfied at a point in time, however, we have a performance obligation to perform certain services that are satisfied over a period of time. Revenue is recognized from this type of performance obligation as services are rendered and are based on the amount for which we have a right to invoice, which reflects the amount of expected consideration that corresponds directly with the value of the services performed.

We only offer assurance-type warranties for our products to meet specifications defined by our contracts with customers, and do not have any material performance obligations related to warranties, return, or refunds.

Transaction Price Constraints and Variable Consideration

For most of our contracts within the scope of Accounting Standards Codification, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), the transaction price from the inception of a contract is constrained to a short period of time (generally one month) as these contracts contain terms with variable consideration related to both price and quantity. These contract prices are often based on commodity indexes (such as NYMEX natural gas index) published monthly and the contract quantities are typically based on estimated ranges. The quantities become fixed and determinable over a period of time as each sale order is received from the customer.

The nature of our contracts also gives rise to other types of variable consideration, including volume discounts and rebates, make-whole provisions, other pricing concessions, and short-fall charges. We estimate these amounts based on the expected amount to be provided to customers, which result in a transaction price adjustment reducing revenue (net sales) with the offset increasing contract or refund liabilities. These estimates are based on historical experience, anticipated performance and our best judgment at the time. We reassess these estimates on a quarterly basis.

The aforementioned constraints over transaction prices in conjunction with the variable consideration included in our material contracts prevent a practical assignment of a specific dollar amount to performance obligations at the beginning and end of the period. Therefore, we have applied the variable consideration allocation exception.

Future revenues to be earned from the satisfaction of performance obligations will be recognized when control transfers as goods are loaded and weighed or services are performed over the remaining duration of our contracts. Although most of our contracts have an original expected duration of one year or less, for our contracts with a duration greater than one year, the average remaining expected duration was approximately 15 months at December 31, 2019.

Practical Expedients and Other Information

We have applied the following practical expedients:

- to recognize revenue in the amount we have the right to invoice relating to certain services that are performed for customers and, not disclosing the value of unsatisfied performance obligations related to such services.
- not disclosing the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.
- not adjusting the promised amount of consideration for the effects of a significant financing component if we expect the financing time period to be one year or less.
- expense as incurred any incremental costs of obtaining a contract if the associated period of benefit is one year or less.

1. Summary of Significant Accounting Policies (continued)

All net sales and long-lived assets relate to domestic operations for the periods presented. In addition, net sales to non-U.S. customers were minimal.

Recognition of Incentive Tax Credits (Other Than Credits Associated with Income Taxes) – If an incentive tax credit relates to a recovery of taxes (other than income taxes) incurred, we recognize the incentive tax credit when it is probable and reasonably estimable. If an incentive tax credit relates to an amount in excess of taxes incurred, the incentive tax credit is a contingent gain, which we recognize the incentive tax credit when it is realized or when the contingencies have been resolved (generally at the time a settlement has been reached). Amounts recoverable from the taxing authorities, if any, are included in accounts receivable. The same financial statement classification is used for an incentive tax credit as the associated tax incurred.

During 2017, we received notification from the State of Arkansas that incentive tax credits had been approved associated with certain capital expenditures associated with the El Dorado Facility's expansion projects completed primarily in the fourth quarter of 2015 and the second quarter of 2016. As a result, in 2017, we recognized a current and noncurrent receivable totaling approximately $8.1 million associated with these incentive tax credits with the offset reducing PP&E (covered by the tax credit) by approximately $7.4 million and the remaining balance of $0.7 million as a reduction to cost of sales (recovery of previously incurred depreciation expense related to the PP&E). At December 31, 2019 and 2018, our incentive tax credits receivable totaled $2.3 million and $3.1 million, respectively.

Recognition of Insurance Recoveries – If an insurance claim relates to a recovery of our losses, we recognize the recovery when it is probable and reasonably estimable. If our insurance claim relates to a contingent gain, we recognize the recovery when it is realized or when the contingencies have been resolved (generally at the time a settlement has been reached). Amounts recoverable from our insurance carriers, if any, are included in accounts receivable. An insurance recovery in excess of recoverable costs relating to a business interruption claim, if any, is a reduction to cost of sales.

Cost of Sales – Cost of sales includes materials, labor and overhead costs to manufacture the products sold plus inbound freight, purchasing and receiving costs, inspection costs, internal transfer costs, loading and handling costs, warehousing costs, railcar lease costs and outbound freight. Maintenance, repairs and minor renewal costs relating to Turnarounds are included in cost of sales as they are incurred. Precious metals used as a catalyst and consumed during the manufacturing process are included in cost of sales. Recoveries and gains from precious metals and business interruption insurance claims, if any, are reductions to cost of sales.

Selling, General and Administrative Expense – Selling, general and administrative expense ("SG&A") includes costs associated with the sales, marketing and administrative functions. Such costs include personnel costs, including benefits, professional fees, office and occupancy costs associated with the sales, marketing and administrative functions. Also included in SG&A are any distribution fees paid to third parties to distribute our products.

Derivatives, Hedges and Financial Instruments – Derivatives are recognized in the balance sheet and are measured at fair value. Changes in fair value of derivatives are recorded in results of operations unless the normal purchase or sale exceptions apply, or hedge accounting is elected.

The fair value amounts recognized for our derivative contracts executed with the same counterparty under a master netting arrangement may be offset. We have the choice to offset or not, but that choice must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for the derivative contracts outstanding with a single counterparty results in the net fair value of the transactions being reported as an asset or a liability in the balance sheet. We have chosen to present the fair values of our derivative contracts under master netting agreements using a gross fair value presentation as there were no derivatives with fair values that were eligible to be offset as of December 31, 2019 and 2018.

Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

> **Level 1** - Valuations of contracts classified as Level 1 are based on quoted prices in active markets for identical contracts. At December 31, 2019 and 2018, we did not have any contracts classified as Level 1.
>
> **Level 2** - Valuations of contracts classified as Level 2 are based on quoted prices for similar contracts and valuation inputs other than quoted prices that are observable for these contracts. At December 31, 2019 and 2018, we did not have any significant contracts classified as Level 2.

1. Summary of Significant Accounting Policies (continued)

Level 3 - Valuations of assets and liabilities classified as Level 3 are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. See Note 10 for further discussion of our embedded derivative which is classified as Level 3.

At December 31, 2019 and 2018, we did not have any financial instruments with fair values significantly different from their carrying amounts (excluding issuance costs, if applicable). The fair value of financial instruments is not indicative of the overall fair value of our assets and liabilities since financial instruments do not include all assets, including intangibles, and all liabilities.

Income (Loss) per Common Share – Net income (loss) attributable to common stockholders is computed by adjusting net income (loss) by the amount of dividends and dividend requirements on preferred stocks and the accretion of redeemable preferred stocks, if applicable. Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding, excluding contingently returnable common shares (unvested restricted stock), if applicable. For periods we earn net income, a proportional share of net income is allocated to participating securities, if applicable, determined by dividing total weighted average participating securities by the sum of the total weighted average common shares and participating securities (the "two-class method"). Certain securities (Series E Redeemable Preferred and restricted stock units) participate in dividends declared on our common stock and are therefore considered to be participating securities.

Participating securities have the effect of diluting both basic and diluted income per common share during periods of net income. For periods we incur a net loss, no loss is allocated to participating securities because they have no contractual obligation to share in our losses. Diluted loss per common share is computed after giving consideration to the dilutive effect of our potential common stock instruments that are outstanding during the period, except where such non-participating securities would be anti-dilutive.

Segment Information - We operate in one principal business segment – our chemical business.

Recently Adopted Accounting Pronouncements

ASU 2016-02 and related ASUs – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes the lease requirements in Topic 840, *Leases*. In addition, the FASB issued various other ASUs further amending lease accounting guidance (together "ASC 842"). On January 1, 2018, we adopted ASC 842 as discussed in Note 2.

Recently Issued Accounting Pronouncements

ASU 2019-12 – In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The ASU removes certain exceptions to the general framework and also seeks to simplify and/or clarify accounting for income taxes by adding certain requirements that would simplify GAAP for financial statement preparers. The effective date of ASU 2019-12 is fiscal years (and interim periods within those fiscal years) beginning after Dec. 15, 2020. Early adoption is permitted but requires simultaneous adoption of all provisions of the new standard. We continue to evaluate the effect of our pending adoption of this ASU on our consolidated financial statements and related disclosures at this time.

2. Adoption of ASC 842

On January 1, 2019, we adopted ASC 842 using the additional transition method option provided by ASU 2018-11. Under this transition method, we applied the new accounting guidance on the date of adoption. Upon adoption, a cumulative effect adjustment was not required; however, the effect of this guidance on our consolidated financial statements impacted our balance sheet presentation by increasing the amount of our noncurrent assets for the inclusion of right-of-use assets of $15.9 million and increasing the amount of our liabilities for the inclusion of the associated lease obligations of $15.9 million, most of which were classified as noncurrent.

Under the transition option we elected, ASC 842 is applied only to the most current period presented in the financial statements and our reporting for the comparative periods presented in the financial statements continue to be in accordance with Topic 840, including disclosures. Upon adoption, we elected the following accounting policies or practical expedients related to ASC 842:

- not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for any existing leases;
- apply accounting similar to Topic 840 operating leases accounting to leases that meet the definition of short-term leases; and
- not evaluate land easements that exist or expired before January 1, 2019 and that were not previously accounted for as leases under Topic 840.

2. Adoption of ASC 842 (continued)

Subsequent to adoption, we determine if an arrangement is a lease at inception. Since our leases generally do not provide an implicit rate, we use our incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the lease term. Currently, most of our leases are classified as operating leases under which we are the lessee and primarily relate to railcars, other equipment and office space. In addition, our leases that are classified as finance leases (previously classified as capital leases) and other leases under which we are the lessor are not material. Most of our leases do not include options to extend or terminate the lease prior to the end of the term. As of December 31, 2019, we have executed operating leases with lease terms greater than one year, totaling approximately $10.8 million that have not yet commenced.

	2019 (Dollars In Thousands)
Components of lease expense:	
Operating lease cost	$ 7,270
Short-term lease cost	2,665
Other cost (1)	64
Total lease cost	$ 9,999
Supplemental cash flow information related to leases:	
Operating cash flows from operating leases	$ 7,677
Operating cash flows from finance leases	16
Financing cash flows from finance leases	61
Cash paid for amounts included in the measurement of lease liabilities	$ 7,754
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 5,967
Other lease-related information:	
Weighted-average remaining lease term - operating leases (in years)	4.6
Weighted-average remaining lease term - finance leases (in years)	3.8
Weighted-average discount rate - operating leases	8.70%
Weighted-average discount rate - finance leases	8.94%

(1) Includes variable and finance lease costs.

Maturities of operating lease liabilities as of December 31, 2019 are as follows:

	Operating Leases (In thousands)
2020	$ 5,189
2021	3,951
2022	3,282
2023	2,969
2024	1,715
Thereafter	1,603
Total lease payments	18,709
Less imputed interest	(3,239)
Present value of lease liabilities	$ 15,470

Additionally, under Topic 840, expenses associated with our operating lease agreements, including month-to-month leases, were $10,235,000 in 2018 and $9,813,000 in 2017.

3. Income (loss) per Common Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	2019	2018	2017
	(Dollars In Thousands, Except Per Share Amounts)		
Numerator:			
Net loss	**$ (63,417)**	$ (72,226)	$ (29,217)
Adjustments for basic net loss per common share:			
Dividend requirements on Series E Redeemable Preferred	**(30,729)**	(26,840)	(23,443)
Dividend requirements on Series B Preferred	**(240)**	(240)	(240)
Dividend requirements on Series D Preferred	**(60)**	(60)	(60)
Accretion of Series E Redeemable Preferred	**(1,995)**	(3,375)	(6,487)
Numerator for basic and dilutive net loss per common share - net loss attributable to common stockholders	**$ (96,441)**	$ (102,741)	$ (59,447)
Denominator:			
Denominator for basic and dilutive net loss per common share - adjusted weighted-average shares (1)	**28,039,625**	27,490,717	27,250,876
Basic and dilutive net income (loss) per common share:			
Loss from continuing operations	**$ (3.44)**	$ (3.74)	$ (2.22)
Income from discontinued operations, net of taxes	**—**	—	0.04
Net loss	**$ (3.44)**	$ (3.74)	$ (2.18)

(1) All periods exclude the weighted-average shares of unvested restricted stock that are contingently issuable.

The following weighted-average shares of securities were not included in the computation of diluted net income (loss) per common share as their effect would have been antidilutive:

	2019	2018	2017
Convertible preferred stocks	**916,666**	916,666	916,666
Restricted stock and stock units	**832,103**	1,183,622	1,187,525
Series E redeemable preferred stock - embedded derivative	**303,646**	303,646	303,646
Stock options	**124,000**	175,454	215,067
	2,176,415	2,579,388	2,622,904

4. Property, Plant and Equipment

	Average useful lives (1)	December 31, 2019	December 31, 2018
		(In Thousands)	
Machinery, equipment and automotive	**25**	**$ 1,204,695**	$ 1,189,438
Buildings and improvements	**26**	**38,810**	39,032
Land improvements	**34**	**8,223**	8,076
Furniture, fixtures and store equipment	**3**	**1,122**	1,122
Construction in progress	**N/A**	**31,575**	28,753
Capital spare parts	**N/A**	**24,245**	28,945
Land	**N/A**	**4,575**	4,583
		1,313,245	1,299,949
Less accumulated depreciation and amortization		**376,771**	325,701
		$ 936,474	$ 974,248

(1) Weighted average useful lives as of December 31, 2019.

4. Property, Plant and Equipment (continued)

Machinery, equipment and automotive primarily includes the categories of property and equipment and estimated useful lives as follows: processing plants and plant infrastructure (15-30 years); certain processing plant components (3-10 years); and trucks, automobiles, trailers, and other rolling stock (2-7 years).

5. Current and Noncurrent Accrued and Other Liabilities

	December 31, 2019	December 31, 2018
	(In Thousands)	
Accrued interest	$ **7,091**	$ 6,505
Accrued payroll and benefits (1)	**5,385**	7,259
Current portion of operating lease liabilities	**4,066**	—
Deferred revenue	**3,443**	5,216
Accrued death and other executive benefits	**2,564**	2,777
Series E redeemable preferred - embedded derivative	**1,084**	1,642
Accrued health and worker compensation insurance claims	**966**	1,107
Customer deposits	**132**	1,783
Accrued litigation settlement (See Note 9)	**—**	18,450
Other	**6,967**	6,251
	31,698	50,990
Less noncurrent portion	**6,214**	8,861
Current portion of accrued and other liabilities	$ **25,484**	$ 42,129

(1) At December 31, 2018, the amount includes certain severance benefits as discussed in Note 14.

6. Asset Retirement Obligations

Currently, we have various legal requirements related to operations at our chemical facilities mainly for the disposal of wastewater generated at certain of these facilities. At December 31, 2019 and 2018, our accrued liability for AROs was $100,000. However, the facilities and some of the water related assets have an indeterminate life and as a result there is insufficient information to estimate the fair value for certain of our AROs. We will continue to review these obligations and record a liability when a reasonable estimate of the fair value can be made.

7. Long-Term Debt

	December 31, 2019	December 31, 2018
	(In Thousands)	
Working Capital Revolver Loan, with a current interest rate of 5.25% (A)	$ **—**	$ 10,000
Senior Secured Notes due 2023 (B)	**435,000**	400,000
Secured Promissory Note due 2021, with an interest rate of 5.25% (C)	**4,746**	8,090
Secured Promissory Note due 2023, with a current interest rate of 6.03% (D)	**12,705**	14,685
Secured Financing due 2023, with an interest rate of 8.32% (E)	**13,476**	—
Secured Loan Agreement, with an interest rate of 8.76% (E)	**5,219**	—
Secured Promissory Note due 2019 (E)	**—**	7,165
Other	**159**	221
Unamortized discount, net of premium, and debt issuance costs	**(12,261)**	(14,962)
	459,044	425,199
Less current portion of long-term debt (F)	**9,410**	12,518
Long-term debt due after one year, net (F)	$ **449,634**	$ 412,681

7. Long-Term Debt (continued)

(A) As amended in February 2019, our revolving credit facility (the "Working Capital Revolver Loan") provides for advances up to $75 million, based on specific percentages of eligible accounts receivable and inventories and up to $10 million of standby letters of credit, the outstanding amount of which reduces the available for borrowing under the Working Capital Revolver Loan. At December 31, 2019, our available borrowings under our Working Capital Revolver Loan were approximately $42.1 million, based on our eligible collateral, less outstanding letters of credit. The maturity date of the Working Capital Revolver Loan is February 26, 2024. The Working Capital Revolver Loan also provides for a springing financial covenant (the "Financial Covenant"), which requires that, if the borrowing availability is less than 10.0% of the total revolver commitments, then the borrowers must maintain a minimum fixed charge coverage ratio of not less than 1.00 to 1.00. The Financial Covenant, if triggered, is tested monthly.

Interest accrues on outstanding borrowings under the Working Capital Revolver Loan at a rate equal to, at our election, either (a) LIBOR for an interest period selected by us plus an applicable margin equal to 1.50% per annum or 1.75% per annum, depending on borrowing availability under the Working Capital Revolver Loan, or (b) Wells Fargo Capital Finance's prime rate plus an applicable margin equal to 0.50% per annum or 0.75% per annum, depending on borrowing availability under the Working Capital Revolver Loan. Interest is paid monthly, if applicable.

The Working Capital Revolver Loan contains customary covenants including limitations on asset sales, liens, debt incurrence, restricted payments, investments, dividends and transactions with affiliates.

The Working Capital Revolver Loan includes customary events of default. Upon the occurrence of any event of default, the obligations under the Working Capital Revolver Loan may be accelerated and the revolver commitments may be terminated.

Obligations under the Working Capital Revolver Loan are secured by a first priority security interest in substantially all of our current assets, including accounts receivable and inventory, subject to certain customary exceptions.

(B) On April 25, 2018, LSB completed the issuance and sale of $400 million aggregate principal amount of its 9.625% Senior Secured Notes due 2023 (the "Notes"). The Notes were issued pursuant to an indenture, dated as of April 25, 2018 (the "Indenture"), by and among LSB, the subsidiary guarantors named therein, and Wilmington Trust, National Association, a national banking association, as trustee and collateral agent (the "Notes Trustee"). The Notes were issued at a price equal to 99.509% of their face value.

On June 21, 2019, LSB completed the issuance and sale of $35 million aggregate principal amount of its 9.625% Senior Secured Notes due 2023 (the "New Notes"). The New Notes were issued pursuant to the Indenture (the Notes together with the New Notes, the "Senior Secured Notes"). The New Notes were issued at a price equal to 102.125% of their face value, plus accrued interest from May 1, 2019 to June 21, 2019, in a transaction exempt from the registration requirements under the Securities Act of 1933 (the "Securities Act") sold to eligible purchasers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S under the Securities Act.

As it relates to the issuance of the Notes in April 2018, a portion of the net proceeds from the Notes were used to purchase/redeem the $375 million aggregate principal amount of senior secured notes scheduled to mature in 2019. The remaining net proceeds were primarily used to pay related transaction fees and expenses, redemption premiums, and accrued interest on the senior secured notes purchased/redeemed.

A portion of this transaction was accounted for as an extinguishment of debt and a portion was accounted for as a non-substantial debt modification. As a result, approximately $15.2 million of the fees/redemption premiums/discount was deferred and included in discount and debt issuance costs and approximately $0.9 million of fees were expensed, as incurred, and are included in interest expense in 2018. In addition, we recognized a loss on extinguishment of debt of approximately $6.0 million in 2018, primarily consisting of a portion of the redemption premiums paid and the expensing of a portion of debt issuance costs associated with the senior secured notes.

The Senior Secured Notes will mature on May 1, 2023 and rank senior in right of payment to all of our debt that is expressly subordinated in right of payment to the notes and will rank pari passu in right of payment with all of our liabilities that are not so subordinated, including the Working Capital Revolver Loan. LSB's obligations under the Senior Secured Notes are jointly and severally guaranteed by the subsidiary guarantors named in the Indenture on a senior secured basis.

Interest on the Senior Secured Notes accrues at a rate of 9.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year.

7. Long-Term Debt (continued)

LSB may redeem the Senior Secured Notes at its option, in whole or in part, subject to the payment of a premium ranging from a “make-whole” premium to a premium of 3.609% of the principal amount so redeemed, in the case of any optional redemption prior to May 1, 2022. If LSB experiences a change of control, it must offer to purchase the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the date of purchase.

The Indenture contains covenants that limit, among other things, LSB and certain of its subsidiaries’ ability to (1) incur additional indebtedness; (2) declare or pay dividends, redeem stock or make other distributions to stockholders; (3) make other restricted payments, including investments; (4) create dividend and other payment restrictions affecting its subsidiaries; (5) create liens or use assets as security in other transactions; (6) merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of our assets; and (7) enter into transactions with affiliates. Further, during any such time when the Senior Secured Notes are rated investment grade by each of Moody’s Investors Service, Inc. and Standard & Poor’s Investors Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, certain of the covenants will be suspended with respect to the Senior Secured Notes.

The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the Indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency.

Obligations in respect of the Senior Secured Notes are secured by a first priority security interest in substantially all of our fixed assets, subject to certain customary exceptions.

(C) EDC is party to a secured promissory note due in March 2021. Principal and interest are payable in monthly installments.

(D) El Dorado Ammonia L.L.C. (“EDA”), one of our subsidiaries, is party to a secured promissory note due in May 2023. Principal and interest are payable in equal monthly installments with a final balloon payment of approximately $6.1 million.

(E) On May 28, 2019, EDC entered into a $15 million secured financing arrangement with an affiliate of LSB Funding L.L.C. (“LSB Funding”). Beginning in June 2019, principal and interest are payable in 48 equal monthly installments with a final balloon payment of approximately $3 million due on June 1, 2023. This financing arrangement is secured by the cogeneration facility equipment and is guaranteed by LSB. A portion of the proceeds from this secured financing arrangement was used to pay off the Secured Promissory Note that was scheduled to mature in June 2019.

During 2019, EDC entered into a secured loan agreement with an affiliate of LSB Funding. Under the terms of the agreement, EDC has up to $7.5 million of available borrowings (the “Interim Loan”) during the construction of certain equipment (the “Interim Loan Period), subject to certain conditions. During the Interim Loan Period, interest only is payable in monthly installments. The Interim Loan will be replaced by a term loan in 2020. Principal and interest will be payable in 60 equal monthly installments under the term loan.

(F) Maturities of long-term debt for each of the five years after December 31, 2019 are as follows (in thousands):

2020	$ 9,447
2021	7,598
2022	6,769
2023	447,491
2024	—
Thereafter	—
Less: Discount, net of premium, and debt issuance costs	12,261
	$ 459,044

8. Income Taxes

In December 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (the "Tax Cut Act"), making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate of 21%, additional limitations on executive compensation, and limitations on the deductibility of interest.

The FASB issued ASU 2018-05, Income Taxes (Topic 740): *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cut Act.

In 2017 and the first nine months of 2018, we recorded provisional amounts for certain enactment-date effects of the Tax Cut Act by applying the guidance in SAB 118 because we had not yet completed our enactment-date accounting for these effects. In 2018 and 2017, we recorded tax expense related to these effects including the decrease in the federal corporate tax rate, additional limitations on executive compensation, and limitations on the deductibility of interest. During the fourth quarter of 2018, we completed the accounting for tax reform and there was no adjustment to provisional amounts recorded.

Provision (benefit) for income taxes from continuing operations are as follows:

	2019	2018	2017
		(In Thousands)	
Current:			
Federal	**$ —**	$ 11	$ 67
State	**(29)**	(96)	(381)
Total Current	**$ (29)**	$ (85)	$ (314)
Deferred:			
Federal	**$ (14,739)**	$ 1,415	$ (50,084)
State	**(6,156)**	410	9,639
Total Deferred	**$ (20,895)**	$ 1,825	$ (40,445)
Provision (benefit) for income taxes	**$ (20,924)**	$ 1,740	$ (40,759)

The current provision for federal income taxes shown above includes regular federal income tax after the consideration of permanent and temporary differences between income for GAAP and tax purposes. The current benefit for state income taxes includes regular state income tax and provisions for uncertain income tax positions, and other similar adjustments.

The deferred tax provision (benefit) results from the recognition of changes in our prior year deferred tax assets and liabilities, and the utilization of state NOL carryforwards and other temporary differences. We reduce income tax expense for tax credits in the year they arise and are earned. At December 31, 2019, our gross amount of tax credits available to offset state income taxes was not material. Most of these tax credits do not expire and carryforward indefinitely. The gross amount of federal tax credits was $8.1 million. These credits carryforward for 20 years and begin expiring in 2034. The current year deferred benefit is primarily due to changes to the state deferred tax assets and liabilities resulting from state tax law changes enacted during 2019 and due to federal and state indefinite lived carryforward benefits that can be realized through the reversal of deferred tax liabilities.

We utilized approximately $3.4 million, which includes the impact of changes in tax law, of state NOL carryforwards to reduce tax liabilities in 2018 (minimal in 2019 and none in 2017). At December 31, 2019, we have remaining federal and state tax NOL carryforwards of $611.0 million and $734.9 million, respectively. The federal NOL carryforwards begin expiring in 2033 and the state NOL carryforwards began expiring in 2019.

We considered both positive and negative evidence in our determination of the need for valuation allowances for the deferred tax assets associated with federal and state NOLs and federal credits and in conjunction with the IRC Section 382 limitation. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as an evaluation of currently available information about future years. In the second quarter of 2018, we established a valuation allowance on a portion of our federal deferred tax assets. Valuation allowances are reflective of our quarterly analysis of the four sources of taxable income, including the calculation of the reversal of existing tax assets and liabilities, the impact of the recent financing activities and our results of operations. Based on our analysis, we currently believe that it is more-likely-than-not that a portion of our federal deferred tax assets will not be able to be utilized and the valuation allowance recorded for 2019 is approximately $2.7 million. For 2019, 2018 and 2017, we determined it was more-likely-than-not that approximately $698.4 million, $608.9 million and $536.0 million, respectively, of the state deferred tax assets would not be able to be utilized before expiration and a valuation allowance was maintained for the deferred tax assets associated with these carryforwards, net of federal benefit, of approximately $34.2 million and $31.0 million at December 31, 2019 and 2018, respectively. This includes a reversal of approximately $2.3 million of valuation allowance related to tax law changes in 2018.

8. Income Taxes (continued)

Deferred tax assets and liabilities include temporary differences and carryforwards as follows:

	December 31, 2019	December 31, 2018
	(In Thousands)	
Deferred compensation	**$ 2,073**	$ 2,637
Other accrued liabilities	**1,051**	1,579
Interest expense carryforward	**23,164**	11,267
Net operating loss	**163,750**	154,914
Other	**14,994**	12,581
Less valuation allowance on deferred tax assets	**(51,589)**	(45,625)
Total deferred tax assets	**$ 153,443**	$ 137,353
Property, plant and equipment	**(182,572)**	(191,369)
Prepaid and other insurance reserves	**(6,588)**	(2,596)
Total deferred tax liabilities	**$ (189,160)**	$ (193,965)
Net deferred tax liabilities	**$ (35,717)**	$ (56,612)

All of our loss before taxes relates to domestic operations. Detailed below are the differences between the amount of the provision (benefit) for income taxes and the amount which would result from the application of the federal statutory rate to "Loss from continuing operations before provision (benefit) for income taxes".

	2019	2018	2017
		(In Thousands)	
Benefit for income taxes at federal statutory rate	**$ (17,712)**	$ (14,802)	$ (24,868)
State current and deferred income tax benefit	**(5,282)**	(4,089)	(2,699)
Valuation allowance - Federal	**2,739**	14,604	—
Valuation allowance - State	**2,961**	4,112	7,651
State tax law changes	**(4,388)**	—	—
Tax reform	**—**	—	(22,988)
Other	**758**	1,915	2,145
Provision (benefit) for income taxes	**$ (20,924)**	$ 1,740	$ (40,759)

A reconciliation of the beginning and ending amount of uncertain tax positions is as follows:

	2019	2018	2017
		(In Thousands)	
Balance at beginning of year	**$ 577**	$ 618	$ 657
Additions based on tax positions related to the current year	**—**	—	11
Reductions for tax positions of prior years	**(58)**	(41)	(50)
Balance at end of year	**$ 519**	$ 577	$ 618

We expect that the amount of unrecognized tax benefits may change as the result of ongoing operations, the outcomes of audits, and the expiration of statute of limitations. This change is not expected to have a significant effect on our results of operations or financial condition. For 2019, 2018, and 2017, if recognized, the effect on the effective tax rate from unrecognized tax benefits would be insignificant.

8. Income Taxes (continued)

We record interest related to unrecognized tax positions in interest expense and penalties in operating other expense. We recognized $0.1 million of interest and penalties associated with unrecognized tax benefits in 2017 (minimal amounts in 2019 and 2018). At December 31, 2019 and 2018, approximately $0.3 million and $0.2 million, respectively is accrued for interest and penalties.

LSB and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the 2016-2019 years remain open for all purposes of examination by the U.S. Internal Revenue Service ("IRS") and other major tax jurisdictions. During 2018, the IRS concluded their examination of our 2015 tax return and there are no changes to our financial position, results of operations or cash flow resulting from the audit.

9. Commitments and Contingencies

Purchase and Sales Commitments – We have the following significant purchase and sales commitments.

UAN supply agreement – The Pryor Chemical Company ("PCC") is party to an agreement with CVR. CVR has the exclusive right (but not the obligation) to purchase all the tons of UAN that are produced by PCC with certain limitations. If CVR fails to take delivery of certain tons, PCC pursuant to the terms of the agreement may immediately sell such unpurchased product to a third-party without restriction. The current term of the agreement expires in May 2020, but includes automatic renewals for one or more additional one-year terms unless terminated by either party. However, CVR may unilaterally terminate the agreement upon 180 days' advance written notice of termination to PCC; provided, however, that each party's rights and obligations pertaining to UAN that CVR committed to purchase before such advance notice will survive termination. Additionally, PCC can terminate the agreement upon 90 days' advance written notice of termination to CVR; provided, however, that each party's rights and obligations pertaining to UAN that PCC committed to sell prior to such advance notice will survive termination.

Ammonia supply agreement – EDC is party to an agreement, as amended, with Koch Fertilizer under which Koch Fertilizer agrees to purchase, with minimum purchase requirements, the ammonia that (a) will be produced at the El Dorado Facility and (b) a portion that is in excess of EDC's needs as defined. As amended, the term of the agreement expires in June 2022 but automatically continues for one or more additional one-year terms unless terminated by either party by delivering a notice of termination at least nine months prior to the end of term in effect.

Covestro agreement – El Dorado Nitrogen LLC ("EDN") and EDC, are party to an agreement (the "Covestro Agreement") with Covestro. EDN operates the Baytown Facility located within Covestro's chemical manufacturing complex located in Baytown, Texas. Under the terms of the Covestro Agreement, EDN is responsible for the maintenance and operation of the Baytown Facility, which facility produces all of Covestro's requirements for nitric acid for use in Covestro's chemical manufacturing complex. If there is a change in control of EDN, Covestro has the right to terminate the Covestro Agreement upon payment of certain fees to EDN. The Covestro Agreement expires in June 2021, with options for renewal.

Natural Gas Purchase and Other Commitments **–** Certain of our subsidiaries are parties to contracts to purchase natural gas for anticipated production needs at certain of our facilities. Since these contracts are considered normal purchases because they provide for the purchase of natural gas that will be delivered in quantities expected to be used over a reasonable period of time in the normal course of business and are documented as such, these contracts are exempt from the accounting and reporting requirements relating to derivatives. At December 31, 2019, our natural gas contracts, which qualify as normal purchases under GAAP and thus are not mark-to-market, included volume purchase commitments with fixed costs of approximately 7.0 million MMBtus of natural gas. These contracts extend through December 2020 at a weighted-average cost of $2.23 per MMBtu ($15.7 million) and a weighted-average market value of $2.06 per MMBtu ($14.5 million).

In addition, we had standby letters of credit outstanding of approximately $2.8 million at December 31, 2019.

Wastewater Pipeline Operating Agreement – EDC is party to an operating agreement for the right to use a pipeline to dispose its wastewater. EDC is contractually obligated to pay a portion of the operating costs of the pipeline, which portion is estimated to be $100,000 to $150,000 annually. The initial term of the operating agreement is through December 2053.

Performance and Payment Bonds – We are contingently liable to sureties in respect of certain insurance bonds issued by the sureties in connection with certain contracts entered into by certain subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of December 31, 2019, we have agreed to indemnify the sureties for payments, up to $10 million, made by them in respect of such bonds. All of these insurance bonds are expected to expire or be renewed in 2020.

9. Commitments and Contingencies (continued)

Employment and Severance Agreements - We have employment and severance agreements with several of our officers. The agreements, as amended, provide for annual base salaries, bonuses and other benefits commonly found in such agreements. In the event of termination of employment due to a change in control (as defined in the agreements), the agreements provide for payments aggregating $8.3 million at December 31, 2019. Also see Note 14-Related Party Transactions.

Settlement of a Gain Contingency - During 2018, we and a vendor mediated a settlement relating primarily to a business interruption claim caused by defective work performed by the vendor at our Pryor Facility. As a result of the settlement, the vendor paid us $4.0 million. As part of the settlement, we paid the vendor $0.5 million to settle $1.1 million of invoices that were held in our accounts payable. As a result, we recognized a recovery from this settlement totaling $4.6 million of which $4.4 million was classified as a reduction to cost of sales (primarily relating to our business interruption claim) and the remaining balance of $0.2 million as a reduction to PP&E.

Legal Matters - Following is a summary of certain legal matters involving the Company:

A. Environmental Matters

Our facilities and operations are subject to numerous federal, state and local environmental laws and to other laws regarding health and safety matters (collectively, the "Environmental and Health Laws"), many of which provide for certain performance obligations, substantial fines and criminal sanctions for violations. Certain Environmental and Health Laws impose strict liability as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken.

In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety effects of our operations.

There can be no assurance that we will not incur material costs or liabilities in complying with such laws or in paying fines or penalties for violation of such laws. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. The Environmental and Health Laws and related enforcement policies have in the past resulted, and could in the future result, in significant compliance expenses, cleanup costs (for our sites or third-party sites where our wastes were disposed of), penalties or other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of hazardous or toxic materials at or from our facilities or the use or disposal of certain of its chemical products. Further, a number of our facilities are dependent on environmental permits to operate, the loss or modification of which could have a material adverse effect on their operations and our financial condition.

Historically, significant capital expenditures have been incurred by our subsidiaries in order to comply with the Environmental and Health Laws, and significant capital expenditures are expected to be incurred in the future. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our facilities should we discontinue the operations of a facility.

As of December 31, 2019, our accrued liabilities for environmental matters totaled $183,000 relating primarily to the matters discussed below. It is reasonably possible that a change in the estimate of our liability could occur in the near term. Also, see discussion in Note 6 – Asset Retirement Obligations.

1. Discharge Water Matters

Each of our manufacturing facilities generates process wastewater, which may include cooling tower and boiler water quality control streams, contact storm water and miscellaneous spills and leaks from process equipment. The process water discharge, storm-water runoff and miscellaneous spills and leaks are governed by various permits generally issued by the respective state environmental agencies as authorized and overseen by the U.S. Environmental Protection Agency. These permits limit the type and amount of effluents that can be discharged and control the method of such discharge.

9. Commitments and Contingencies (continued)

In October 2017, PCC filed a Permit Renewal Application for its Non-Hazardous Injection Well Permit at the Pryor Facility. Although the Injection Well Permit expired in 2018, PCC continues to operate the injection well pending the Oklahoma Department of Environmental Quality ("ODEQ") action on the Permit Renewal Application. PCC and ODEQ are engaged in ongoing discussions related to the renewal of the injection well to address the wastewater stream.

Our El Dorado Facility is subject to a National Pollutant Discharge Elimination System ("NPDES") permit issued by the Arkansas Department of Environmental Quality ("ADEQ") in 2004. In 2010, the ADEQ issued a draft NPDES permit renewal for the El Dorado Facility, which contained more restrictive discharge limits than the previous 2004 permit. In August 2017, ADEQ issued a final NPDES permit with new dissolved mineral limits. EDC filed an appeal in September 2017 and a Permit Appeal Resolution ("PAR") was signed in July 2018. EDC is in compliance with the revised permit limits agreed upon in the PAR.

In November 2006, the El Dorado Facility entered into a Consent Administrative Order ("CAO") that recognizes the presence of nitrate contamination in the shallow groundwater. The CAO required EDC to perform semi-annual groundwater monitoring, continue operation of a groundwater recovery system, submit a human health and ecological risk assessment, and submit a remedial action plan. The risk assessment was submitted in August 2007. In February 2015, the ADEQ stated that El Dorado Chemical was meeting the requirements of the CAO and should continue semi-annual monitoring. Subsequent to the PAR mentioned previously, a new CAO was signed in October 2018, which required an Evaluation Report of the data and effectiveness of the groundwater remedy for nitrate contamination. In February 2019, the Evaluation Report was submitted to the ADEQ and the ADEQ approved the report in August 2019.

No liability has been established at December 31, 2019, in connection with this ADEQ matter.

2. Other Environmental Matters

In 2002, certain of our subsidiaries sold substantially all of their operating assets relating to a Kansas chemical facility (the "Hallowell Facility") but retained ownership of the real property where the facility is located. Our subsidiary retained the obligation to be responsible for, and perform the activities under, a previously executed consent order to investigate the surface and subsurface contamination at the real property and develop a corrective action strategy based on the investigation. In addition, certain of our subsidiaries agreed to indemnify the buyer of such assets for these environmental matters.

As the successor to a prior owner of the Hallowell Facility, Chevron Environmental Management Company ("Chevron") has agreed in writing, within certain limitations, to pay and has been paying one-half of the costs of the investigation and interim measures relating to this matter as approved by the Kansas Department of Health and Environment (the "KDHE"), subject to reallocation.

Our subsidiary and Chevron have retained an environmental consultant to prepare and perform a corrective action study work plan as to the appropriate method to remediate the Hallowell Facility. The proposed strategy includes long-term surface and groundwater monitoring to track the natural decline in contamination. The KDHE is currently evaluating the corrective action strategy, and, thus, it is unknown what additional work the KDHE may require, if any, at this time.

We accrued our allocable portion of costs primarily for the additional testing, monitoring and risk assessments that could be reasonably estimated, which is included in our accrued liabilities for environmental matters discussed above. The estimated amount is not discounted to its present value. As more information becomes available, our estimated accrual will be refined.

B. Other Pending, Threatened or Settled Litigation

In 2013, an explosion and fire occurred at the West Fertilizer Co. ("West Fertilizer") located in West, Texas, causing death, bodily injury and substantial property damage. West Fertilizer is not owned or controlled by us, but West Fertilizer was a customer of EDC, and purchased AN from EDC from time to time. LSB and EDC received letters from counsel purporting to represent subrogated insurance carriers, personal injury claimants and persons who suffered property damages informing LSB and EDC that their clients are conducting investigations into the cause of the explosion and fire to determine, among other things, whether AN manufactured by EDC and supplied to West Fertilizer was stored at West Fertilizer at the time of the explosion and, if so, whether such AN may have been one of the contributing factors of the explosion. Initial lawsuits filed named West Fertilizer and another supplier of AN as defendants.

In 2014, EDC and LSB were named as defendants, together with other AN manufacturers and brokers that arranged the transport and delivery of AN to West Fertilizer, in the case styled *City of West, Texas vs. CF Industries, Inc., et al.*, in the District Court of McLennan County, Texas. The plaintiffs allege, among other things, that LSB and EDC were negligent in the production and marketing of fertilizer products sold to West Fertilizer, resulting in death, personal injury and property damage. EDC retained a firm specializing in cause and origin investigations with particular experience with fertilizer facilities, to assist EDC in its own investigation. LSB and EDC placed its liability insurance carrier on notice, and the carrier is handling the defense for LSB and EDC concerning this matter.

9. Commitments and Contingencies (continued)

Our product liability insurance policies have aggregate limits of general liability totaling $100 million, with a self-insured retention of $250,000, which retention limit has been met relating to this matter. In August 2015, the trial court dismissed plaintiff's negligence claims against us and EDC based on a duty to inspect but allowed the plaintiffs to proceed on claims for design defect and failure to warn.

Subsequently, we and EDC have entered into confidential settlement agreements (with approval of our insurance carriers) with several plaintiffs that had claimed wrongful death and bodily injury and insurance companies asserting subrogation claims for damages from the explosion. These settlements have been paid by the insurer as of December 31, 2019. While these settlements resolve the claims of a number of the claimants in this matter for us, we continue to be party to litigation related to this explosion by other plaintiffs, in addition to indemnification or defense obligations we may have to other defendants. We continue to defend these lawsuits vigorously and we are unable to estimate a possible range of loss at this time if there is an adverse outcome in this matter as to EDC. As of December 31, 2019, no liability reserve has been established in connection with this matter.

In 2015, a case styled *Dennis Wilson vs. LSB Industries, Inc*., et al., was filed in the United States District Court for the Southern District of New York. The plaintiff purports to represent a class of our shareholders and asserts that we violated federal securities laws by allegedly making material misstatements and omissions about delays and cost overruns at our El Dorado Chemical Company manufacturing facility and about our financial well-being and prospects. The lawsuit, which also names certain current and former officers, sought an unspecified amount of damages.

In October 2018, LSB entered into a preliminary, binding term sheet to settle *Dennis Wilson vs. LSB Industries, Inc*., et al., which was subject to approval by the court. On January 17, 2019, the parties entered into a Stipulation and Agreement of Settlement (the "Wilson Settlement Agreement"), pursuant to which the settlement amount of approximately $18.5 million was paid in March by our insurers on behalf of LSB and certain current and former officers in exchange for, among other things, a release of all claims. On May 23, 2019, one request for exclusion from the settlement class was made. On June 28, 2019, the court held a settlement hearing and entered a Judgement Approving Class Action Settlement, which includes a provision whereby the party requesting exclusion may withdraw its exclusion from the settlement and file by July 23, 2019 to rejoin the class. On July 23, 2019, LSB reached a preliminary settlement and the requesting party withdrew its request for exclusion from the class. Subsequently, during the third quarter of 2019, this additional settlement was executed, and the settlement amount was paid to the requesting party by our insurers on behalf of LSB and certain current and former officers in exchange for, among other things, an appropriate release of claims. As a result, no liability in relation to this matter remains outstanding as of December 31, 2019.

In 2015, we and EDA received formal written notice from Global Industrial, Inc. ("Global") of Global's intention to assert mechanic liens for labor, service, or materials furnished under certain subcontract agreements for the improvement of the new ammonia plant at our El Dorado Facility. Global is a subcontractor of Leidos Constructors, LLC ("Leidos"), the general contractor for EDA for the construction for the ammonia plant. Leidos terminated the services of Global with respect to their work performed at our El Dorado Facility.

LSB and EDA intend to pursue recovery of any damage or loss caused by Global's work performed at our El Dorado Facility. In March 2016, EDC and we were served a summons in a case styled *Global Industrial, Inc. d/b/a Global Turnaround vs. Leidos Constructors, LLC et al.*, in the Circuit court of Union County, Arkansas, wherein Global seeks damages under breach of contract and other claims. We have requested indemnifications from Leidos under the terms of our contracts which they have denied, and we intend to vigorously defend against the allegation made by Global and seek reimbursement of legal expenses from Leidos under our contracts. We are also seeking damages from Leidos for their wrongdoing during the expansion, including breach of contract, fraud, gross negligence, professional negligence and gross negligence.

Except for the invoices totaling approximately $3.5 million that were not approved by Leidos for payment that are included in our accounts payable, no liability has been established in connection with the claims asserted by Global. On September 25, 2018, the Court bifurcated the case into: (1) Global's claims against Leidos and LSB, and (2) the cross-claims between Leidos and LSB. Part (1) of the case was tried to the Court during the fall of 2018. The Court took the matter under advisement, will consider the evidence and render judgment. LSB intends to vigorously prosecute its claims against Leidos in Part (2) of the matter. Trial is scheduled for Part (2) of the matter in March of 2020.

We are also involved in various other claims and legal actions (including matters involving gain contingencies). It is possible that the actual future development of claims could be different from our estimates but, after consultation with legal counsel, we believe that changes in our estimates will not have a material effect on our business, financial condition, results of operations or cash flows.

10. Redeemable Preferred Stocks

Series E Redeemable Preferred

The Series E Redeemable Preferred has a 14% annual dividend rate and a participating right in dividends and liquidating distributions equal to 303,646 shares of common stock (participation rights value). Dividends accrue semi-annually in arrears and are compounded. Dividends are payable only when and if declared by the Board of Directors (the "Board").

Pursuant to the terms of the Series E Redeemable Preferred, the annual dividend rate will increase (a) by 0.50% in April 2021 (b) by an additional 0.50% in April 2022 and (c) by an additional 1.0% in April 2023.

Additionally, we must declare a dividend on the Series E Redeemable Preferred on a pro rata basis with the common stock. As long as LSB Funding holds at least 10% of the Series E Redeemable Preferred, we may only declare dividends on Junior Stock unless and until dividends have been declared and paid on the Series E Redeemable Preferred for the then current dividend period in cash. The Series E Redeemable Preferred has a liquidation preference per share of $1,000 plus accrued and unpaid dividends plus the participation rights value (the "Liquidation Preference"). The participation rights value is the product of the pro rata number of Series E Redeemable Preferred shares being redeemed and the price of our common stock as of such date.

During 2018, in connection with the issuance and sale of the Notes as discussed in Note 7, we entered into a letter agreement with the holder of our Series E Redeemable Preferred. The letter agreement extended the date upon which the holder of the Series E Redeemable Preferred has the right to elect to redeem the Series E Redeemable Preferred shares from August 2, 2019 to October 25, 2023. The letter agreement also provided for the amendment of certain other terms relating to the Series E Redeemable Preferred, including an increase in the per annum dividend rate payable in respect of the Series E Redeemable Preferred as described above. To reflect the changes stated in the letter agreement, we subsequently entered into a securities exchange agreement by and between LSB and the holder and entered into the Certificate of Designations setting forth the rights, preferences, privileges and restrictions currently applicable to the Series E Redeemable Preferred and Series F Redeemable Preferred, as filed with the Secretary of State of the State of Delaware (the "Series E COD" and "Series F COD"). The Series E COD authorizes 139,768 shares of Series E Redeemable Preferred, which is the number of shares outstanding at December 31, 2019 and 2018.

The transaction associated with the letter agreement was determined to be a non-substantial modification. As a result, a fee of approximately $2.8 million paid to the holder was deferred (reducing the Series E Redeemable Preferred balance) and will be periodically accreted using the interest method through October 25, 2023, the earliest possible redemption date by the holder. In addition, the letter agreement included a contingent redemption feature, which was bifurcated from the Series E Redeemable Preferred based on the estimated fair value of approximately $0.3 million at the time of bifurcation.

With respect to the distribution of assets upon liquidation, dissolution or winding up of LSB, whether voluntary or involuntary, the Series E Redeemable Preferred ranks (i) senior to the common stock, the Series B 12% Cumulative Convertible Preferred Stock, the Series D 6% Cumulative Convertible Class C Preferred Stock, the Series 4 Junior Participating Class C Preferred Stock and any other class or series of stock of LSB (other than Series E Redeemable Preferred) that ranks junior to the Series E Redeemable Preferred either or both as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation (the "Junior Stock"); (ii) on a parity with the other shares of Series E Redeemable Preferred and any other class or series of stock of LSB (other than Series E Redeemable Preferred) created after the date of the Series E COD (that specifically ranks pari passu to the Series E Redeemable Preferred) and (iii) junior to any other class or series of stock of LSB created after the date of the Series E COD that specifically ranks senior to the Series E Redeemable Preferred.

Generally, the holders of the Series E Redeemable Preferred Shares (the "Series E Holders") will not have any voting rights or powers, and consent of the Series E Holders will not be required for taking of any action by us. However, the Series E Holders' consent is required for:

- amendments to increase or decrease the authorized amount of Series E Redeemable Preferred,
- the creation or increase of any shares of any class or series of capital stock of LSB ranking pari passu with or senior to the Series E Redeemable Preferred, or
- any amendment that adversely affect the powers, preferences or special rights of the Series E Redeemable Preferred.

10. Redeemable Preferred Stocks (continued)

At any time on or after October 25, 2023, each Series E Holder has the right to elect to have such holder's shares redeemed by us at a redemption price per share equal to the Liquidation Preference of such share as of the redemption date. Additionally, we, at our option, may redeem the Series E Redeemable Preferred at any time at a redemption price per share equal to the Liquidation Preference of such share as of the redemption date. Lastly, with receipt of (i) prior consent of the electing Series E Holder or a majority of shares of Series E Redeemable Preferred and (ii) all other required approvals, including under any principal U.S. securities exchange on which our common stock is then listed for trading, we can redeem the Series E Redeemable Preferred by the issuance of shares of common stock having an aggregate common stock price equal to the amount of the aggregate Liquidation Preference of such shares being redeemed in shares of common stock in lieu of cash at the redemption date.

In the event of liquidation, the Series E Redeemable Preferred is entitled to receive its Liquidation Preference before any such distribution of assets or proceeds is made to or set aside for the holders of our common stock and any other Junior Stock. In the event of a change of control, we must make an offer to purchase all of the shares of Series E Redeemable Preferred outstanding.

The Series E Redeemable Preferred is redeemable outside of our control and is therefore classified as temporary/mezzanine equity. As a result of an analysis performed on the embedded derivatives within the Series E Redeemable Preferred, certain contingent redemption features were determined to not be clearly and closely related to the debt-like host and also did not meet any other scope exceptions for derivative accounting. Therefore, these redemption features and participation rights value are being accounted for as derivative instruments and the fair value of these derivative instruments were bifurcated from the Series E Redeemable Preferred and recorded as a liability as discussed below under Embedded Derivative.

Series F Redeemable Preferred

The Series F COD authorizes one (1) shares of Series F Redeemable Preferred.

As of December 31, 2019, the Series F Redeemable Preferred has voting rights (the "Series F Voting Rights") to vote as a single class on all matters which the common stock have the right to vote and is entitled to a number of votes equal to 456,225 shares of our common stock.

With respect to the distribution of assets upon liquidation, dissolution or winding up of LSB, whether voluntary or involuntary, the Series F Redeemable Preferred ranks (i) senior to our common stock and (ii) ranks junior to LSB's Series B 12% Cumulative Convertible Preferred Stock, Series D 6% Cumulative Convertible Class C Preferred Stock, Series 4 Junior Participating Class C Preferred Stock, Series E Redeemable Preferred and any other class or series of stock of LSB after the date of the Series F COD that specifically ranks senior to the Series F Redeemable Preferred.

The Series F Redeemable Preferred will be automatically redeemed by LSB, in whole and not in part, for $0.01 immediately following the date upon which the Series F Voting Rights have been reduced to zero.

In the event of liquidation, the Series F Redeemable Preferred is entitled to receive its liquidation preference of $100 before any such distribution of assets or proceeds is made to or set aside for the holders of our common stock and any other stock junior to the Series F Redeemable Preferred.

Changes in our Series E and Series F Redeemable Preferred are as follows:

	Series E Redeemable Preferred		Series F Redeemable Preferred	
	Shares	Amount	Shares	Amount
	(Dollars In Thousands)			
Balance at December 31, 2018	139,768	$ 202,169	1	$ —
Accretion relating to liquidation preference on preferred stock	—	1,067	—	—
Accretion for discount and issuance costs on preferred stock	—	928	—	—
Accumulated dividends	—	30,729	—	—
Balance at December 31, 2019	139,768	$ 234,893	1	$ —

10. Redeemable Preferred Stocks (continued)

Embedded Derivative

Certain embedded features ("embedded derivative") relating to the redemption of the Series E Redeemable Preferred, which includes certain contingent redemption features and the participation rights value have been bifurcated from the Series E Redeemable Preferred and recorded as a liability. At December 31, 2019 and 2018, we estimate that the contingent redemption features have fair value since we estimate that it is probable that a portion of the shares of this preferred stock would be redeemed prior to October 25, 2023. For certain other embedded features, we estimated no fair value based on our assessment that there is a remote probability that these features will be exercised.

The fair value of the embedded derivative was valued using discounted cash flow models and primarily based on the difference in the present value of estimated future cash flows with no redemptions prior to October 25, 2023 compared to certain redemptions deemed probable during the same period and applying the effective dividend rate of the Series E Redeemable Preferred. In addition, at December 31, 2019 and 2018, the fair value of the embedded derivative included the valuation of the participation rights, which was based on the equivalent of 303,646 shares of our common stock at $4.20 and $5.52 per share, respectively.

The valuations of the embedded derivative are classified as Level 3. This derivative is valued using market information, management's redemption assumptions, the underlying number of shares as defined in the terms of the Series E Redeemable Preferred, and the market price of our common stock. In addition, no valuation input adjustments were considered necessary relating to nonperformance risk for the embedded derivative.

At December 31, 2019 and 2018, the fair value of the embedded derivative was $1.1 million and $1.6 million, respectively, and are included in our noncurrent accrued and other liabilities. Due to the change in fair value of the embedded derivative, we recognized an unrealized gain of approximately $0.5 million and approximately $1.2 million in 2019 and 2018, respectively (a minimal unrealized loss in 2017). These unrealized gains and losses are included in non-operating income and expense.

11. Stockholders' Equity

2016 Long Term Incentive Plan – During 2016, our Board adopted our 2016 Long Term Incentive Plan (the "2016 Plan"), which plan was approved by our shareholders at our annual meeting of shareholders held on June 2, 2016. The effective date of the 2016 Plan is April 19, 2016 and no awards may be granted under the 2016 Plan on and after the tenth anniversary of its effective date.

In addition, no further awards will be granted under our 2008 Incentive Stock Plan (the "2008 Plan") on or after the effective date of the 2016 Plan. Any awards that remain outstanding under the 2008 Plan will continue to be governed by the respective plan's terms and the terms of the specific award agreement, as applicable.

The maximum aggregate number of shares reserved and available for issuance under the 2016 Plan shall not exceed 2,750,000 shares plus any shares that become available for reissuance under the share counting provisions of the 2008 Plan following the effective date of the 2016 Plan, subject to adjustment as permitted under the 2016 Plan. Shares subject to any award that is canceled, forfeited, expires unexercised, settled in cash in lieu of common stock or otherwise terminated without a delivery of shares to a participant will again be available for awards under the 2016 Plan to the extent allowable by law. Under the 2016 Plan, awards may be made to employees, directors and consultants (for services rendered) of LSB or our subsidiaries subject to limitations as defined by the 2016 Plan.

The 2016 Plan will be administered by the compensation committee (the "Committee") of our Board. Our Board or the Committee may amend the 2016 Plan, except that if any applicable statute, rule or regulation requires shareholder approval with respect to any amendment of the 2016 Plan, then to the extent so required, shareholder approval will be obtained. Shareholder approval will also be obtained for any amendment that would increase the number of shares stated as available for issuance under the 2016 Plan.

The following may be granted by the Committee under the 2016 Plan:

Stock Awards, Restricted Stock, Restricted Stock Units, and Other Awards – The Committee may grant awards of restricted stock, restricted stock units, and other stock and cash-based awards, which may include the payment of stock in lieu of cash (including cash payable under other incentive or bonus programs) or the payment of cash (which may or may not be based on the price of our common stock).

Stock Appreciation Rights ("SARs") – The Committee may grant SARs as a right in tandem with the number of shares underlying stock options granted under the 2016 Plan or on a stand-alone basis. SARs are the right to receive payment per share of the SAR exercised in stock or in cash equal to the excess of the share's fair market value, as defined in the 2016 Plan, on the date of exercise over its fair market value on the date the SAR was granted. Exercise of a SAR issued in tandem with stock options will result in the reduction of the number of shares underlying the related stock option to the extent of the SAR exercise.

11. Stockholders' Equity (continued)

Stock Options – The Committee may grant either incentive stock options or non-qualified stock options. The Committee sets option exercise prices and terms, except that the exercise price of a stock option may be no less than 100% of the fair market value, as defined in the 2016 Plan, of the shares on the date of grant. At the time of grant, the Committee will have sole discretion in determining when stock options are exercisable and when they expire, except that the term of a stock option cannot exceed 10 years subject to certain conditions.

Stock Incentive Plans - The following information relates to our long-term incentive plans:

	December 31, 2019	
	2016 Plan	2008 Plan
Maximum number of securities for issuance	2,750,000	
Number of awards available to be granted (1)	1,285,922	
Number of unvested restricted stock/performance-based restricted stock/restricted stock units outstanding	925,851	—
Number of options outstanding	—	124,000
Number of options exercisable	—	111,750

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(1) Includes 2008 Plan shares canceled, forfeited, expired unexercised, which became available for reissuance under the 2016 Plan after the effective date of the 2016 Plan.

Restricted Stock and Restricted Stock Units – During 2019, 2018, and 2017, the Committee approved various grants under the 2016 Plan of shares of restricted stock to certain executives and employees. Most of these shares vest at the end of each one-year period at the rate of one-third per year for three years while a portion of these grants vest 100% at the end of three years. The unvested restricted shares carry dividend and voting rights. Sales of these shares are restricted prior to the date of vesting. Pursuant to the terms of the underlying restricted stock agreements, unvested restricted shares will immediately vest upon the occurrence of a change in control (as defined by agreement), termination without cause or death. The unvested shares carry dividend and voting rights. Sales of these shares are restricted prior to the date of vesting.

On December 31, 2019, the Committee approved the grant of 275,119 shares of performance-based restricted stock ("PBRS") to certain executives. However, key information to finalize the performance targets and range of vesting shares are based on projections, which required approval from the Board. As the approval was obtained in February 2020, the grant date for financial reporting purposes is February 2020. Therefore, these PBRS shares are not reflected in the information below.

On December 30, 2018, the Committee approved the grant of 210,602 shares of PBRS to certain executives. Key information to finalize the performance targets and range of vesting shares was approved by the Board during January 2019, which is the grant date for financial reporting purposes. The terms of this PBRS grant are discussed below and these PBRS shares are reflected in the 2019 information below.

During 2019, 2018, and 2017, the Committee approved the grant of shares of restricted stock units ("RSU") to our non-employee directors for payment of a portion of their director fees under the 2016 Plan. Each RSU represents a right to receive one share of our common stock following the grant date and are non-forfeitable. Vesting occurs upon the earliest to occur: (i) the director's separation from service, (ii) the third anniversary of the grant date, or (iii) the occurrence of a change of control as defined by the agreement. Based on terms of the RSU agreements, the grant date fair value was recognized as stock-based compensation expense (SG&A) on the grant date in 2019, 2018, and 2017.

11. Stockholders' Equity (continued)

A summary of restricted stock activity during 2019 is presented below:

	Restricted Stock			Performance-Based Restricted Stock			Restricted Stock Units		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Unvested restricted stock outstanding at beginning of year	739,465	$	7.79	—	$	—	68,334	$	8.23
Granted	285,956	$	4.28	221,439	$	7.26	31,833	$	5.89
Vested	(407,349)	$	8.27	—	$	—	(13,827)	$	13.56
Cancelled or forfeited	—	$	—	—	$	—	—	$	—
Unvested restricted stock outstanding at end of year	618,072	$	5.42	221,439	$	7.26	86,340	$	6.51

	Restricted Stock					
		2019		2018		2017
Shares of restricted stock granted		**285,956**		369,350		469,465
Total fair value of restricted stock granted	**$**	**1,223,000**	$	2,019,000	$	4,277,000
Weighted-average fair value per restricted stock granted during year	**$**	**4.28**	$	5.47	$	9.11
Stock-based compensation expense - Cost of sales	**$**	**255,000**	$	385,000	$	312,000
Stock-based compensation expense - SG&A (1)	**$**	**1,263,000**	$	7,574,000	$	3,987,000
Income tax benefit	**$**	**(374,000)**	$	(398,000)	$	(1,659,000)
Total weighted-average remaining vesting period in years		**2.18**		1.78		1.95
Total fair value of restricted stock vested during the year	**$**	**3,371,000**	$	7,355,000	$	3,124,000

	Performance-Based Restricted Stock	
		2019 (2)
Shares of PBRS granted		**221,439**
Total fair value of PBRS granted	**$**	**1,608,000**
Weighted-average fair value per PBRS granted during year	**$**	**7.26**
Stock-based compensation expense - Cost of sales	**$**	**53,000**
Stock-based compensation expense - SG&A	**$**	**290,000**
Income tax benefit	**$**	**(84,000)**
Total weighted-average remaining vesting period in years		**1.85**
Total fair value of PBRS vested during the year	**$**	-

	Restricted Stock Units					
		2019		2018		2017
Shares of RSU granted		**31,833**		35,511		37,992
Total fair value of RSU granted	**$**	**187,000**	**$**	187,000	$	375,000
Weighted-average fair value per RSU granted during year	**$**	**5.89**	**$**	5.28	$	9.87
Stock-based compensation expense - SG&A	**$**	**187,000**	**$**	187,000	$	375,000
Income tax benefit	**$**	**(46,000)**	**$**	(34,000)	$	(115,000)
Total weighted-average remaining vesting period in years		**1.57**		1.75		3.05
Total fair value of RSU vested during the year	**$**	**187,000**	**$**	125,000	$	250,000

(1) As it relates to 2018, see Note 14-Related Party Transactions.

(2) The PBRS restricted stock grants are tied to our free cash flow, fixed costs per ton of ammonia measured annually over a three-year period and modified based on our ranking relative to total stockholder return (share price appreciation plus dividends reinvested) ("TSR") versus the companies in our 2019 peer group ("Peer Group") over a three-year measurement period. The actual number of shares that will vest at the end of the third year will be based on our performance against the metrics set in the award. The threshold performance for free cash flow is 70% and for fixed costs per ton of ammonia is 50% of the targeted improvement with a maximum for each of 120% of target. The TSR modifier will adjust the overall actual performance up or down by as much as 25% based on the our TSR versus the Peer Group average TSR. We estimate the fair value of each PBRS on the date of grant using a Monte Carlo simulation.

11. Stockholders' Equity (continued)

Stock Options – No stock options have been granted under the 2016 Plan during 2019, 2018 or 2017. As it relates to stock options granted under the 2008 plan, the exercise price of the outstanding options granted were equal to the market value of our common stock at the date of grant and vest at the end of each one-year period at the rate of 16.5% per year for the first five years and the remaining unvested options will vest at the end of the sixth year. The fair value for of the stock options granted under the 2008 Plan were estimated, using an option pricing model, as of the date of the grant, which date was also the service inception date.

A summary of stock option activity in 2019 is presented below:

	2019	
	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	124,000	$ 33.86
Granted	—	$ —
Exercised	—	$ —
Forfeited or expired	—	$ —
Outstanding at end of year	124,000	$ 33.86
Exercisable at end of year	111,750	$ 33.91

	2019	2018	2017
Stock-based compensation expense - Cost of sales	**$ 122,000**	$ 141,000	$ 317,000
Stock-based compensation expense - SG&A	**$ 50,000**	$ 71,000	$ 108,000
Income tax benefit	**$ (42,000)**	$ (54,000)	$ (164,000)
Total intrinsic value of options exercised during the year	**$ —**	$ —	$ —
Total fair value of options vested during the year	**$ 169,000**	$ 169,000	$ 451,000
Total intrinsic value of options outstanding at end of year	**$ —**	$ —	$ 16,000
Total intrinsic value of options exercisable at end of year	**$ —**	$ —	$ 16,000
Total weighted-average remaining vesting period in years	**0.49**	1.05	1.53
Total weighted-average remaining contractual life period in years (options outstanding)	**3.61**	4.61	5.10
Total weighted-average remaining contractual life period in years (options exercisable)	**3.47**	4.31	4.44

Stock-based Compensation Expense Not Yet Recognized – At December 31, 2019, the total stock-based compensation expense not yet recognized is $3,378,000, relating to all forms of non-vested restricted stocks and stock options, which we will be amortizing (subject to adjustments for actual forfeitures) through the respective remaining vesting periods through December 2022.

Other – As of December 31, 2019, we have reserved 1.4 million shares of common stock issuable upon potential conversion of preferred stocks and equity awards pursuant to their respective terms.

12. Non-Redeemable Preferred Stock

Series Non-Redeemable B Preferred – The 20,000 shares of Series B 12% cumulative, convertible preferred stock ("Series B Preferred"), $100 par value, are convertible, in whole or in part, into 666,666 shares of our common stock (33.3333 shares of common stock for each share of preferred stock) at any time at the option of the holder and entitle the holder to one vote per share. The Series B Preferred provides for annual cumulative dividends of 12% ($12.00 per share) from date of issue, payable when and as declared. All of the outstanding shares of the Series B Preferred are owned by the Golsen Holders.

Series Non-Redeemable D Preferred – The 1,000,000 shares of Series D 6% cumulative, convertible Class C preferred stock ("Series D Preferred") have no par value and are convertible, in whole or in part, into 250,000 shares of our common stock (1 share of common stock for 4 shares of preferred stock) at any time at the option of the holder. Dividends on the Series D Preferred are cumulative and payable annually in arrears at the rate of 6% per annum ($0.06 per share) of the liquidation preference of $1.00 per share. Each holder of the Series D Preferred shall be entitled to .875 votes per share. All of the outstanding shares of Series D Preferred are owned by the Golsen Holders.

See discussions concerning dividends on the Series B and D Preferred in Note 14 – Related Party Transactions.

12. Non-Redeemable Preferred Stock (continued)

Other – At December 31, 2019, we are authorized to issue an additional 230,000 shares of $100 par value preferred stock and an additional 3,860,000 shares of no-par value preferred stock. Upon issuance, our Board will determine the specific terms and conditions of such preferred stock.

13. Executive Benefit Agreement, Employee Savings Plans and Collective Bargaining Agreements

We are party to a death benefit agreement ("2005 Agreement") with Jack E. Golsen, who retired as discussed in Note 14-Related Party Transactions.

The 2005 Agreement provides that, upon Mr. Golsen's death, we will pay to the designated beneficiary, a lump-sum payment of $2,500,000 to be funded from the net proceeds received by us under certain life insurance policies on his life that are owned by us. We are obligated to keep in existence life insurance policies with a total face amount of no less than $2,500,000 of the stated death benefit.

The following table includes information about these agreements:

	December 31, 2019	December 31, 2018
	(In Thousands)	
Total undiscounted death benefit	**$ 2,500**	$ 2,500
Total accrued death benefit	**$ 2,564**	$ 2,585

Costs associated with these death benefits were not material for 2019, 2018 and 2017.

The accrued executive benefit under the 2005 Agreement is included in noncurrent accrued and other liabilities. We accrue for such liabilities when they become probable and discount the liabilities to their present value.

To assist us in funding the 2005 Agreement and for other business reasons, we purchased life insurance policies on various individuals in which we are the beneficiary. Some of these life insurance policies have cash surrender values that we have borrowed against. The net cash surrender values of these policies are included in other assets.

The following table summarizes certain information about these life insurance policies.

	December 31, 2019	December 31, 2018
	(In Thousands)	
Total face value of life insurance policies	**$ 4,500**	$ 4,500
Total cash surrender values of life insurance policies	**$ 1,727**	$ 1,656
Loans on cash surrender values	**(1,629)**	(1,559)
Net cash surrender values	**$ 98**	$ 97

	2019	2018	2017
		(In Thousands)	
Cost of life insurance premiums	**$ 215**	$ 54	$ 14
Decreases (increases) in cash surrender values	**(70)**	149	162
Net cost of life insurance premiums included in SG&A	**$ 145**	$ 203	$ 176

Employee Savings Plans - We sponsor a savings plan under Section 401(k) of the Internal Revenue Code under which participation is available to substantially all full-time employees. Beginning in January 2019, we began matching 50% of an employee's contribution, up to 6%, for substantially all full-time employees. Prior to 2019, we did not contribute to this plan except for certain employees. The amounts contributed to this plan were not material for 2019, 2018 and 2017.

Collective Bargaining Agreements - As of December 31, 2019, we employed 593 persons, 162 of whom are represented by unions under agreements, including agreements being negotiated, that expire in July 2021 through November 2022.

14. Related Party Transactions

During 2019, we entered into two separate financing arrangements with an affiliate of LSB Funding as discussed in footnotes (E) of Note 7, which transactions included debt issuance costs totaling approximately $0.1 million paid to this affiliate. In June 2019, we incurred a consent fee of approximately $0.3 million from LSB Funding associated with the issuance of the New Notes discussed in footnote (B) of Note 7. Also, LSB Funding holds all outstanding shares of the Series E and Series F Redeemable Preferred discussed in Note 10. During 2018, we sold $50.0 million and $0.5 million principal amount of notes to an affiliate of Security Benefit Corporation ("SBC") and Daniel D. Greenwell, respectively, associated with the issuance and sale of the Notes discussed in footnote (B) of Note 7. As discussed in Note 10, we paid a fee of $2.7 million to an affiliate of SBC relating to the letter agreement amending the terms of the Series E Redeemable Preferred. As discussed in Note 10, all outstanding shares of the Series E and Series F Redeemable Preferred are held by this affiliate. Pursuant to the terms of the Board Representation and Standstill Agreement, our Board includes two directors that are employees of SBC and affiliates. During 2019, 2018 and 2017, we incurred director fees associated with these directors totaling approximately $0.3 million for each respective year.

Effective December 30, 2018, Daniel D. Greenwell elected not to enter into a new employment agreement and resigned from the Board and his roles as Chairman and our Chief Executive Officer. Subject to the execution of a release agreement, which was executed in January 2019, Mr. Greenwell was entitled to certain severance benefits pursuant to the terms of his employment agreement. At December 31, 2018, our accrued and other liabilities included approximately $2.8 million relating primarily to severance benefits owed to Mr. Greenwell. In addition, approximately $2.7 million of share-based compensation was incurred in 2018 due to the accelerated vesting of 312,369 shares of restricted stock.

No dividends were declared during 2019, 2018 and 2017. At December 31, 2019, accumulated dividends on the Series B and Series D Preferred totaled approximately $1.3 million. The Series B Preferred and Series D Preferred are non-redeemable preferred stocks issued in 1986 and 2001, respectively, of which all outstanding shares are owned by the Golsen Holders.

During 2019, 2018 and 2017, we incurred director fees associated with Barry H. Golsen totaling approximately $0.1 million for each respective year.

As the result of Jack E. Golsen ("J. Golsen") informing the Board of his election to retire as Executive Chairman effective December 31, 2017, we determined not to extend the employment agreement with J. Golsen beyond its current term expiring on December 31, 2017 (the "Retirement Date") and, in accordance with the terms his employment agreement, delivered a notice of non-renewal to J. Golsen. J. Golsen remains a member of the Board and, following the Retirement Date, has the title of Chairman Emeritus.

During 2017, we entered into a transition agreement (the "Transition Agreement") with J. Golsen that commenced on January 1, 2018 and ends upon the earlier of his death or a change in control as defined in the Transition Agreement. During the term, J. Golsen will receive an annual cash retainer of $480,000 and an additional monthly amount of $4,400 to cover certain expenses. In accordance with the terms of the Transition Agreement, we will also reimburse J. Golsen for his cost of certain medical insurance coverage until his death. Effective as of the Retirement Date, the previous existing severance agreement with J. Golsen was terminated. In consideration for his services, including as Chairman Emeritus, we will pay J. Golsen a one-time payment equal to $2,320,000 upon the consummation of a change in control that occurs prior to his death.

During 2017, a death benefit agreement with J. Golsen was terminated pursuant to the terms of the agreement that allowed us to terminate at any time and for any reason prior to the death of the employee. As a result, the liability of approximately $1.4 million for the estimated death benefit associated with this agreement was extinguished and derecognized with the offset classified as operating other income in 2017.

During 2017, we sold our engineered products business (industrial machinery and related components) to Industrial Acquisitions LLC and Industrial Products LLC (both entities are owned by immediate family members of J. Golsen) for $3.5 million which sale resulted in a loss of approximately $0.8 million, classified as operating other expense.

During 2016, we entered into a consulting agreement with Steven J. Golsen ("S. Golsen"), son of J. Golsen and former employee and President and Chief Operating Officer of our former climate control business. Pursuant to the terms of the agreement, S. Golsen provided services relating to the sale of the climate control business and subsequent services to improve the transition process from LSB to NIBE Industrier AB (publ). The total consulting fee was approximately $0.4 million and the term of the agreement was for 2 years through May 2018.

15. Supplemental Cash Flow Information

The following provides additional information relating to cash flow activities:

	2019	2018	2017
		(In Thousands)	
Cash payments (refunds) for:			
Interest on long-term debt and other, net of capitalized interest	**$ 42,184**	$ 35,719	$ 34,274
Income taxes, net	**$ (65)**	$ (1,138)	$ (674)
Noncash investing and financing activities:			
Incentive tax credit receivable associated with property, plant and equipment	**$ —**	$ —	$ 8,125
Supplies and accounts payable associated with additions of property, plant and equipment	**$ 18,350**	$ 16,484	$ 17,105
Dividend accrued on Series E Redeemable Preferred	**$ 30,729**	$ 26,840	$ 23,443
Accretion of Series E Redeemable Preferred	**$ 1,995**	$ 3,375	$ 6,487

16. Net Sales

Disaggregated Net Sales

As discussed in Note 1, we primarily derive our revenues from the sales of various chemical products. The following table presents our net sales disaggregated by our principal markets, which disaggregation is consistent with other financial information utilized or provided outside of our consolidated financial statements:

	2019	2018	2017(a)
		(Dollars In Thousands)	
Net sales:			
Agricultural products	**$ 187,641**	$ 187,164	$ 184,054
Industrial acids and other chemical products	**139,643**	148,598	196,029
Mining products	**37,786**	42,398	38,854
Other products	**—**	—	8,567
Total net sales	**$ 365,070**	$ 378,160	$ 427,504

(a) Upon adoption of ASC 606, nets sales have not been adjusted under the modified retrospective method.

Other Information

Liabilities associated with contracts with customers (contract liabilities) primarily relate to deferred revenue and customer deposits associated with cash payments received in advance from customers for volume shortfall charges and product shipments. We had approximately $3.6 million and $7.0 million of contract liabilities as of December 31, 2019 and 2018, respectively. During 2019, revenues of $3.5 million were recognized and included in the balance at the beginning of the period.

17. Discontinued Operations

During 2016, LSB completed the sale of all the stock of Climate Control Group Inc. (an indirect subsidiary that conducted LSB's former climate control business) pursuant to the terms of the stock purchase agreement. Additionally, pursuant to the stock purchase agreement, we agreed to have a certain portion of the purchase price proceeds deposited in an indemnity escrow account. In 2018, we received approximately $ 2.7 million representing an indemnity escrow balance. For 2017, we recognized income from discontinued operations of $1.1 million, net of income taxes of $1.5 million. For 2017, cash flow information of discontinued operations included deferred income taxes of $2.5 million.

LSB Industries, Inc.

Supplementary Information

Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data for 2019 and 2018 are as follows.

	Three months ended			
	March 31	June 30	September 30	December 31
	(In Thousands, Except Per Share Amounts)			
2019				
Net sales	$ 94,152	$ 121,527	$ 75,495	$ 73,896
Gross profit (loss) (1)	$ 7,318	$ 19,677	$ (9,733)	$ (12,277)
Net income (loss) (1) (2)	$ (11,540)	$ 6,631	$ (30,794)	$ (27,714)
Net loss attributable to common stockholders	$ (19,367)	$ (1,530)	$ (39,133)	$ (36,411)
Basic and dilutive loss per common share	$ (0.69)	$ (0.05)	$ (1.39)	$ (1.30)
2018				
Net sales	$ 100,450	$ 103,199	$ 79,781	$ 94,730
Gross profit (loss) (1)	$ 10,093	$ 3,073	$ (9,742)	$ 12,411
Net loss (1) (2)	$ (5,591)	$ (27,506)	$ (26,084)	$ (13,045)
Net loss attributable to common stockholders	$ (13,603)	$ (35,011)	$ (33,422)	$ (20,705)
Basic and dilutive loss per common share	$ (0.49)	$ (1.27)	$ (1.22)	$ (0.75)

(1) The following income (expense) items impacted gross profit (loss) and net income (loss):

	Three months ended March 31	June 30	September 30	December 31
	(In Thousands)			
Turnaround expense: (A)				
2019	$ —	$ (604)	$ (7,232)	$ (5,374)
2018	$ (302)	$ (1,412)	$ (7,939)	$ (115)
Recovery from a settlement with a vendor				
2018	$ —	$ —	$ —	$ 4,419

(2) The following income (expense) items impacted net income (loss):

	March 31	June 30	September 30	December 31
Charge associated with assets held for sale				
2019	$ —	$ —	$ —	$ (9,701)
Loss on extinguishment of debt				
2018	$ —	$ —	$ (5,951)	$ —
Severance benefits and accelerated stock-based compensation				
2018	$ —	$ —	$ —	$ (5,300)
Benefit (provision) for income taxes:				
2019 (B)	$ (400)	$ 5,733	$ 483	$ 15,108
2018	$ 922	$ (4,324)	$ 2,426	$ (764)

(A) Turnaround expenses do not include the impact on operating results relating to lost absorption or reduced margins due to the associated plants being shut down.

(B) The deferred tax benefit for the three-month period ended December 31, 2019 is primarily due to federal and state indefinite lived carryforward benefits that can be realized through the reversal of deferred tax liabilities.

LSB Industries, Inc.

Schedule II - Valuation and Qualifying Accounts

Years ended December 31, 2019, 2018, and 2017

(In Thousands)

Description (1)	Balance at Beginning of Year	Additions-Charges to (Recovery of) Costs and Expenses	Deductions-Write-offs/Costs Incurred	Balance at End of Year
Accounts receivable - allowance for doubtful accounts:				
2019	$ 351	$ 175	$ 265	$ 261
2018	$ 303	$ 124	$ 76	$ 351
2017	$ 357	$ (54)	$ —	$ 303
Deferred tax assets - valuation allowance:				
2019	$ 45,626	$ 8,279	$ 2,316	$ 51,589
2018	$ 26,920	$ 21,042	$ 2,336	$ 45,626
2017	$ 13,128	$ 13,792	$ —	$ 26,920

(1) Deducted in the consolidated balance sheet from the related assets to which the reserve applies.

Other valuation and qualifying accounts are detailed in our notes to consolidated financial statements.

Exhibit 4.17

DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

DESCRIPTION OF COMMON STOCK

The following description of the Common Stock, par value $0.10 per share ("Common Stock") of LSB Industries, Inc. (the "Company") is based upon the Company's certificate of incorporation as currently in effect (the "Certificate of Incorporation"), the Company's Amended and Restated Bylaws (the "Bylaws" and, together with our Certificate of Incorporation, our "Charter Documents") and applicable provisions of law. We have summarized certain portions of the Certificate of Incorporation and Bylaws below. The summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of the Company's Certificate of Incorporation and Bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.17 is a part.

Authorized Capital Stock

The Company's authorized capital stock consists of 75,000,000 shares of Common Stock, $0.10 par value per share, 250,000 shares of Preferred Stock, $100 par value per share, and 5,000,000 shares have been designated as Class C Preferred Stock, no par value (both "Preferred Stock"). Of the Class C Preferred Stock, 139,768 shares have been designated Series E-1 Cumulative Redeemable Class C Preferred Stock ("Series E-1)"and 1 share has been designated Series F-1 Redeemable Class C Preferred Stock ("Series F-1").

Common Stock

Common Stock Outstanding. The outstanding shares of the Common Stock are duly authorized, validly issued, fully paid and nonassessable.

Voting Rights. Each holder of shares of Common Stock is entitled to one vote for each share, in person or by proxy, at any and all meetings of the Stockholders of the Company, on all propositions before such meetings.

Dividend Rights. Subject to preferential dividend rights of any other class or series of stock, the holders of Common Stock are entitled to receive dividends, including dividends of stock, if, as and when declared by the Company's board of directors, subject to any limitations applicable by law and to the rights of the holders, if any, of the Company's preferred stock.

Other Rights and Restrictions. Subject to the preferential rights of any other class or series of stock, all shares of our Common Stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Delaware law. Furthermore, holders of our Common Stock have no conversion, sinking fund or redemption rights, or preemptive rights to subscribe for any of our securities. Our

Certificate of Incorporation and Bylaws do not restrict the ability of a holder of our Common Stock to transfer the holder's shares of our Common Stock.

The rights, powers, preferences and privileges of holders of our Common Stock are subject to, and may be adversely affected by, the rights of holders of shares of our outstanding preferred stock and of any series of preferred stock which we may designate and issue in the future.

Listing: Our common stock is listed on the New York Stock Exchange under the symbol "LXU."

Preferred Stock

Under the Certificate of Incorporation, the Preferred Stock may be issued from time to time in one or more series, each of such series to have such designations, preference and relative, participating, optional, voting or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed in a resolution or resolutions providing for the issue of such series as determined and adopted by the Board of Directors.

Anti-Takeover Effects of Delaware Law, Our Certificate of Incorporation and Our Bylaws

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest or otherwise or removal of our incumbent officers and directors. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Law

Section 203 of the DGCL prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

- on or after such time the business combination is approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

An interested stockholder is defined as a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. The term “business combination” is broadly defined to include a broad array of transactions, including mergers, consolidations, sales or other dispositions of assets having a total value in excess of 10% of the consolidated assets of the corporation or all of the outstanding stock of the corporation, and some other transactions that would increase the interested stockholder’s proportionate share ownership in the corporation.

Our Certificate of Incorporation and Our Bylaws

Provisions of our Certificate of Incorporation and our Bylaws may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock.

Among other things, our Certificate of Incorporation and Bylaws:

- provide for the division of the Board into three classes, each class consisting as nearly as possible of one-third of the whole. The term of office of one class of directors expires each year; with each class of directors elected for a term of three years and until the stockholders elect their qualified successors;

- provide that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, be filled by a majority of directors then in office, even if less than a quorum, or by the sole remaining director;

- provide that our Certificate of Incorporation and Bylaws may be amended by the affirmative vote of the holders of at least two-thirds of our then outstanding voting stock;

- provide that special meetings of our stockholders may only be called by our chairman or by a majority of the directors then in office;

- provide that the affirmative vote of the holders of not less than two-thirds of the outstanding voting stock of the Company voting as a single class shall be required for the approval or authorization of any (i) merger or consolidation of the Company with or into any other corporation, or (ii) sale, lease or exchange of all or substantially all of the assets of the Company to or with any other corporation, person or entity; provided, however, that such two-thirds voting requirement shall not be applicable if (a) the Company is merged with a corporation in which at least two-thirds of the outstanding shares of each class of stock of such corporation is owned by the Company, or (b) if a transaction described in clauses (i) or (ii) above has been approved by a vote of at least a majority of the members of the board of directors of the Company. If such two-thirds voting requirement of the outstanding voting stock of the Company shall not be applicable under the provisions of clauses (a) or (b) above, then in such event transactions specified in (i) or (ii) above shall require only such affirmative vote as is required by law, regulation or any other provision of our Certificate of Incorporation; and

- provide that our Bylaws can be amended by our board of directors.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is entered into as of this 20th day of December 2019 to be effective on the Executives first day of work, which shall be no later than February 3, 2020 (the "Effective Date"), by and between LSB Industries, Inc., a Delaware corporation (together with its successors and assigns, the "Company"), and John P. Burns, an individual (the "Executive").

WHEREAS, the Company and the Executive desire to enter into this Agreement to set out the terms and conditions for the continuing employment relationship between the Executive and the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Term. The Company agrees to employ the Executive pursuant to the terms of this Agreement, and the Executive agrees to be so employed, for a term from the Effective Date to December 31, 2020 (the "Initial Term") commencing as of the Effective Date. On December 31, 2020 and each subsequent anniversary of such date, the term of this Agreement shall be automatically extended for successive one-year periods, provided, however, that either party hereto may elect not to extend this Agreement by giving written notice to the other party at least ninety (90) days prior to December 31, 2020 or any subsequent anniversary of such date. Notwithstanding the foregoing, the Executive's employment hereunder may be earlier terminated in accordance with Section 9 hereof, subject to Section 10 hereof. Terms used herein with initial capitalization not otherwise defined are defined in Section 25. The period of time between the Effective Date and the termination of the Executive's employment hereunder shall be referred to as the "Employment Period."

2. Position and Duties. During the Employment Period, the Executive shall serve as Executive Vice President – Manufacturing ("EVP – Manufacturing") of the Company and shall report directly to the Company's Chief Executive Officer ("CEO"). In his capacity as EVP – Manufacturing, the Executive shall have the duties, responsibilities and authorities customarily associated with the position of an executive vice president in a company the size and nature of the Company. The Executive shall devote the Executive's reasonable best efforts and substantially all of the Executive's business time to the performance of the Executive's duties hereunder and the advancement of the business and affairs of the Company and shall be subject to, and shall comply in all material respects with, the policies of the Company applicable to the Executive; provided that the Executive shall be entitled (i) to serve as a member of the board of directors of a reasonable number of other companies, subject to the advance approval of the Company's Board of Directors (the "Board"), which approval shall not be unreasonably withheld, (ii) to serve on civic, charitable, educational, religious, public interest or public service boards, and (iii) to manage the Executive's personal and family investments, in each case, to the extent such activities do not materially interfere, as determined by the Board in good faith, with the performance of the Executive's duties and responsibilities hereunder.

3. Place of Performance. During the Employment Period, the Executive shall be based primarily at the Executives home office although it is understood that the Executive will be required to travel regularly to the Company's plant locations and corporate offices. For the avoidance of doubt, nothing in this agreement shall require Executive to relocate from his current residence as a condition of continued employment.

4. Compensation and Benefits; Equity Awards.

(a) Base Salary. During the Employment Period, the Company shall pay to the Executive a base salary (the "Base Salary") at the rate of no less than $350,000 per calendar year, less applicable deductions. The Base Salary shall be reviewed for increase by the CEO no less frequently than annually and shall be increased in the discretion of the Board and any such adjusted Base Salary shall constitute the "Base Salary" for purposes of this Agreement. The Base Salary shall be paid in substantially equal installments in accordance with the Company's regular payroll procedures.

(b) Annual Bonus. During the Employment Period, the Executive shall be paid an annual cash performance bonus (an "Annual Bonus") under the Company's annual bonus plan (as in effect from time to time for senior executives for each fiscal year that ends during the Employment Period, to the extent earned based on performance against performance criteria. The performance criteria for any particular fiscal year shall be determined by the CEO, no later than sixty (60) days after the commencement of the relevant bonus period. For fiscal year 2020 and thereafter throughout the Employment Period, the Executive's annual bonus opportunity shall be no less than 50% of the Executive's Base Salary as of the beginning of the applicable bonus period (the "Target Bonus"), if target levels of performance for that year are achieved, up to a maximum of 100% of the Executive's Base Salary. The Executive's Annual Bonus for a bonus period shall be determined by the Committee after the end of the applicable bonus period and shall be paid to the Executive when annual bonuses for that year are paid to other senior executives of the Company generally, but in no event later than March 31 of the year following the year to which such Annual Bonus relates. The Target Bonus opportunity shall be reviewed for increase by the CEO no less frequently than annually and shall be increased in the discretion of the CEO and any such adjusted Target Bonus shall constitute the "Target Bonus" for purposes of this Agreement.

(c) Equity Awards. During the Employment Period, the Executive shall be eligible to receive grants of equity-based awards (each, an "Equity Award") under the Company's 2016 Long Term Incentive Plan (or successor plan). The terms and conditions applicable to any Equity Award shall be determined by the Compensation Committee of the Board (the "Committee") in accordance with the Company's applicable long-term incentive plan.

(d) Vacation; Benefits. During the Employment Period, the Executive shall be entitled to four (4) weeks of paid vacation per calendar year (as prorated for partial years) in accordance with the applicable policies of the Company, which shall be accrued and used in accordance with such policies. During the Employment Period, the Executive shall be entitled to participate in any employee benefit plan that the Company has adopted or may adopt, maintain or contribute to for the benefit of its employees generally, subject to satisfying the applicable eligibility requirements, except to the extent such plans are duplicative of the benefits otherwise provided to the Executive hereunder. The Executive's participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. The foregoing, however, shall not be construed to require the Company to establish any such plans or to prevent the modification or termination of such plans once established.

5. Expenses. The Company shall reimburse the Executive promptly for all expenses reasonably incurred by the Executive in the performance of his duties in accordance with policies which may be adopted from time to time by the Company following presentation by the Executive of an itemized account, including reasonable substantiation, of such expenses.

6. Confidentiality and Non-Disclosure. The Company and the Executive acknowledge and agree that during the Executive's employment with the Company, the Executive will have access to and may assist in developing Confidential Information and will occupy a position of trust and confidence with respect to the affairs and business of the Company and the Company Affiliates. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Confidential Information and to protect the Company and the Company Affiliates against misuse of such information:

(a) Non-Disclosure. After the Executive's employment with the Company ends, the Executive will not use, disclose, copy or transfer any Confidential Information unless authorized in writing by the Company. Anything herein to the contrary notwithstanding, the provisions of this Section 6(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information, provided that prior to any such disclosure the Executive shall provide the Company with reasonable notice of the requirements to disclose and an opportunity to object to such disclosure and the Executive shall cooperate with the Company in filing such objection; (ii) as to information that was in the public domain or is readily available to the public at the time of its disclosure by the Executive through means other than due to the Executive's violation of this Section 6(a); or (iii) to the extent necessary in connection with any disputes between the parties with respect to the interpretation and/or enforcement of this Agreement and any other agreements between the parties. Nothing in this Agreement is intended to or will be used in any way to limit Executive's rights to communicate with a government agency, as provided for, protected under or warranted by applicable law.

(b) Materials. The Executive will use Confidential Information only for normal and customary use in the Company's business, as determined reasonably and in good faith by the Executive. The Executive will return to the Company all Confidential Information and copies thereof and all other property of the Company or any Company Affiliate at any time upon the request of the Company and in any event promptly after the Executive's employment ends. The Executive agrees to identify and return to the Company any copies of any Confidential Information after the Executive ceases to be employed by the Company. Anything to the contrary notwithstanding, nothing in this Section 6 shall prevent the Executive from retaining a home computer (provided all Confidential Information has been removed), papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, information that may be needed for tax purposes, and copies of plans, programs and agreements relating to his employment or termination thereof.

7. Non-Solicitation/Non-Competition.

(a) During the Non-Compete Period, the Executive shall not (A) directly solicit, or assist any person or entity in soliciting, any established customer for the purpose of a Competitive Enterprise providing and/or selling any products that are provided and/or sold by the Company or its subsidiaries to such established customer, or performing any services that are performed by the Company or its subsidiaries for such established customer, (B) interfere with or damage (or attempt to interfere with or damage) any relationship and/or agreement between the Company or its subsidiaries and any established customer; or (C) directly or indirectly solicit any employee of the Company or the Company Affiliates with a view toward inducing any such employee to go to work for another person or third party or to cease or end their employment relationship.

(b) During the Non-Compete Period, the Executive shall not associate (including, but not limited to, association as a sole proprietor, owner, employer, partner, principal, investor, joint venturer, shareholder, associate, employee, member, consultant, contractor, director or otherwise) with any Competitive Enterprise; provided, however, that Executive may own, as a passive investor, securities of any such entity that has outstanding publicly traded securities so long as his direct holdings in any such entity shall not in the aggregate constitute more than one percent (1%) of the voting power of such entity. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Company, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Company and equitable enforcement of the covenant would be proper.

(c) If the restrictions contained in Section 7 shall be determined by any court of competent jurisdiction to be unenforceable, Section 7 shall be modified in order for it to be enforceable to maximum allowed by law.

(d) Conflicting Obligations and Rights. The Executive agrees to inform the Company of any apparent conflicts between the Executive's work for the Company and any obligations the Executive may have to preserve the confidentiality of another's proprietary information or related materials before using the same on the Company's behalf. The Company shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

(e) Enforcement. The Executive acknowledges that in the event of any breach of this Section 7, the business interests of the Company and the Company Affiliates will be irreparably injured, the full extent of the damages to the Company and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Company and the Company Affiliates, and the Company will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Executive understands that the Company may waive some of the requirements expressed in this

Agreement, but that such a waiver to be effective must be made in writing and should not in any way be deemed a waiver of the Company's right to enforce any other requirements or provisions of this Agreement. The Executive agrees that each of the Executive's obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement.

(f) No Other Restrictions. Except as otherwise provided herein or in the Confidentiality and Assignment Agreement the Executive executed on January 8, 2016 (the "Confidentiality Agreement"), there are no other restrictions on the Executive's employment following termination of his employment.

8. Cooperation. Following any termination of employment, the Executive agrees to reasonably cooperate (taking into account his other business and personal commitments) with any investigation, suit or claim involving the Company and of which the Executive has knowledge, provided any such cooperation is not adverse to his legal interests. The Company agrees to reimburse the Executive for any costs incurred by him in connection with such cooperation, including payment of separate counsel for the Executive if he reasonably determines such separate representation is warranted by the circumstances.

9. Termination of Employment.

(a) Permitted Terminations. The Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(i) Death. The Executive's employment hereunder shall terminate upon the Executive's death.

(ii) By the Company. The Company may terminate the Executive's employment:

(A) Disability. For Disability; or

(B) With or Without Cause. For Cause or without Cause.

(iii) By the Executive. The Executive may terminate his employment for any reason or for no reason by giving thirty (30) days advance Notice of Termination to the Company.

(b) Termination. Any termination of the Executive's employment by the Company or the Executive (other than because of the Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Termination of the Executive's employment shall take effect on the Date of Termination.

(c) Effect of Termination. Upon any termination of the Executive's employment with the Company, and its subsidiaries, the Executive shall resign from, and shall be considered to have simultaneously resigned from, all positions with the Company and all of its subsidiaries.

10. Compensation Upon Termination.

(a) Death. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death pursuant to Section 9(a)(i), the Employment Period shall terminate without further notice or any action required by the Company or the Executive's legal representatives. Upon the Executive's death, the Company shall pay or provide to the Executive's representative or estate (i) all Accrued Benefits, if any, to which the Executive is entitled, and (ii) a lump sum payment of an amount equal to a pro rata portion (based upon the number of days the Executive was employed during the calendar year in which the Date of Termination occurs) of the Annual Bonus based on the achievement of the applicable performance criteria for the year in which Executive's employment terminates, payable at the time set forth in Section 4(b). Except as set forth herein or, if more favorable to the Executive, in the award agreements applicable to equity-based awards granted to Executive, including, without limitation, the Equity Awards, the Company shall have no further compensation obligations to the Executive (or the Executive's legal representatives or estate) under this Agreement.

(b) Disability. If the Company terminates the Executive's employment during the Employment Period because of the Executive's Disability pursuant to Section 9(a)(ii)(A), the Company shall pay to the Executive (i) all Accrued Benefits, if any, to which the Executive is entitled, and (ii) a lump sum payment of an amount equal to a pro rata portion (based upon the number of days the Executive was employed during the calendar year in which the Date of Termination occurs) of the Annual Bonus based on the achievement of the applicable performance criteria for the year in which Executive's employment terminates, payable at the time set forth in Section 4(b). Except as set forth herein or, if more favorable to the Executive, in the award agreements applicable to equity-based awards granted to Executive, including, without limitation, the Equity Awards, the Company shall have no further compensation obligations to the Executive (or the Executive's legal representatives) under this Agreement.

(c) Termination by the Company for Cause, or by the Executive without Good Reason. If, during the Employment Period, the Company terminates the Executive's employment for Cause pursuant to Section 9(a)(ii)(B), or the Executive terminates his employment without Good Reason, the Company shall pay to the Executive all Accrued Benefits, if any, to which the Executive is entitled. Except as set forth herein or, if more favorable to the Executive, in the award agreements applicable to equity-based awards granted to Executive, including, without limitation, the Equity Awards, the Company shall have no further compensation obligations to the Executive under this Agreement.

(d) Certain Terminations Prior to or After a Change in Control. If, prior to the occurrence of a Change in Control, or after the twenty-four (24) month protection period in Section 10(e) has expired (and Section 10(e) does not apply), the Company terminates the Executive's employment during the Employment Period other than for Cause, death or Disability or the Executive terminates his employment hereunder with Good Reason, the Employment Period shall terminate upon the Date of Termination and (i) the Company shall pay or provide the Executive (or the Executive's estate, if the Executive dies after such termination but before receiving such amount) (A) all Accrued Benefits, if any, to which the Executive is entitled; (B) a lump sum payment of an amount equal to a pro rata portion (based upon the number of days the Executive was employed during the calendar year in which the Date of Termination occurs) of the Annual Bonus based on the achievement of the applicable performance criteria for the year in which Executive's employment terminates, payable as set forth in Section 4(b); and (C) an amount equal to the product of (x) one (1) and (y) the sum of the Executive's (I) Base Salary and (II) Target Bonus, payable in a lump sum on the first payroll date following the execution (and non-revocation) of the general release of claims described in Section 10(g), subject to Section 10(h) and Section 24, and (ii) the Executive and his covered dependents shall be entitled to continued participation on the same terms and conditions as applicable immediately prior to the Executive's Date of Termination for the eighteen (18) month period following the Date of Termination in such medical, dental, and hospitalization insurance coverage in which the Executive and his eligible dependents were participating immediately prior to the Date of Termination; provided the Company agrees to impute as taxable income to the Executive an amount equal to the full actuarial cost of such coverage, for each month during which such coverage is in effect for the Executive and/or his eligible dependents but only if and to the extent such imputation is required for the Executive to avoid being subject to tax under Section 105(h) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to any payment or reimbursement of expenses made to the Executive or for the Executive and/or any of his eligible dependent's benefit under such health care coverage.

(e) Certain Terminations in Connection With a Change in Control. If the Company terminates the Executive's employment other than for Cause, Death or Disability or the Executive terminates his employment hereunder with Good Reason, the Employment Period shall terminate upon the Date of Termination and if such Date of Termination occurs (x) upon or within twenty-four (24) months following the date of consummation of a Change in Control, or (y) either (a) within 90 days prior to the date a definitive agreement is executed which results in a Change in Control within 180 days after the date such definitive agreement is executed or (b) on or within 180 days following the date a definitive agreement is executed which results in a Change in Control within 180 days after the date such definitive agreement is executed, (i) the Company shall pay or provide the Executive (or the Executive's estate, if the Executive dies after such termination but before receiving such amount) (A) all Accrued Benefits, if any, to which the Executive is entitled; (B) a lump sum payment of an amount equal to a pro rata portion (based upon the number of days the Executive was employed during the calendar year in which the Date of Termination occurs) of the Annual Bonus based on the achievement of the applicable performance criteria for the year in which Executive's employment terminates, payable as set forth in Section 4(b); and (C) an amount equal to the product of (x) two (2) and (y) the sum of the Executive's (I) Base Salary and (II) Target Bonus, payable in a lump sum on the first payroll date following the execution (and non-revocation) of the general release of claims described in

Section 10(g) (the "Payment Date"), subject to Section 10(h) and Section 24; provided that in connection with a termination covered by clause (y), the payment of the additional one times Base Salary and Target Bonus amount shall be paid, subject to Section 10(h) and Section 24, on the later of the Payment Date or the date of the Change in Control; and (ii) the Executive and her covered dependents shall be entitled to continued participation on the same terms and conditions as applicable immediately prior to the Executive's Date of Termination for the eighteen (18) month period following the Date of Termination in such medical, dental, and hospitalization insurance coverage in which the Executive and his eligible dependents were participating immediately prior to the Date of Termination; provided the Company agrees to impute as taxable income to the Executive an amount equal to the full actuarial cost of such coverage, for each month during which such coverage is in effect for the Executive and/or his eligible dependents but only if and to the extent such imputation is required for the Executive to avoid being subject to tax under Section 105(h) of the Code, with respect to any payment or reimbursement of expenses made to the Executive or for the Executive and/or any of his eligible dependent's benefit under such health care coverage.

(f) Termination of Employment Upon Expiration of the Term. Upon a notice of non-renewal of the Initial Term or any subsequent Term (each, a "Term") by either the Company or the Executive pursuant to Section 1 hereof, the Executive's employment shall terminate on the last day of the applicable Term. In addition, any notice of non-renewal of the Term by the Company pursuant to Section 1 (assuming the Executive was willing and able to continue to be employed) shall be treated as a termination without Cause under this Agreement and the Executive shall be entitled to severance and other entitlements under the terms of either Sections 10(d) or 10(e) as applicable upon the termination of the Executive's employment on the last day of the applicable Term and such termination shall be treated as a termination without Cause for purposes of the Executive's equity awards.

(g) Release. As a condition of receiving any and all amounts payable and benefits or additional rights provided pursuant to this Agreement beyond the Accrued Benefits, the Executive must execute and deliver to the Company and not revoke a general release of claims in favor of the Company in substantially the form attached on Exhibit A hereto (the "Release"). The Release must be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the Executive's Date of Termination. The Company shall deliver to the Executive the Release for the Executive to execute within five (5) business days following the Date of Termination.

(h) Certain Payment Delays. Notwithstanding anything to the contrary set forth herein, to the extent that the payment of any amount described in Sections 10(d) or 10(e) constitute "nonqualified deferred compensation" for purposes of Code Section 409A (as defined in Section 24 hereof), then, subject to Section 24, any such payment scheduled to occur during the first sixty (60) days following the termination of employment shall not be paid until the first regularly scheduled pay period following the sixtieth (60th) day following such termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto.

(i) No Offset. In the event of termination of his employment, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Company's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Company or the Company Affiliates may have against the Executive for any reason.

(j) 280G Payments. In the event the Company determines in good faith that any payments, entitlements or benefits (whether made or provided pursuant to this Agreement or otherwise, including by the person or entity affecting a change in control) provided to the Executive constitute "parachute payments" within the meaning of Section 280G of the Code, and may be subject to an excise tax imposed pursuant to Section 4999 of the Code, then, if the Executive would be placed in a better after-tax position, the Executive's "parachute payments" will be reduced to an amount determined by the Company in good faith to be the maximum amount that may be provided to the Executive without resulting in any portion of such "parachute payment" being subject to such excise tax. The payment reduction contemplated by the preceding sentence shall be implemented as follows: first, by reducing any payments to be made to the Executive under Sections 10(d)(i)(B) and (C) or Sections 10(e)(i)(B) and (C), as applicable; second, by reducing any other cash payments to be made to the Executive but only if the value of such cash payments is not greater than the parachute value of such payments; third, by cancelling the acceleration of vesting of any restricted stock or restricted stock unit awards solely with respect to the accelerated vesting upon a change in control such that such awards will continue to vest on their original schedules; fourth, by cancelling the acceleration of vesting of any stock options or stock appreciation rights solely with respect accelerated vesting upon a change in control such that such awards will continue to vest on their original schedules, fifth, by eliminating the Company's payment of the cost of any post-termination continuation of medical and dental benefits for the Executive and his eligible dependents and sixth, by reducing any equity awards. In the case of the reductions to be made pursuant to each of the above-mentioned clauses, the payment and/or benefit amounts to be reduced and the acceleration of vesting to be cancelled shall be reduced or cancelled in the inverse order of their originally scheduled dates of payment or vesting, as applicable, and shall be so reduced (x) only to the extent that the payment and/or benefit otherwise to be paid or the vesting of the award that otherwise would be accelerated, would be treated as a "parachute payment" within the meaning of Section 280(G)(b)(2)(A) of the Code, (y) only to the extent necessary to achieve the required reduction hereunder and (z) all amounts that are not subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c) shall be reduced before any amounts that are subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c). Any determinations that are made pursuant to this Section 10(j) shall be made by a nationally recognized certified public accounting firm that shall be selected by the Company (and paid by the Company) prior to any transaction that is subject to Code Section 280G and reasonably acceptable to the Executive (the "Accountant"), which determination shall be certified by the Accountant and set forth in a certificate delivered to the Executive setting forth in reasonable detail the basis of the Accountant's determinations. In connection with this determination, the Accountant shall value the non-compete and other restrictions on the Executive's activities.

11. Indemnification. The Executive shall be indemnified and held harmless by the Company during the Employment Period and following any termination of his employment for any reason whatsoever in the same manner as would any other key management employee of the Company with respect to acts or omissions occurring on or prior to the termination of employment of the Executive. In addition, during the Employment Period and for a period of three (3) years following the termination of Executive's employment for any reason whatsoever, the Executive shall be covered by a Company-held directors' and officers' liability insurance policy covering acts or omissions occurring on or prior to the termination of employment of the Executive. The Executive shall also remain entitled to the protections of the indemnification agreement he has entered into with the Company dated as of August 1, 2016 ("Indemnification Agreement").

12. Notices. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier addressed as follows:

If to the Company:

LSB Industries, Inc.
3503 NW 63rd Street, Suite 500
Oklahoma City, OK 73116
Attention: Chief Executive Officer

If to the Executive:

His primary address last shown on the Company's records.

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

13. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement, including, without limitation, Sections 6 or 7, shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

14. Survival. It is the express intention and agreement of the parties hereto that the provisions of Sections 6, 7, 8, 10, 11, 12, 13, 15, 16, 17, 19, 20, 21, 23, 24 and 25 hereof and this Section 14 shall survive the termination of employment of the Executive or the termination or expiration of the Employment Period. In addition, all obligations of the Company to make payments hereunder shall survive any expiration of the Employment Period on the terms and conditions set forth herein.

15. Assignment. The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (i) in the event of the Executive's death, the personal representative or legatees or distributees of the Executive's estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder and (ii) the rights and obligations of the Company hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or equity interests of the Company or similar transaction involving the Company or a successor corporation. Unless provided by applicable law, the Company shall require any successor to the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

16. Binding Effect. Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives, successors and assigns.

17. Amendment; Waiver. This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

18. Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

19. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Oklahoma (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

20. Dispute Resolution/Waiver of Jury Trial. Each of the parties agrees that any dispute between the parties shall be resolved only in the courts of the State of Oklahoma or the United States District Court for the Western District of Oklahoma and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, each of the parties hereto irrevocably and unconditionally (a) submits in any proceeding relating to this Agreement or the Executive's employment by the Company or any Company Affiliate, or the termination of such employment, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts of the State of Oklahoma, located in Oklahoma County, the United States District Court for the Western District of Oklahoma, and appellate courts having jurisdiction of appeals from any of the foregoing and agrees that all claims in respect of any such Proceeding shall be

heard and determined in such Oklahoma State court or, to the extent permitted by law, in such federal court, (b) consents that any such Proceeding may and shall be brought in such courts and waives any objection that the Executive or the Company may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agrees not to plead or claim the same, (c) waives all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Executive's employment by the Company or any Company Affiliate, or the termination of such employment, or the Executive's or the Company's performance under, or the enforcement of, this Agreement, (d) agrees that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at the Executive's or the Company's address as provided in Section 12 hereof, and (e) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the laws of the State of Oklahoma. In addition, if the Executive substantially prevails on any claim that is the matter of such dispute, the Company shall promptly reimburse the Executive for his legal fees.

21. Entire Agreement; Other Agreements. Except as expressly provided herein, this Agreement constitutes the entire agreement between the parties respecting the employment of the Executive, there being no representations, warranties or commitments except as set forth herein, and, as of the Effective Date, supersedes and replaces all other agreements related to the subject matter hereof. Notwithstanding anything herein to the contrary, (a) any outstanding equity award agreements and any equity award agreements executed in connection with this Agreement shall continue in full force and effect and(b) the Executive shall be entitled to (i) base salary due as of the Effective Date which remains unpaid as of the Effective Date, and (ii) reimbursement of the business expenses incurred by the Executive prior to the Effective Date which are reimbursable and due and remain unpaid as of the Effective Date. In the event there is a conflict between any provision of this Agreement and any other agreement, plan, policy or arrangement of the Company or any Company Affiliate, the provision most favorable to the Executive shall govern except that the Executive shall be subject to any written claw back policies of the Company (a) in effect from time to time adopted by the Board or the Committee prior to the Executive's Date of Termination or (b) adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the Securities Exchanges Commission or any other applicable laws (whether or not the rights of the Executive may be adversely affected). Any claw back policy shall be applied to the Executive consistent with how such policy is applied to other senior executives of the Company with respect to the same subject matter.

22. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

23. Withholding. The Company may withhold from any benefit payment under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

24. Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") or an exemption therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Company (with specificity as to the reason therefor) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with the Executive, reform such provision to attempt to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the applicable provision without violating the provisions of Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 24(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(c) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Code Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(d) For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, (i) the actual date of payment within the specified period shall be within the sole discretion of the Company and, (ii) if such payment qualifies as non-qualified deferred compensation under Section 409A and it can be paid in one of two calendar years, it shall be paid in the second calendar year.

(e) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

25. Definitions.

(a) "Accrued Benefits" means (i) any unpaid Base Salary through the Date of Termination; (ii) any earned but unpaid Annual Bonus for a performance year that has ended on or prior to the Date of Termination; (iii) any accrued and unpaid vacation and/or sick days; (iv) any amounts or benefits owing to the Executive or to the Executive's beneficiaries under the then applicable benefit plans of the Company (excluding any severance plan, program, agreement or arrangement); (v) any rights or entitlements under any other agreements between the Executive and the Company, including, without limitation, the Indemnification Agreement and any outstanding equity award agreements; and (vi) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination. Amounts payable (A) under clauses (i), (ii) and (iii) shall be paid promptly after the Date of Termination; (B) under clause (iv) shall be paid in accordance with the terms and conditions of the applicable plan, program or arrangement; (C) under clause (v) shall be treated in accordance with the applicable agreement; and (D) under clause (vi) shall be paid in accordance with the terms of the applicable expense policy, as applicable.

(b) "Cause" means (i) the Executive's conviction of, or plea of nolo contendere to, a felony (other than for a traffic violation); (ii) the Executive's continued failure to substantially perform the Executive's material duties hereunder (other than due to a mental or physical impairment) after receipt of written notice from the Company that specifically identifies the manner in which the Executive has substantially failed to perform the Executive's material duties and specifies the manner in which the Executive may substantially perform his material duties in the future; (iii) an act of fraud or gross or willful material misconduct by the Executive; (iv) a willful and material violation of the material provisions of the Company's Code of Conduct or the Company's Code of Ethics for CEO and Senior Financial Officers; or (v) the Executive's material breach of Sections 7(a) and 7(b). Anything herein to the contrary notwithstanding, the Executive shall not be terminated for "Cause" hereunder unless (A) written notice stating the basis for the termination is provided to the Executive, (B) as to clauses (ii), (iv) or (v) of this paragraph, he fails to cure such neglect or conduct within thirty (30) days following receipt of such notice, (C) he has an opportunity (represented by counsel) to address a meeting of the Board, and (D) after such meeting (or if the Executive declines to meet), there is a 75% vote of the Board (not counting the Executive) to terminate his employment for Cause.

(c) "Change in Control" means:

(i) A "change in the ownership of the Company" which shall occur on the date that any one person, or more than one person acting as a group, acquires ownership of stock in the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company as of the Effective Date; however, if any one person or more than one person acting as a group is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons will not be considered a "change in the ownership of the Company" (or to cause a "change in the effective control of the Company" within the meaning of paragraph (ii) below) and an increase of the effective percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this paragraph; provided, further, however, that for purposes of this paragraph (i), any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company shall not constitute a Change in Control. This paragraph (i) applies only when there is a transfer of the stock of the Company (or issuance of stock) and stock in the Company remains outstanding after the transaction;

(ii) A "change in the effective control of the Company" which shall occur on the date that either (A) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, except for any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; or (B) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of a "change in the effective control of the Company," if any one person, or more than one person acting as a group, is considered to effectively control the Company within the meaning of this paragraph (ii) after the Effective Date, the acquisition of additional control of the Company by the same person or persons is not considered a "change in the effective control of the Company," or to cause a "change in the ownership of the Company" within the meaning of paragraph (i) above; or

(iii) A "change in the ownership of a substantial portion of the Company's assets" which shall occur on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) assets of the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Any transfer of assets to an entity that is controlled by the stockholders of the Company immediately after the transfer, as provided in guidance issued pursuant to Code Section 409A, shall not constitute a Change in Control.

For purposes of the definition of Change in Control, the provisions of Section 318(a) of the Code regarding the constructive ownership of stock will apply to determine stock ownership; provided, that, stock underlying unvested options (including options exercisable for stock that is not substantially vested) will not be treated as owned by the individual who holds the option.

(d) "Company Affiliate" means any entity controlled by, in control of, or under common control with, the Company.

(e) "Competitive Enterprise" means (i) a business enterprise that engages in nitrogen and climate control in competition with the Company or its subsidiaries (the "Company's Business") (a) in the United States of America, or (b) in any other country where the Company or its subsidiaries operates facilities or sells such products. Notwithstanding the foregoing, in the event a business enterprise (including, without limitation, any entity, or private equity or hedge fund) has one or more lines of business that do not involve the Company's Business, the Executive shall be permitted to associate with such business enterprise if, and only if, the Executive does not participate in, or have supervisory authority with respect to, any line of business involving the Company's Business.

(f) "Confidential Information" means all non-public information concerning trade secrets, know-how, software, developments, inventions, processes, technology, designs, financial data, strategic business plans or any proprietary or confidential information, documents or materials in any form or media, including any of the foregoing relating to research, operations, finances, current and proposed products and services, vendors, customers, advertising and marketing, and other non-public, proprietary, and confidential information of the Company or the Company Affiliates. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive's employment with the Company, information publicly available or generally known within the industry or trade in which the Company competes and information or knowledge possessed by the Executive prior to his employment by the Company, shall not be considered Confidential Information.

(g) "Date of Termination" means (i) if the Executive's employment is terminated by the Executive's death, the date of the Executive's death; (ii) if the Executive's employment is terminated because of the Executive's Disability pursuant to Section 9(a)(ii)(A), thirty (30) days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such thirty (30)-day period; (iii) if the Executive's employment is terminated during the Term by the Company pursuant to Section 9(a)(ii)(B) or by the Executive pursuant to Section 9(a)(iii), the date specified in the Notice of Termination consistent with this Agreement; or (v) if the Executive's employment is terminated upon the expiration of the Term pursuant to Section 1, the last day of the applicable Term.

(h) "Disability" means the inability of the Executive to perform the Executive's material duties hereunder due to a physical or mental injury, infirmity or incapacity, which is expected to exceed one hundred eighty (180) days (including weekends and holidays) in any three hundred sixty-five (365)-day period, as determined by the Executive's treating physician in his reasonable discretion.

(i) “Good Reason” means (i) any material diminution in the Executive’s job duties, authorities or responsibilities (including, without limitation, the removal of the Executive as EVP – Manufacturing of the Company, the Executive failing to be the EVP – Manufacturing of any surviving or successor entity, including the ultimate parent, or the Company’s stock (or following a Change in Control, the surviving or successor entity’s stock) no longer being (or not being) publicly traded on the New York Stock Exchange or NASDAQ); (ii) a reduction in the Executive’s Base Salary or Target Bonus as a percentage of Base Salary; (iii) the failure of the Executive to report solely and directly to the Chief Executive Officer of the Company (including any successor entity); (iv) the assignment of duties substantially inconsistent with the Executive’s status as EVP – Manufacturing of the Company; (v) a relocation of the Executive’s primary place of employment to a location more than fifty (50) miles from the current location of the Company’s offices in Oklahoma City, Oklahoma; (vi) any other material breach of this Agreement by the Company, (vii) the failure of the Company to obtain the assumption in writing of its obligations under the Agreement by any successor to all or substantially all of the assets of the Company after a merger, consolidation, sale or similar transaction in which such Agreement is not assumed by operation of law or (viii) on or following a Change in Control, the failure of the surviving or successor entity to provide the Executive with an Equity Award with terms no less favorable to the Executive, and with a grant date value equal to or greater than the aggregate grant date value of the equity awards granted to the Executive by the Company during the 12-month period immediately prior to the Change in Control. In order to invoke a termination for Good Reason, (A) the Executive must provide written notice to the Company within ninety (90) days of the later of the occurrence, or the Executive’s knowledge, of any event of “Good Reason,” (B) the Company must fail to cure such event within thirty (30) days of the giving of such notice and (C) the Executive must provide a Notice of Termination within thirty (30) days following the expiration of the Company’s cure period.

(j) “Non-Compete Period” means the period commencing on the Effective Date and ending twenty four (24) months after the Executive’s Date of Termination.

(k) “Term” shall have the meaning ascribed to such term in Section 10(f) of this Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

LSB INDUSTRIES, INC.

By: /s/ Mark T. Behrman
Name: Mark T. Behrman
Title: President and Chief Executive Officer

EXECUTIVE

/s/ John P. Burns
John P. Burns

Exhibit A

(Form of Release)

EXHIBIT A

GENERAL RELEASE

I, John P. Burns, in consideration of and subject to the performance by LSB Industries, Inc. (together with its affiliated companies and subsidiaries and its successors and assigns, the "Company"), of its obligations under Section 10 of the Employment Agreement, dated as of December 20, 2019 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its respective affiliates and subsidiaries and all present, former and future directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates and subsidiaries and direct or indirect owners (collectively, the "Released Parties") to the extent provided herein (this "General Release"). Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. I understand that, other than the Accrued Benefits, the payments or benefits paid or granted to me under Section 10 of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 10 of the Agreement, other than the Accrued Benefits, unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

2. Except as provided in paragraph 4 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company and/or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, ever had, now have, or hereafter may have, by reason of any matter, cause, or thing whatsoever, from the beginning of my initial dealings with the Company to the date of this General Release, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to my employment relationship with Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act), the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or

under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation, or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"). I understand and intend that this General Release constitutes a general release of all claims and that no reference herein to a specific form of claim, statute or type of relief is intended to limit the scope of this General Release.

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967). Notwithstanding anything herein to the contrary, I am not waiving any of the following (and definition of "Claims" shall not include these claims or rights): (i) any claim or right to enforce the Agreement or this General Release; (ii) any claims which arise after the date of this General Release; (iii) my rights as a shareholder of the Company; and (iv) my rights to be indemnified and/or defended and/or advanced expenses, including pursuant to the Company's corporate governance documents or the Indemnification Agreement (as defined in the Agreement) or, if greater, applicable law and my rights to be covered under any applicable directors' and officers' insurance liability policies.

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever with respect to claims released by me herein, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the foregoing, I acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding.

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event that I should bring a Claim seeking damages against the Company, or in the event that I should seek to

recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending Claim, or of any facts that could give rise to a Claim, of the type described in paragraph 2 as of the execution of this General Release.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree that I will forfeit all amounts payable by the Company pursuant to the Agreement if I challenge the validity of this General Release. I also agree that if I violate this General Release by suing the Company or the other Released Parties with respect to Claims released by me herein, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement on or after the termination of my employment. I further agree that if I materially violate any of my post-employment obligations under Sections 6 or 7 of the Agreement, I will also forfeit any cash severance amounts payable by the Company pursuant to either Section 10(d) or Section 10(e) of the Agreement, as applicable, other than the Accrued Benefits, and will return any such sums already paid, on an after-tax basis, to the Company; provided that no such payments shall be subject to forfeiture and/or repayment unless the Company has provided me with written notice of the events giving rise to such forfeiture and/or repayment and I have not ceased to engage in such activities within fifteen (15) days of my receipt of such written notice.

9. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof (and I will instruct each of the foregoing not to disclose the same to anyone) or as required by law or to the extent reasonably necessary in connection with any dispute between me and the Company regarding this General Release or the Agreement.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other self-regulatory organization or governmental entity.

11. I hereby acknowledge that Sections 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 23, 24 and 25 of the Agreement shall survive my execution of this General Release.

12. I represent that I am not aware of any Claim by me, and I acknowledge that I may hereafter discover Claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

13. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

14. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. This General Release constitutes the complete and entire agreement and understanding among the parties, and supersedes any and all prior or contemporaneous agreements, commitments, understandings or arrangements, whether written or oral, between or among any of the parties, in each case concerning the subject matter hereof.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(i) I HAVE READ IT CAREFULLY;

(ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED, THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990 AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(iv) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION,

(v) I HAVE HAD AT LEAST [21][45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21][45]-DAY PERIOD;

(vi) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED; AND

(vii) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT.

SIGNED: _________________________ DATE: _________________

Exhibit 21.1

LSB INDUSTRIES, INC.
SUBSIDIARY LISTING
December 31, 2019

LSB INDUSTRIES, INC. (Direct subsidiaries in bold italics)

- ***LSB Chemical L.L.C. (f/k/a/ LSB Chemical Corp.)***
  - Cherokee Nitrogen L.L.C. (f/k/a Cherokee Nitrogen Company)
  - El Dorado Chemical Company
    - EDC Ag Products Company L.L.C.
    - Chemex I Corp. (f/k/a Slurry Explosive Corporation)
    - El Dorado Ammonia L.L.C.
  - El Dorado Nitrogen L.L.C. (f/k/a El Dorado Nitric L.L.C., f/k/a El Dorado Nitric Company, f/k/a El Dorado Nitrogen Company, f/k/a LSB Nitrogen Corporation, f/k/a LSB Import Corp.)
  - Pryor Chemical Company (f/k/a Pryor Plant Chemical Company, f/k/a LSB Financial Corp.)
  - TRISON Construction, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-199864) pertaining to the LSB Industries, Inc. 2008 Incentive Stock Plan, as amended by the First Amendment;

2. Registration Statement (Form S-8 No. 333-153103) pertaining to the LSB Industries, Inc. 2008 Incentive Stock Plan or any combination of the foregoing;

3. Registration Statement (Form S-8 No. 333-209838) pertaining to the LSB Industries, Inc. 2008 Incentive Plan, as amended;

4. Registration Statement (Form S-8 No. 333-212281) pertaining to the LSB Industries, Inc. 2016 Long Term Incentive Plan;

5. Registration Statement (Form S-1 No. 333-212503) of LSB Industries, Inc., as amended; and

6. Registration Statement (Form S-3 No. 333-228139) of LSB Industries, Inc.

of our reports dated February 25, 2020, with respect to the consolidated financial statements and schedule of LSB Industries, Inc. and the effectiveness of internal control over financial reporting of LSB Industries, Inc., included in this Annual Report (Form 10-K) of LSB Industries, Inc. for the year ended December 31, 2019.

/s/ ERNST & YOUNG LLP

Oklahoma City, Oklahoma
February 25, 2020

Exhibit 31.1

CERTIFICATION

I, Mark T. Behrman, certify that:

1. I have reviewed this annual report on Form 10-K of LSB Industries, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in this case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

/s/ Mark T. Behrman
Mark T. Behrman
President, Chief Executive Officer and
Director

Exhibit 31.2

CERTIFICATION

I, Cheryl A. Maguire, certify that:

1. I have reviewed this annual report on Form 10-K of LSB Industries, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in this case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

/s/ Cheryl A. Maguire

Cheryl A. Maguire
Executive Vice President
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of LSB Industries, Inc. (“LSB”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”). I, Mark T. Behrman, President and Chief Executive Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

/s/ Mark T. Behrman
Mark T. Behrman
President, Chief Executive Officer
(Principal Executive Officer) and
Director

February 25, 2020

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein, and not for any other purpose.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of LSB Industries, Inc. ("LSB") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cheryl A. Maguire, Senior Vice President and Chief Financial Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

/s/ Cheryl A. Maguire
Cheryl A. Maguire
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 25, 2020

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein and not for any other purpose.