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

FORM 8-K

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

Date of report (Date of earliest event reported): June 28, 2007

LSB INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-7677**	**73-1015226**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

16 South Pennsylvania, Oklahoma City, Oklahoma	**73107**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (405) 235-4546

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01: Entry Into a Material Definitive Agreement

On June 28, 2007, LSB Industries, Inc. (the "Company") entered into a Purchase Agreement (a copy of which is filed herewith as Exhibit 10.1), with each of 22 qualified institutional buyers ("QIBs"), pursuant to which the Company sold $60.0 million aggregate principal amount of its 5.5% Convertible Senior Subordinated Debentures due 2012 (the "Debentures") in a private placement to qualified institutional buyers pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Act"), afforded by Section 4(2) of the Act and Regulation D promulgated under the Act. The Debentures are eligible for resale by the investors under Rule144A under the Act. The net proceeds received by the Company in connection with this offering, after discounts and commissions were approximately $57 million. In connection with the closing, the Company entered into an indenture (the "Indenture") with UMB Bank, n.a., as trustee (the "Trustee"), governing the Debentures. A copy of the Indenture, including the form of Debenture, is filed herewith as Exhibit 4.2. The following description of the Indenture and the Debentures is qualified in its entirety by reference to the Indenture.

The Trustee is also the Company's transfer agent. The Trustee receives customary compensation from the Company for such services.

The material terms and conditions of the Indenture and the Debentures governed thereby are as follows:

Principal Amount. $60,000,000.

Maturity Date. July 1, 2012.

Ranking. The Debentures are the Company's unsecured obligations and are subordinated in right of payment to all of the Company's existing and future senior indebtedness, including indebtedness under its senior credit facilities. The Debentures are effectively subordinated to all present and future liabilities, including trade payables, of the Company's subsidiaries.

Interest. The Debentures bear interest at the rate of 5.5% per year. Interest is payable in arrears on January 1 and July 1 of each year, beginning on January 1, 2008.

Conversion Rights. The Debentures are convertible by holders in whole or in part into shares of the Company's common stock prior to their maturity on July 1, 2012. The conversion rate of the Debentures for holders electing to convert all or any portion of a Debenture is 36.4 shares of the Company's common stock per $1,000 principal amount of debentures (representing a conversion price of $27.47 per share of common stock), subject to adjustment under certain conditions as set forth in the Indenture.

Sinking Fund. None.

Optional Redemption by the Company. The Company may redeem some or all of the Debentures at any time on or after July 2, 2010, at a price equal to 100% of the principal amount of the Debentures, plus accrued and unpaid interest, all as set forth in the Indenture. The redemption price will be payable at the Company's option in cash or, subject to certain conditions, shares of the Company's common stock (valued at 95% of the weighted average of the closing sale prices of the common stock for the 20 consecutive trading days ending on the fifth trading day prior to the redemption date), subject to the following conditions being met on the date the Company mails the notice of redemption: the closing price of the Company's common stock exceeding 115% of the adjusted conversion price of the Debentures; the listing of the Company's common stock on an Eligible Market (as defined in the Indenture); if registration is then required, there being an effective shelf registration statement covering resales of the Debentures and the shares of common stock issuable upon their conversion; and such shares may be issued without violating § 713(a) of the AMEX Company Guide.

Optional Repurchase Right of Holders Upon a Designated Event. If a "designated event" (which includes, subject to certain exceptions, a "fundamental change", as described below, or a termination of trading in the Company's common stock) occurs prior to maturity, holders of the Debentures may require the Company to repurchase all or a portion of their Debentures for cash at a repurchase price equal to 101% of the principal amount of the Debentures plus any accrued and unpaid interest, as set forth in the Indenture.

Make-Whole Premium Upon a Fundamental Change. If a fundamental change occurs on or prior to June 30, 2010, under certain circumstances, the Company will pay, in addition to the repurchase price, a make-whole premium on Debentures converted in connection with, or tendered for repurchase upon, the fundamental change. The make-whole premium will be payable in the Company's common stock or the same form of consideration into which the Company's common stock has been exchanged or converted in the fundamental change. The amount of the make-whole premium, if any, will be based on the Company's stock price on the effective date of the fundamental change. No make-whole premium will be paid if the Company's stock price in connection with the fundamental change is less than or equal to $23.00.

Fundamental Change and Designated Event. As more fully described in the Indenture, a "fundamental change" will be deemed to have occurred upon:

- a person or group becoming beneficial owner of more than 50% of the voting power of the Company's common stock; provided, however, that Jack E. Golsen, the Chairman of the Board and Chief Executive Officer of the Company, members of his family and entities controlled by them are excluded if their beneficial ownership of the common stock is 70% or less;
- any share exchange, consolidation or merger of the Company, or any sale, lease or other transfer of all or substantially all of the consolidated assets of the Company resulting in the holders of the Company's common stock immediately prior to such transaction having 50% or less of the aggregate voting power of the common stock of the continuing or surviving corporation or transferee immediately after such event; or
- the Company's continuing directors (as defined in the Indenture) ceasing to constitute at least a majority of our board of directors.

A "designated event" will be deemed to have occurred upon a fundamental change or a termination of trading of the Company's common stock. A designated event will not be deemed to have occurred if:

- the last reported sale price of the Company's common stock for any 5 trading days within the 10 consecutive trading days ending immediately before the later of the fundamental change or the public announcement thereof exceeds 105% of the applicable conversion price of the Debentures in effect immediately before the fundamental change or public announcement thereof; or
- at least 90% of the consideration, excluding cash payments for fractional shares, in the fundamental change transaction consist of shares of stock traded or quoted on an Eligible Market or which will be so traded or quoted when issued in connection with the fundamental change and, as a result of the transaction, the Debentures become convertible into such publicly traded securities.

Payment at Maturity. The Company may elect, subject to certain conditions as set forth in the Indenture, to pay, at maturity up to 50% of the principal amount of the outstanding Debentures, plus all accrued and unpaid interest thereon to, but excluding, the maturity date, in shares of the Company's common stock (valued at 95% of the weighted average of the closing sale prices of the common stock for the 20 consecutive trading days ending on the fifth trading day prior to the maturity date), if the common stock is then listed on an Eligible Market, the shares used to pay the Debentures and any interest thereon are freely tradeable, and certain required opinions of counsel are received.

Covenants. The Indenture does not contain any financial covenants and does not restrict the Company or its subsidiaries from paying dividends or issuing or repurchasing their other securities.

Events of Default. If there is an event of default on the Debentures, the principal amount of the Debentures, plus accrued and unpaid interest to the date of acceleration, may be declared immediately due and payable subject to certain conditions set forth in the Indenture. An "event of default" will occur if, among other things:

- the Company fails to pay principal of (or premium, if any, on) any Debenture at maturity, redemption or otherwise;
- the Company defaults in the payment of interest on the Debentures when due and payable and continuance of such default for a period of 10 days;

- the Company fails to pay any indebtedness for money borrowed (after giving effect to any applicable grace periods) in an outstanding principal amount in excess of $5,000,000, as provided in the Indenture, and is not cured within ten days after receipt of written notice thereof;
- failure to perform or observe any covenant on the Indenture for 30 days after receipt of written notice thereof from the trustee; and
- certain events involving our bankruptcy, insolvency or reorganization.

The Company intends to use the net proceeds of the offering, which are approximately $57.0 million after paying fees to the placement agent and fees to the trustee and escrow agent, to redeem its outstanding shares of $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2; repay certain outstanding mortgages and equipment loans; pay accrued and unpaid dividends on its outstanding shares of Series B 12% Cumulative Convertible Preferred Stock and Series D 6% Cumulative Convertible Class C Preferred Stock; and the balance to initially reduce outstanding borrowing under its existing revolving working credit facility, for certain discretionary capital expenditures and general working capital purposes. This report on Form 8-K and disclosures contained herein are not, and do not constitute, a redemption notice under the terms of the $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2.

The Company has also entered into a Registration Rights Agreement with the Purchasers, which requires the Company to register the Debentures, and the shares of common stock into which they are convertible, within 60 days of the closing of the Purchase Agreement, and to use commercially reasonable efforts to have the registration statement declared effective within 150 days of such closing date. The Company is also required to use its commercially reasonable efforts to keep the registration statement effective until July 1, 2010.

The Debentures and the common stock issuable upon conversion of the Debentures have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws. This Current Report on Form 8-K does not constitute an offer to sell or a solicitation of an offer to buy the Debentures.

Section 2 – Financial Information

Item 2.03: Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

See “Item 1.01 Entry into a Material Definitive Agreement” above, the contents of which are incorporated herein by reference in their entirety.

Section 3 – Securities and Trading Markets

Item 3.02: Unregistered Sales of Equity Securities

On June 28, 2007, the Company sold $60.0 million aggregate principal amount of its 5.5% Convertible Senior Subordinated Debentures due 2012 in a private placement to qualified institutional buyers, as described in “Item 1.01 Entry into a Material Definitive Agreement” above, which is incorporated herein by reference. The closing of the private placement occurred on June 28, 2007. J Giordano Securities Group acted as the Company’s exclusive placement agent for this transaction and was paid an aggregate of 5% of the aggregate gross proceeds in the financing. The Debentures have not been registered under the Act or any state securities laws. The Company relied on the exemption from the registration requirements of the Act, by virtue of Section 4(2) thereof and Regulation D promulgated thereunder. However, the Company has agreed to file a registration statement for the resale of the Debentures and shares of common stock issuable upon the conversion of the Debentures, as described in “Item 1.01 Entry into a Material Definitive Agreement” above.

Section 8 – Other Events

Item 8.01 Other Events.

(i) The press release announcing the closing of the private placement of the Debentures is attached hereto as Exhibit 99.1;

(ii) The Company distributed to the purchasing QIBs under a confidentiality agreement the brochure which is attached hereto as Exhibit 99.2; and

(iii) As described in Item 1.01 above, the Company intends to use a portion of the net proceeds to redeem its outstanding $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2. In connection with such proposed use of a portion of the net proceeds, the following additional "Risk Factors" have been disclosed to the purchasers of the Debentures:

"If when we redeem all of our outstanding Series 2 Class C Preferred we fail to maintain a majority of independent directors on our board of directors, we would no longer meet the continued listing criteria of the American Stock Exchange and our common stock could be delisted.

Our common stock is traded on the American Stock Exchange ('ASE') which requires that at least a majority of the directors on the board of directors of listed companies be independent, as defined by its rules. The holders of our Series 2 Class C Preferred are entitled to elect two directors whenever dividends on the Series 2 Class C Preferred are in arrears and unpaid in an amount equal to at least six quarterly dividends for periods during which at least 140,000 shares of the Series 2 Class C Preferred are issued and outstanding. Two of our independent directors were elected by the holders of our Series 2 Class C Preferred. We intend to redeem our Series 2 Class C Preferred shares with a portion of the proceeds of this offering and thus those directors will no longer serve on the board. If at such time we are unable, or otherwise fail, to appoint additional independent directors to our board or reduce the number of our non independent directors, our board would no longer have a majority of independent directors and we would not meet the required continued listing standards of the ASE. In such event, the ASE could issue a warning letter or a deficiency letter or it could delist our common stock.

If we redeem our outstanding Series 2 Class C Preferred, a substantial stockholder that we consider an 'affiliate' has threatened to bring legal proceedings against us.

As previously stated, we intend to use a portion of the proceeds of this offering to redeem our Series 2 Class C Preferred. The Series 2 Class C Preferred is a cumulative preferred. As a result, if we redeem the Series 2 Class C Preferred, we are obligated to pay, in cash, a redemption price for each share redeemed of $50.00 per share (or $9.7 million in the aggregate) plus all accrued and unpaid dividends thereon. As of the date of this offering memorandum, there was approximately $4.9 million of accrued and unpaid dividends relating to the Series 2 Class C Preferred. If, after notice of redemption is given, a holder of the Series 2 Class C Preferred elects to convert his, her or its shares into our common stock pursuant to its terms, the Certificate of Designation for the Series 2 Class C Preferred provides, and it is our position, that the holder that so converts will not be entitled to receive payment of any accrued and unpaid dividends on the shares so converted. We have been advised by an affiliate that is our second largest stockholder, Jayhawk Capital Management, Inc. and other Jayhawk entities, through their manager, Kent McCarthy (the 'Jayhawk Group'), that if we redeem the Series 2 Class C Preferred and the Jayhawk Group thereafter converts its holding of Series 2 Class C Preferred, the Jayhawk Group may bring legal proceedings against us for all accrued and unpaid dividends on the Series 2 Class C Preferred that the Jayhawk Group may convert after receiving a notice of redemption. As of the date of this offering memorandum, there was approximately $4.0 million of accrued and unpaid dividends on the Series 2 Class C Preferred held by the Jayhawk Group."

(iv) As disclosed in the Company's Form 10-Q for the quarter ended March 31, 2007, the Company's unaudited financial statements for the quarters ended March 31, 2007 and March 31, 2006, were prepared utilizing the direct expensing accounting for major maintenance activities ("turnarounds") prescribed under FASB Staff Bulletin No. AUG AIR-1 (the "FSP"), which became effective for the Company on January 1, 2007, whereby the summary financial figures for years ended December 31, 2004, 2005 and 2006 were prepared utilizing an accrue-in-advance method. The FSP eliminated the accrue-in-advance method of accounting for turnarounds which was the method the Company was using. As previously disclosed in the Company's Form 10-Q, the Company elected to adopt the direct expensing method, one of three approved methods, which method requires the Company to expense turnaround costs as they are incurred. The adoption of the provisions in the FSP is a change in accounting principle with required retrospective application as described in SFAS No. 154-Accounting Changes and Error Corrections. As disclosed to the purchasing QIBs under a confidentiality agreement, the retroactive effect of the change in accounting principle is reflected below, and the Company intends to file an amendment to its 2006 Form 10-K as soon as practical to reflect the changes noted below:

	(Amounts in thousands, except per share data and ratios) (unaudited)		
	As Previously Reported	As Adjusted	Effect of Change
Summary Financial Data			
Year ended December 31, 2004			
Gross profit	$ 53,783	$ 52,622	$ (1,161)
Operating income	3,244	2,083	(1,161)
Income from continuing operations before cumulative effect of accounting changes	1,906	745	(1,161)
Net income	1,370	209	(1,161)
Net income (loss) applicable to common stock	$ (952)	$ (2,113)	$ (1,161)
Income (loss) per common share:			
Basic:			
Income (loss) from continuing operations before cumulative effect of accounting change	$ (.03)	$ (0.12)	$ (0.09)
Net income (loss)	$ (.07)	$ (0.16)	$ (0.09)
Diluted:			
Income (loss) from continuing operations before cumulative effect of accounting change	$ (.03)	$ (0.12)	$ (0.09)
Net income (loss)	$ (.07)	$ (0.16)	$ (0.09)
Year ended December 31, 2005			
Gross profit	$ 66,878	$ 66,766	$ (112)
Operating income	14,965	14,853	(112)
Income from continuing operations before cumulative effect of accounting changes	5,746	5,634	(112)
Net income	5,102	4,990	(112)
Net income applicable to common stock	$ 2,819	$ 2,707	$ (112)
Income per common share:			
Basic:			
Income from continuing operations before cumulative effect of accounting change	$ 0.26	$ 0.25	$ (0.01)
Net income	$ 0.21	$ 0.20	$ (0.01)
Diluted:			
Income from continuing operations before cumulative effect of accounting change	$ 0.23	$ 0.22	$ (0.01)
Net income	$ 0.19	$ 0.18	$ (0.01)

	As Previously Reported	As Adjusted	Effect of Change
Summary Financial Data (continued)			
Year ended December 31, 2006			
Gross profit	$ 91,277	$ 90,862	$ (415)
Operating income	27,554	27,139	(415)
Income from continuing operations before cumulative effect of accounting changes	16,183	15,768	(415)
Net income	15,930	15,515	(415)
Net income applicable to common stock	$ 13,300	$ 12,885	$ (415)
Income per common share:			
Basic:			
Income from continuing operations before cumulative effect of accounting change	$ 0.95	$ 0.92	$ (0.03)
Net income	$ 0.93	$ 0.90	$ (0.03)
Diluted:			
Income from continuing operations before cumulative effect of accounting change	$ 0.79	$ 0.77	$ (0.02)
Net income	$ 0.78	$ 0.76	$ (0.02)
Ratio of Earnings to Fixed Charges			
Year ended December 31, 2002:			
Pre-tax income from continuing operations	$ 2,739	$ 2,883	$ 144
Adjusted earnings	$ 16,330	$ 16,474	$ 144
Fixed Charges	$ 13,476	$ 13,476	$ —
Ratio of earnings to fixed charges	1.2	1.2	—
Year ended December 31, 2003:			
Pre-tax income from continuing operations	$ 2,894	$ 3,686	$ 792
Adjusted earnings	$ 13,836	$ 14,628	$ 792
Fixed Charges	$ 10,882	$ 10,882	$ —
Ratio of earning to fixed charges	1.3	1.3	—
Year ended December 31, 2004:			
Pre-tax income from continuing operations	$ 1,238	$ 77	$ (1,161)
Adjusted earnings	$ 13,443	$ 12,282	$ (1,161)
Fixed Charges	$ 11,955	$ 11,955	$ —
Ratio of earning to fixed charges	1.1	1.0	(.1)
Year ended December 31, 2005:			
Pre-tax income from continuing operations	$ 5,119	$ 5,007	$ (112)
Adjusted earnings	$ 21,543	$ 21,431	$ (112)
Fixed Charges	$ 15,936	$ 15,936	$ —
Ratio of earning to fixed charges	1.4	1.3	(.1)
Year ended December 31, 2006:			
Pre-tax income from continuing operations	$ 16,263	$ 15,848	$ (415)
Adjusted earnings	$ 33,708	$ 33,293	$ (415)
Fixed Charges	$ 16,570	$ 16,570	$ —
Ratio of earning to fixed charges	2.0	2.0	—
Consolidated Balance Sheet Data at December 31, 2006			
Total current liabilities	$ 85,241	$ 84,251	$ (990)
Total liabilities	$ 177,283	$ 176,293	$ (990)
Stockholders' equity	$ 42,644	$ 43,634	$ 990

Neither this report on Form 8-K nor the disclosures contained herein constitute a redemption notice under the terms of the $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

4.1 Debenture of the 5.5% Senior Subordinated Convertible Debentures due 2012.

4.2 Indenture, dated June 28, 2007, by and among the Company and UMB Bank, n.a.

4.3 Registration Rights Agreement, dated June 28, 2007, by and among the Company and the Purchasers set forth in the signature pages thereto.

10.1 Purchase Agreement, dated June 28, 2007, by and among the Company and the investors identified on the Schedule of Purchasers attached thereto.

99.1 Press Release dated June 28, 2007.

99.2 LSB Industries' Brochure.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 29, 2007.

LSB INDUSTRIES, INC.

By: /s/ Barry H. Golsen
Barry H. Golsen
President

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY", WHICH TERM INCLUDES ANY SUCCESSOR DEPOSITARY FOR THE CERTIFICATES) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREIN IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE DEBENTURE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); (2) AGREES THAT IT WILL NOT, PRIOR TO EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS DEBENTURE OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS DEBENTURE EXCEPT (A) TO LSB INDUSTRIES, INC. OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER); (3) PRIOR TO SUCH TRANSFER (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 2(D) ABOVE), IT WILL FURNISH TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND (4) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEBENTURE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS DEBENTURE PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE

HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE). THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THE DEBENTURE EVIDENCED HEREBY PURSUANT TO CLAUSE 2(D) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

CUSIP: 502160AF1

No. 1 $ 60,000,000

LSB Industries, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to CEDE & CO. or its registered assigns, the aggregate principal sum set forth on Schedule I hereto on July 1, 2012 at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, or, at the election of the Company in accordance with and subject to the conditions of the terms of the Indenture, in a combination of cash and freely tradable shares of Common Stock of the Company and to pay interest, semiannually on July 1 and January 1 of each year, commencing January 1, 2008, on said principal sum at said office or agency, in like coin or currency, at the rate per annum of 5.5%, from the July 1 or January 1**,** as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures, in which case from June 28, 2007 until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after any June 15 or December 15, as the case may be, and before the following July 1 or January 1, this Debenture shall bear interest from such July 1, or January 1; provided that if the Company shall default in the payment of interest due on such July 1 or January 1, then this Debenture shall bear interest from the next preceding July 1 or January 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for on such Debenture, from June 28, 2007. Except as otherwise provided in the Indenture, the interest payable on the Debenture pursuant to the Indenture on any July 1 or January 1 will be paid to the Person entitled thereto as it appears in the Debenture Register at the close of business on the Record Date, which shall be June 15 or December 15 (whether or not a Business Day) next preceding such July 1 or January 1, as provided in the Indenture; provided that any such interest not punctually paid or duly provided for shall be payable as provided in the Indenture. The Company shall pay interest (i) on any Debentures in certificated form by check mailed to the address of the Person entitled thereto as it appears in the Debenture Register or (ii) on any Global Debenture by wire transfer of

immediately available funds to the account of the Depositary or its nominee. Notwithstanding anything herein to the contrary, at maturity, the Company may elect to pay a portion the accrued and unpaid interest in freely tradable shares of Common Stock of the Company on the terms and subject to the conditions of the Indenture.

The Company promises to pay interest on overdue principal, premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) interest at a rate equal to 1% per annum plus the rate borne by the Debenture.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Debenture the right to convert this Debenture into Common Stock of the Company and to redeem the Debenture upon a Designated Event (as defined in the Indenture) and the Company the right (at its option) to redeem the Debentures with cash or Common Stock of the Company on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of the State of New York, without regard to conflicts of laws principles thereof.

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed.

LSB INDUSTRIES, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debentures described in the within-named Indenture.

UMB Bank, n.a., as Trustee

By: _____
Authorized Signatory

or

By: _____
As Authenticating Agent
(if different from Trustee)

By: _____
Authorized Signatory

FORM OF REVERSE OF DEBENTURE

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

This Debenture is one of a duly authorized issue of Debentures of the Company, designated as its 5.5% Convertible Senior Subordinated Debentures Due 2012 (herein called the "**Debentures**"), limited in aggregate principal amount to $60,000,000 issued and to be issued under and pursuant to an Indenture dated as of June 28, 2007 (herein called the "**Indenture**"), between the Company and UMB Bank, n.a., as trustee (herein called the "**Trustee**"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Debentures. If any of the terms of the Debenture conflict with the Indenture, the Indenture shall be controlling.

In case an Event of Default shall have occurred and be continuing, the principal of, premium, if any, and accrued interest, on all Debentures may be declared by either the Trustee or any two Required Holders, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Debentures; provided that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or (ii) reduce the rate or extend the time of payment of interest, or (iii) reduce the principal amount thereof or premium, if any, thereon, or (iv) reduce any amount payable upon redemption or repurchase thereof, or (v) impair the right of any Debentureholder to institute suit for the payment thereof, or (vi) make the principal thereof or interest or premium, if any, thereon payable in any coin or currency other than that provided in the Debentures, or (vii) change the obligation of the Company to redeem any Debenture on a redemption date in a manner adverse to the Holders or (viii) change the obligation of the Company to redeem any Debenture upon the happening of a Designated Event in a manner adverse to the Holder of the Debentures, or (ix) change the obligation of the Company to repurchase any Debenture on a Designated Event Repurchase Date in a manner adverse to the Holder of the Debentures, or (x) impair the right to convert the Debentures into Common Stock subject to the terms set forth in the Indenture, including Section 16.6 thereof, in each case without the consent of the Holder of each Debenture so affected, or (xi) modify any of the provisions of Section 12.2 or Section 8.7 thereof, except to increase any such percentage, or (xii) to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Debenture so affected, or (xiii) change any obligation of the Company to maintain an office or agency in the places and for the purposes set forth in Section 6.1 thereof, or (xiv) reduce the quorum or voting requirements set forth in ARTICLE 11 or change the provisions of ARTICLE 4 in a manner adverse to the Holders of Debentures or modify in any manner the entitlement and calculation of the Make-Whole Premium or (xv) reduce the aforesaid percentage of Debentures, the Holders of

which are required to consent to any such supplemental indenture, without the consent of the Holders of all Debentures then outstanding. Subject to the provisions of the Indenture, the Holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the Holders of all of the Debentures waive any past default or Event of Default under the Indenture and its consequences except (A) a default in the payment of interest, or any premium on, or the principal of, any of the Debentures, (B) a failure by the Company to convert any Debentures into Common Stock of the Company, (C) a default in the payment of the redemption price pursuant to ARTICLE 3 the Indenture, (D) a default in the payment of the repurchase price pursuant to ARTICLE 3 of the Indenture, or (E) a default in respect of a covenant or provisions of the Indenture which under ARTICLE 12 of the Indenture cannot be modified or amended without the consent of the Holders of each or all Debentures then outstanding or affected thereby. Any such consent or waiver by the Holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Debenture and any Debentures which may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

THE INDEBTEDNESS EVIDENCED BY THE DEBENTURES IS, TO THE EXTENT AND IN THE MANNER PROVIDED IN THE INDENTURE, EXPRESSLY SUBORDINATED AND SUBJECT IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR INDEBTEDNESS OF THE COMPANY, WHETHER OUTSTANDING AT THE DATE OF THE INDENTURE OR THEREAFTER INCURRED, AND THIS DEBENTURE IS ISSUED SUBJECT TO THE PROVISIONS OF THE INDENTURE WITH RESPECT TO SUCH SUBORDINATION. EACH HOLDER OF THIS DEBENTURE, BY ACCEPTING THE SAME, AGREES TO AND SHALL BE BOUND BY SUCH PROVISIONS AND AUTHORIZES THE TRUSTEE ON ITS BEHALF TO TAKE SUCH ACTION AS MAY BE NECESSARY OR APPROPRIATE TO EFFECTUATE THE SUBORDINATION SO PROVIDED AND APPOINTS THE TRUSTEE HIS ATTORNEY-IN-FACT FOR SUCH PURPOSE.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest, on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed or in shares of Common Stock of the Company as prescribed in the Indenture.

Interest on the Debentures shall be computed on the basis of a 360-day year of twelve 30-day months.

The Debentures are issuable in fully registered form, without coupons, in denominations of $1,000 principal amount and any multiple of $1,000. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, without payment of any service charge but with payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any registration or exchange of Debentures, Debentures may be exchanged for a like aggregate principal amount of Debentures of any other authorized denominations.

At any time on or after July 2, 2010 and prior to maturity, Debentures may be redeemed at the option of the Company, in whole or in part, upon notice as set forth in Section 3.2 at a redemption price, payable at the option of the Company in cash or, subject to the conditions set forth in Section 3.1(b)**Error! Reference source not found.**, in shares of Common Stock, equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date fixed for redemption (the "**Optional Redemption**") if the following three conditions are all satisfied on the date of mailing of the notice of redemption: (1) the Closing Sale Price has exceeded 115% of the Conversion Price for at least 20 Trading Days in the 30 consecutive Trading Day period ending on the Trading Day immediately prior to the date of mailing of the notice of redemption (it being understood for these purposes that the Conversion Price in effect at the close of business on each of the 30 consecutive Trading Days should be used), (2) the Common Stock is listed on an Eligible Market, no suspension of trading in the Common Stock has occurred and no delisting or suspension of the Common Stock is pending or threatened; and (3) the shelf registration statement covering resales of the Debentures and the Common Stock is effective and available for use and is expected to remain effective and available for use during the 30 days following the redemption date, unless registration is no longer required.

In the event of an **Optional Redemption**, the Company may only elect to pay the redemption price in shares of Common Stock if the following three conditions are all satisfied on the date of redemption: (1) the Common Stock is listed on an Eligible Market; (2) the Trustee has received an Opinion of Counsel (in form and substance satisfactory to the Trustee) that the Common Stock will be duly issued in compliance with all laws and listing requirements (including any shareholder approval requirements) and is fully paid and non-assessable; and (3) the shares of Common Stock used to pay the redemption price are freely tradable. Payments made in Common Stock will be valued at 95% of the weighted average of the closing sale prices of Common Stock for the 20 consecutive Trading Days ending on the fifth Trading Day prior to the redemption date. The Company will specify in the redemption notice the type of consideration to be paid upon redemption and the amount of each Debenture to be paid by each type of consideration. Not later than the fourth Trading Day prior to the redemption date the Company shall publicly announce the number of shares of Common Stock to be paid as the redemption price for each $1,000 principal amount of Debentures to be redeemed.

The Company may not give notice of any redemption of the Debentures if a default in the payment of interest, or premium, if any, on the Debentures has occurred and is continuing.

The Debentures are not subject to redemption through the operation of any sinking fund.

If a Designated Event occurs at any time prior to maturity of the Debentures, this Debenture will be redeemable on a Designated Event Repurchase Date, 45 days after notice thereof, at the option of the Holder of this Debenture at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to (but excluding) the Designated Event Repurchase Date; provided that if such Designated Event Repurchase Date falls after a Record Date and on or prior the corresponding interest payment date, the interest payable on such interest payment date shall be paid to the Holder of this Debenture on the preceding July 1 or January 1, respectively. The Debentures will be redeemable in multiples of $1,000 principal amount. The Company shall mail to all Holders of the Debentures a notice of the occurrence of a Designated Event and of the redemption right arising as a result thereof on or before the 10th

day after the occurrence of such Designated Event. For a Debenture to be so redeemed at the option of the Holder, the Company must receive at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, a written notice of purchase (a "**Designated Event Repurchase Notice**") together with such Debenture, duly endorsed for transfer, on or before the 45th day after the date of such notice of a Designated Event (or if such 45th day is not a Business Day, the immediately succeeding Business Day).

The Company shall pay a Make-Whole Premium on the Designated Event Repurchase Date on all Debentures presented for conversion in connection with a Fundamental Change in accordance with the terms of the Indenture. The Company may make the Make-Whole Premium in shares of Common Stock, in the same form of consideration into which shares of Common Stock have been converted in connection with the applicable Fundamental Change or in any combination of the foregoing, and the Company shall specify the type of consideration for the Make-Whole Premium in the Designated Event Notice.

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Debentures held in whole multiples of $1,000 at a purchase price of 101% of the principal amount, plus any accrued and unpaid interest, on such Debenture up to (but excluding) the Designated Event Repurchase Date. To exercise such right, a Holder shall deliver to the Company such Debenture with the form entitled "**Designated Event Repurchase Notice**" on the reverse thereof duly completed, together with the Debenture, duly endorsed for transfer.

Holders have the right to withdraw any Designated Event Repurchase Notice by delivering to the Trustee (or other paying agent appointed by the Company) a written notice of withdrawal prior to the date that is one Business Day prior to the Designated Event Repurchase Date, all as provided in the Indenture.

If cash, sufficient to pay the purchase price of all Debentures or portions thereof to be purchased as of the Designated Event Repurchase Date is deposited with the Trustee (or other paying agent appointed by the Company), on the Business Day following the Designated Event Repurchase Date, interest will cease to accrue on such Debentures (or portions thereof) immediately after such Designated Event Repurchase Date, and the Holder thereof shall have no other rights as such other than the right to receive the purchase price upon surrender of such Debenture.

Subject to the occurrence of certain events and in compliance with the provisions of the Indenture, prior to the final maturity date of the Debentures, the Holder hereof has the right, at its option, to convert each $1,000 principal amount of the Debentures into 36.4 shares of Common Stock (the "**Conversion Rate**") as such shares shall be constituted at the date of conversion and subject to adjustment from time to time as provided in the Indenture, upon surrender of this Debenture with the form entitled "**Conversion Notice**" on the reverse thereof duly completed, to the Company at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, or at the option of such Holder, the Corporate Trust Office, and, unless the shares issuable on conversion are to be issued in the same name as this Debenture, duly endorsed by, or accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or by his duly authorized attorney. Notwithstanding the foregoing, if such Debenture has been called for redemption, the Debenture may be converted

only until the close of business on the Business Day immediately preceding the redemption date unless the Company fails to pay the redemption price.

No adjustment in respect of interest on any Debenture converted or dividends on any shares issued upon conversion of such Debenture will be made upon any conversion except as set forth in the next sentence. If this Debenture (or portion hereof) is surrendered for conversion during the period from the close of business on any Record Date for the payment of interest to the close of business on the Business Day preceding the following interest payment date and has not been called for redemption by the Company on a redemption date that occurs during such period, this Debenture (or portion hereof being converted) must be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the interest otherwise payable on such interest payment date on the principal amount being converted; provided that no such payment shall be required (1) if the Company has specified a redemption date that is after a Record Date and prior to the next interest payment date, (2) if the Company has specified a redemption date following a Designated Event that is during such period or (3) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such debenture.

No fractional shares will be issued upon any conversion, but an adjustment and payment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon the surrender of any Debenture or Debentures for conversion.

A Debenture in respect of which a Holder is exercising its right to require redemption upon a Designated Event may be converted only if such Holder withdraws its election to exercise either such right in accordance with the terms of the Indenture.

Any Debentures called for redemption, unless surrendered for conversion by the Holders thereof on or before the close of business on the Business Day preceding the redemption date, may be deemed to be redeemed from the Holders of such Debentures for an amount equal to the applicable redemption price, together with accrued but unpaid interest to, but excluding, the date fixed for redemption, by one or more investment banks or other purchasers who may agree with the Company (i) to purchase such Debentures from the Holders thereof and convert them into shares of the Company's Common Stock and (ii) to make payment for such Debentures as aforesaid to the Trustee in trust for the Holders.

Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange thereof, subject to the limitations provided in the Indenture, without charge except for any tax, assessment or other governmental charge imposed in connection therewith.

The Company, the Trustee, any authenticating agent, any paying agent, any conversion agent and any Debenture Registrar may deem and treat the Holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture Registrar) for the purpose of receiving payment hereof, or on account hereof, for the conversion hereof and for all other purposes, and neither the Company nor the Trustee nor any

other authenticating agent nor any paying agent nor other conversion agent nor any Debenture Registrar shall be affected by any notice to the contrary. All payments made to or upon the order of such Holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Debenture.

No recourse for the payment of the principal of or any premium or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any supplemental indenture or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer or director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Debenture shall be deemed to be a contract made under the laws of New York, and for all purposes this Debenture and all matters arising out of or related to this Debenture shall be construed in accordance with the laws of New York, without regard to conflicts of laws principles thereof.

Terms used in this Debenture and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Debenture, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenant by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ____ Custodian ____
(Cust) (Minor)
under Uniform Gifts to Minors Act

_____
(State)

Additional abbreviations may also be used though not in the above list.

CONVERSION NOTICE

TO: LSB INDUSTRIES, INC.
UMB BANK, N.A.

The undersigned registered owner of this Debenture hereby irrevocably exercises the option to convert this Debenture, or the portion thereof (which is $1,000 or a multiple thereof) below designated, into shares of Common Stock of LSB Industries, Inc. in accordance with the terms of the Indenture referred to in this Debenture, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Debentures representing any unconverted principal amount hereof, be issued and delivered to the Holder hereof unless a different name has been indicated below. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. If shares or any portion of this Debenture not converted are to be issued in the name of a person other than the undersigned, the undersigned will provide the appropriate information below, together with evidence satisfactory to LSB Industries, Inc. and the Trustee of transfer, and pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Debenture.

Dated: _____

_____

_____

Signature(s)

Signature(s) must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program **("STAMP")** or such other "**signature guarantee program**" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

_____

Signature Guarantee

Fill in the registration of shares of Common Stock if to be issued, and Debentures if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Principal amount to be converted
(if less than all):

$

Social Security or Other Taxpayer
Identification Number:

DESIGNATED EVENT
REPURCHASE NOTICE

TO: LSB INDUSTRIES, INC.
UMB BANK, N.A.

The undersigned registered owner of this Debenture hereby irrevocably acknowledges receipt of a notice from LSB Industries, Inc. (the "Company") as to the occurrence of a Designated Event with respect to the Company and requests and instructs the Company to redeem the entire principal amount of this Debenture, or the portion thereof (which is $1,000 or a multiple thereof) below designated, in accordance with the terms of the Indenture referred to in this Debenture at the price of 101% of such entire principal amount or portion thereof, together with accrued interest to, but excluding, the Designated Event Repurchase Date, to the Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

Dated: _____

_____

_____
Signature(s)

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

Principal amount to be repaid (if less than all):

_____

_____
Social Security or Other Taxpayer
Identification Number

ASSIGNMENT

For value received _____hereby sell(s) assign(s) and transfer(s) unto_____ (Please insert social security or other Taxpayer Identification Number of assignee) the within Debenture, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Debenture on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the Debenture prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision) (other than any transfer pursuant to a registration statement that has been declared effective under the Securities Act), the undersigned confirms that such Debenture is being transferred:

☐ To LSB Industries, Inc. or a subsidiary thereof; or

☐ To a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended; or

☐ Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended; or

☐ Pursuant to a Registration Statement which has been declared effective under the Securities Act of 1933, as amended, and which continues to be effective at the time of transfer;

and unless the Debenture has been transferred to LSB Industries, Inc. or a subsidiary thereof, the undersigned confirms that such Debenture is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Debentures evidenced by this certificate in the name of any person other than the registered holder thereof.

Dated: _____

_____

_____

Signature(s)

Signature(s) must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "**signature guarantee program**" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, al in accordance with the Securities Exchange Act of 1934, as amended.

_____

Signature Guarantee

NOTICE: The signature on the Conversion Notice, the Option to Elect Redemption Upon a Designated Event, or the Assignment must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

No. 1

Date	Principal Amount	Notation Explaining Principal Amount Recorded	Authorized Signature of Trustee or Custodian
June 28, 2007	$ 60,000,000		

EXHIBIT B

LSB Industries, Inc.
Designated Senior Indebtedness

	(unaudited) March 31, 2007 (Dollars in thousands)
The Bank of the West	$ 1,598
The City of Oklahoma City	$ 2,625
GE Commercial Finance Business Property Corporation	$ 6,375
Applied Financial, LLC	$ 507
Bank of Oklahoma	$ 10
IBM Credit LLC	$ 56
Quail Creek Bank n.a.	$ 2,862
Orix Capital Markets, LLC	$ 50,000
Jack E. Golsen	$ 8
Guarantee to United Leasing	$ 526
Marquette Equipment Finance	$ 120

Make-Whole Premium
(Number of Additional Shares of Common Stock)

Stock Price	Make-Whole Premium in Shares of Common Stock per $1,000 principal amount of Debentures						
$23.00 or below	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$25.00	6.38	5.77	5.13	4.42	0.00	0.00	0.00
$27.47	7.28	6.69	6.06	5.37	4.62	3.75	0.00
$30.00	6.17	5.61	5.01	4.35	3.63	2.80	0.00
$35.00	4.65	4.14	3.61	3.03	2.41	1.71	0.00
$40.00	3.67	3.23	2.76	2.26	1.74	1.18	0.00
$50.00	2.55	2.21	1.86	1.49	1.13	0.75	0.00
$60.00	1.96	1.69	1.42	1.14	0.86	0.59	0.00
$70.00	1.61	1.39	1.17	0.94	0.72	0.50	0.00
$75.00 or above	1.48	1.28	1.07	0.87	0.67	0.46	0.00
Effective Date	7/1/2007 to 12/31/2007	1/1/2008 to 6/30/2008	7/1/2008 to 12/31/2009	1/1/2010 to 6/30/2010	7/1/2010 to 12/31/2010	1/1/2010 to 6/30/2010	On or after 7/1/2010

Exhibit 4.2

LSB INDUSTRIES, INC.

To

UMB BANK, N.A.
as Trustee

INDENTURE

Dated as of

June 28, 2007

5.5% Convertible Senior Subordinated Debentures Due 2012

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INDENTURE

INDENTURE dated as of June 28, 2007 between LSB Industries, Inc., a Delaware corporation (hereinafter called the "**Company**"), having its principal office at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107 and UMB, n.a., a national banking association organized and existing under laws of the United States, as trustee hereunder (hereinafter called the "Trustee").

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issue of its 5.5% Convertible Senior Subordinated Debentures Due 2012 (hereinafter called the "**Debentures**"), in an aggregate principal amount not to exceed $60,000,000 and, to provide the terms and conditions upon which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Debentures, the certificate of authentication to be borne by the Debentures, a form of assignment, a form of option to elect repurchase upon a designated event, a form of Designated Event Repurchase Notice and a form of conversion notice to be borne by the Debentures are to be substantially in the forms hereinafter provided for; and

WHEREAS, all acts and things necessary to make the Debentures, when executed by the Company and authenticated and delivered by the Trustee or a duly authorized authenticating agent, as in this Indenture provided, the valid, binding and legal obligations of the Company, and to constitute this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issue hereunder of the Debentures have in all respects been duly authorized,

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Debentures are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Debentures by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Debentures (except as otherwise provided below), as follows:

ARTICLE 1.
DEFINITIONS

Section 1.1. *Definitions*. The terms defined in this Section 1.1 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.1. All other terms used in this Indenture that are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force at the date of the execution of this Indenture. The words "**herein**", "**hereof**", "**hereunder**" and words of similar

import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision. The terms defined in this Article include the plural as well as the singular.

"Accepted Purchased Shares" has the meaning specified in Section 16.5(f)(i).

"Adjustment Event" has the meaning specified in Section 16.5(k).

"Agent Members" has the meaning specified in Section 2.5(b)(v).

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**", when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"Board of Directors" means the Board of Directors of the Company or a committee of such Board of Directors duly authorized to act for the Board of Directors hereunder.

"Business Day" means any day except a Saturday, Sunday, legal holiday or a day on which banking institutions in either The City of New York or the State of Missouri are authorized or obligated by law, regulation or executive order to close.

"Calculation Agent" has the meaning specified in Section 5.1(d).

"Closing Sale Price" of Common Stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the closing bid and closing ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported in composite transactions for the principal Eligible Market on which the Common Stock is traded.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" means any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the provisions of Section 16.6, however, shares issuable on redemption or conversion of Debentures shall include only shares of the class designated as common stock of the Company at the date of this Indenture (namely, the Common Stock, par value $0.10 per share) or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable

on conversion shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the corporation named as the "**Company**" in the first paragraph of this Indenture, and, subject to the provisions of ARTICLE 13 and Section 16.6, shall include its successors and assigns.

"Continuing Directors" has the meaning specified in Section 3.5(a).

"Conversion Date" has the meaning specified in Section 16.2.

"Conversion Price" as of any day will equal $1,000 divided by the Conversion Rate as of such date.

"Conversion Rate" has the meaning specified in Section 16.4.

"Corporate Trust Office" or other similar term, means the designated office of the Trustee at which at any particular time its corporate trust business as it relates to this Indenture shall be administered, which office is, at the date as of which this Indenture is dated, located at UMB Bank, n.a., 1010 Grand Boulevard, 4th Floor, Kansas City, Missouri 64106.

"Current Market Price" has the meaning specified in Section 16.5(h)(i).

"Custodian" means UMB Bank, n.a., as custodian with respect to the Debentures in global form, or any successor entity thereto.

"Debenture" or **"Debentures"** means any debenture or debentures, as the case may be, authenticated and delivered under this Indenture, including any Global Debenture.

"Debenture Amount at Maturity" has the meaning specified in Section 3.10.

"Debenture Register" has the meaning specified in Section 2.5.

"Debenture Registrar" has the meaning specified in Section 2.5.

"Debentureholder" or **"Holder"** as applied to any Debenture, or other similar terms (but excluding the term "**Beneficial Holder**"), means any Person in whose name at the time a particular Debenture is registered on the Debenture Registrar's books.

"Default" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 2.3.

"Depositary" means, the clearing agency registered under the Exchange Act that is designated to act as the Depositary for the Global Debentures. The Depository Trust Company shall be the initial Depositary, until a successor shall have been appointed and become such

pursuant to the applicable provisions of this Indenture, and thereafter, "**Depositary**" shall mean or include such successor.

"Designated Event" means the occurrence of (a) a Fundamental Change or (b) the termination of trading in the Common Stock (or other common stock into which the Debentures are at such time convertible) on an Eligible Market, following which the Common Stock (or other common stock into which the Debentures are at such time convertible) is no longer approved for trading on an Eligible Market or the over-the-counter bulletin board.

"Designated Event Expiration Time" has the meaning specified in Section 3.5(b).

"Designated Event Notice" has the meaning specified in Section 3.5(b).

"Designated Event Repurchase Notice" has the meaning specified in Section 3.5(c).

"Designated Event Repurchase Date" has the meaning specified in Section 3.5(a)(i).

"Designated Senior Indebtedness" means (i) all obligations of the Company under the Senior Credit Facility and (ii) any other Senior Indebtedness of the Company which, at the date of determination, is specifically designated by the Company in the instrument evidencing or governing such Senior Indebtedness as "Designated Senior Indebtedness" for purposes of this Indenture or designated as **"Designated Senior Indebtedness"** in Exhibit B.

"Determination Date" has the meaning specified in Section 16.5(k).

"Effective Date" means the date that the applicable Fundamental Change occurs or becomes effective.

"**Eligible Market**" means any of The New York Stock Exchange, Inc., the American Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or The NASDAQ Capital Market.

"Event of Default" means any event specified in Section 8.1 as an Event of Default.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"Exchange Property" has the meaning specified in Section 16.6.

"Expiration Time" has the meaning specified in Section 16.5(e).

"Fair Market Value" has the meaning specified in Section 16.5(h)(ii).

"Fiscal Quarter" means, with respect to the Company, first, second and third quarters ending March 31, June 30 and September 30, respectively.

"Force Majeure Event" means natural disasters (earthquakes, hurricanes, floods and other acts of God), wars, acts of terrorism (such as the World Trade Center disaster), power black outs or other material adverse events beyond the control of the Company.

"Fundamental Change" has the meaning specified in Section 3.5.

"Fundamental Change Conversion Period" shall mean the thirty (30) days preceding and the forty-five (45) days following an Effective Date of the applicable Fundamental Change.

"Future Subordinated Indebtedness" has the meaning specified in Section 6.12.

"Global Debenture" has the meaning specified in Section 2.2.

"Indebtedness" means, with respect to any Person, and without duplication, (a) all indebtedness obligations and other liabilities (contingent or otherwise) of such Person for borrowed money (including obligations of the Person in respect of overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments) or evidenced by bonds, debentures, notes or similar instruments (whether or not the recourse of the lender is to the whole of the assets of such Person or to only a portion thereof), other than any account payable or other accrued current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services; (b) all reimbursement obligations and other liabilities (contingent or otherwise) of such Person with respect to letters of credit, bank guarantees or bankers' acceptances; (c) all obligations and liabilities (contingent or otherwise) in respect of leases of such Person required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on the balance sheet of such Person and all obligations and other liabilities (contingent or otherwise) under any lease or related document (including a purchase agreement) in connection with the lease of real property which provides that such Person is contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a minimum residual value of the leased property to the lessor and the obligations and other liabilities of such Person under such lease or related document to purchase or to cause a third party to purchase such leased property; (d) all obligations and other liabilities of such Person (contingent or otherwise) with respect to an interest rate or other swap, cap or collar agreement or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement; (e) all direct or indirect guaranties or similar agreements by such Person in respect of, and obligations or liabilities (contingent or otherwise) of such Person to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of, indebtedness, obligations or liabilities of another Person of the kind described in clauses (a) through (d); (f) any indebtedness or other obligations described in clauses (a) through (e) secured by any mortgage, pledge, lien or other encumbrance existing on property which is owned or held by such Person, regardless of whether the indebtedness or other obligation secured thereby shall have been assumed by such Person; and (g) any and all deferrals, renewals, extensions and refundings of, or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (a) through (f).

"Indenture" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

"Initial Purchasers" means each Person who buys the Debentures initially from the Company pursuant to the terms of the purchase agreement between the Company and such purchasers.

"Interest" means, when used with reference to the Debentures, any interest payable under the terms of the Debentures, including contingent interest, if any, and Liquidated Damages, if any, payable under the terms of the Registration Rights Agreement.

"Junior Securities" has the meaning specified in Section 4.8.

"Liquidated Damages" has the meaning specified for "**Liquidated Damages Amount**" in Section 2(e) of the Registration Rights Agreement.

"Liquidated Damages Notice" has the meaning specified in Section 6.11.

"Make-Whole Premium" has the meaning specified in Section 5.1(c).

"Make-Whole Premium Table" has the meaning specified in Section 5.1(c).

"Maturity Date" means July 1, 2012.

"Non-Electing Share" has the meaning specified in Section 16.6.

"Notice Date" means the date of mailing of the notice of redemption pursuant to Section 3.2.

"Offer Expiration Time" has the meaning specified in Section 16.5(f).

"Officers' Certificate", when used with respect to the Company, means a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "Vice President") and the Treasurer or any Assistant Treasurer, or the Secretary or Assistant Secretary of the Company.

"Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel acceptable to the Trustee.

"Optional Redemption" has the meaning specified in Section 3.1(a).

"Outstanding", when used with reference to Debentures and subject to the provisions of Section 10.4, means, as of any particular time, all Debentures authenticated and delivered by the Trustee under this Indenture, except:

(a) Debentures theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Debentures, or portions thereof, (i) for the redemption of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any paying

agent (other than the Company) or (ii) which shall have been otherwise defeased in accordance with ARTICLE 14;

(c) Debentures in lieu of which, or in substitution for which, other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.6; and

(d) Debentures converted into Common Stock pursuant to ARTICLE 16 and Debentures deemed not outstanding pursuant to ARTICLE 3.

"Permitted Holder" means (i) Jack E. Golsen, (ii) his immediate family members (spouse and children), (iii) each trust and other estate planning vehicle (A) established for his benefit or the benefit of any of his immediate family members and (B) in respect of which he or any such immediate family member controls, and (iv) each Person controlled by him and/or any such immediate family member.

"Person" means a corporation, an association, a partnership, a limited liability company, limited liability partnership, an individual, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"Portal Market" means the Private Offerings, Resales and Trading through Automatic Linkages Market, commonly referred to as the Portal Market, operated by the National Association of Securities Dealers, Inc. or any successor thereto.

"Predecessor Debenture" of any particular Debenture means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture, and, for the purposes of this definition, any Debenture authenticated and delivered under Section 2.6 in lieu of a lost, destroyed or stolen Debenture shall be deemed to evidence the same debt as the lost, destroyed or stolen Debenture that it replaces.

"Premium" means any premium payable under the terms of the Debentures, including, without limitation, any Make-Whole Premium.

"Publicly Traded Securities" has the meaning specified in Section 3.5(a)(ii).

"Purchased Shares" has the meaning specified in Section 16.5(e).

"QIB" means a "**qualified institutional buyer**" as defined in Rule 144A.

"Record Date" has the meaning specified in Section 2.3 and Section 16.5(h)(iii), as applicable and appropriate.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of June 28, 2007, among the Company and the Initial Purchasers, as amended from time to time in accordance with its terms.

"Representative" means (a) the indenture trustee or other trustee, agent or representative for holders of Senior Indebtedness or (b) with respect to any Senior Indebtedness that does not have any such an indenture trustee, other trustee, agent or other representative, (i) in the case of

such Senior Indebtedness issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Indebtedness, any holder or owner of such Senior Indebtedness acting with the consent of the required persons necessary to bind such holders or owners of such Senior Indebtedness, and (ii) in the case of all other such Senior Indebtedness, the holder or owner of such Senior Indebtedness.

"Required Holders" means (a) two or more Holders holding at least 25% or one Holder holding at least 35% in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.4.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of or familiarity with the particular subject.

"Restricted Securities" has the meaning specified in Section 2.5(b).

"Rule 144A" means Rule 144A as promulgated under the Securities Act.

"Securities" has the meaning specified in Section 16.5(d).

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"Senior Credit Facility" means the senior credit facility, under that certain Loan and Security Agreement dated as of April 13, 2001, between the Company, as guarantor, ThermaClime, Inc. and certain of its subsidiaries as borrowers, and Wells Fargo Foothill, Inc., as agent, as amended through the date hereof, together with the documents now or hereafter related thereto (including, without limitation, any guarantee agreements and any security documents and any interest rate swap and hedging obligations entered into in connection with the Senior Credit Facility), in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including by way of adding the Company or any Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders (or other institutions).

"Senior Indebtedness" means, whether outstanding on the date of this Indenture or thereafter issued, all Indebtedness of the Company, including interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceeding) and premium, if any, thereon, and other monetary amounts (including fees, expenses, reimbursement obligations under letters of credit and indemnities) owing in respect thereof unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that the obligations in respect of such Indebtedness rank pari passu with or junior or subordinate to the Debentures; *provided*, *however*, that Senior Indebtedness will not include (1) any obligation of

the Company to any majority-owned Subsidiary, (2) any liability for federal, state, foreign, local or other taxes owed or owing by the Company, (3) any accounts payable or other accrued current liability to trade creditors of the Company arising in the ordinary course of business in connection with obtaining of materials or services, (4) any Indebtedness or obligation of the Company, the terms of which are expressly subordinate, junior or pari passu in right of payment to the Debentures obligation of the Company, or (5) obligations in respect of any Common Stock.

"**Series 2 Preferred**" means the Company's $3.25 convertible exchangeable Class C preferred stock, Series 2, no par value and any securities, other than shares of Common Stock, issued in exchange therefor.

"Shelf Registration Statement" has the meaning specified in the Registration Rights Agreement.

"Significant Subsidiary" means, as of any date of determination, a Subsidiary of the Company that would constitute a "**significant subsidiary**" as such term is defined under Rule 1-02(w) of Regulation S-X of the Commission as in effect on the date of this Indenture.

"Spinoff Valuation Period" has the meaning specified in Section 16.5(d).

"Stock Price" has the meaning specified in Section 5.1(c).

"Stock Price Cap" has the meaning specified in Section 5.1(c).

"Stock Price Threshold" has the meaning specified in Section 5.1(c).

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock or other equity interest entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or managing general partner of which is such Person or a subsidiary of such Person or (b) the only general partners of which are such Person or of one or more subsidiaries of such Person (or any combination thereof).

"Trading Day" has the meaning specified in Section 16.5(g).

"Trigger Event" has the meaning specified in Section 16.5(d).

"Trust Indenture Act" means except as otherwise stated, the Trust Indenture Act of 1939, as amended, as it was in force at the date of this Indenture; provided that if the Trust Indenture Act of 1939 is amended after the date hereof, the term "**Trust Indenture Act**" shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" means UMB Bank, n.a. and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

"Underlying Shares" has the meaning specified in Section 16.5.

"United States" means the United States of America.

ARTICLE 2.
ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF DEBENTURES

Section 2.1. *Designation Amount and Issue of Debentures*. The Debentures shall be designated as **"5.5% Convertible Senior Subordinated Debentures Due 2012**". Debentures not to exceed the aggregate principal amount of $60,000,000 (except pursuant to Section 2.5, Section 2.6, Section 3.3, Section 3.5 and Section 16.2 hereof) upon the execution of this Indenture, or from time to time thereafter, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its Chairman of the Board, Chief Executive Officer, President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "Vice President"), the Treasurer or any Assistant Treasurer or the Secretary or Assistant Secretary, without any further action by the Company hereunder.

Section 2.2. *Form of Debentures*. The Debentures and the Trustee's certificate of authentication to be borne by such Debentures shall be substantially in the form set forth in Exhibit A, attached hereto. The terms and provisions contained in the form of Debenture attached as Exhibit A hereto shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any of the Debentures may have such letters, numbers or other marks of identification and such notations, legends, endorsements or changes as the officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required by the Custodian, the Depositary or by the National Association of Securities Dealers, Inc. in order for the Debentures to be tradable on the Portal Market or as may be required for the Debentures to be tradable on any other market developed for trading of securities pursuant to Rule 144A or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Debentures may be listed, or to conform to usage, or to indicate any special limitations or restrictions to which any particular Debentures are subject.

So long as the Debentures are eligible for book-entry settlement with the Depositary, or unless otherwise required by law, or otherwise contemplated by Section 2.5(a), all of the Debentures will be represented by one or more Debentures in global form registered in the name of the Depositary or the nominee of the Depositary (a "**Global Debenture**"). The transfer and

exchange of beneficial interests in any such Global Debenture shall be effected through the Depositary in accordance with this Indenture and the applicable procedures of the Depositary. Except as provided in Section 2.5(a), beneficial owners of a Global Debenture shall not be entitled to have certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered Holders of such Global Debenture.

Any Global Debenture shall represent such of the outstanding Debentures as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Debentures from time to time endorsed thereon and that the aggregate amount of outstanding Debentures represented thereby may from time to time be increased or reduced to reflect redemptions, repurchases, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Debenture to reflect the amount of any increase or decrease in the amount of outstanding Debentures represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the Holder of such Debentures in accordance with this Indenture. Payment of principal of and interest and premium, if any, on any Global Debenture shall be made to the Holder of such Debenture.

Section 2.3. *Date and Denomination of Debentures; Payments of Interest*. The Debentures shall be issuable in registered form without coupons in denominations of $1,000 principal amount and integral multiples thereof. Each Debenture shall be dated the date of its authentication and shall bear interest from the date specified on the face of the form of Debenture attached as Exhibit A hereto. Interest on the Debentures shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Person in whose name any Debenture (or its Predecessor Debenture) is registered on the Debenture Register at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date, except that the interest payable upon redemption or repurchase will be payable to the Person to whom principal is payable pursuant to such redemption or repurchase (unless the redemption date or the Designated Event Repurchase Date, as the case may be, is an interest payment date, in which case the semi-annual payment of interest becoming due on such date shall be payable to the Holders of such Debentures registered as such on the applicable Record Date). Interest shall be payable at UMB Bank, n.a., 1010 Grand Boulevard, 4th Floor, Kansas City, Missouri 64106, which shall initially be an office or agency of the Trustee. The Company shall pay interest (i) on any Debentures in certificated form by check mailed to the address of the Person entitled thereto as it appears in the Debenture Register (or upon written notice, by wire transfer in immediately available funds, if such Person is entitled to interest on aggregate principal in excess of $1 million) or (ii) on any Global Debenture by wire transfer of immediately available funds to the account of the Depositary or its nominee. The term "**Record Date**" with respect to any interest payment date shall mean the June 15 or December 15 preceding the applicable July 1 or January 1 interest payment date, respectively.

Any interest on any Debenture which is payable, but is not punctually paid or duly provided for, on any July 1 or January 1 (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Debentureholder on the relevant Record Date by virtue of his having

been such Debentureholder, and such Defaulted Interest shall be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Debenture and the date of the proposed payment (which shall be not less than twenty-five (25) days after the receipt by the Trustee of such notice, unless the Trustee shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall be not more than fifteen (15) days and not less than ten (10) days prior to the date of the proposed payment, and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Debenture Register, not less than ten (10) days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (2) of this Section 2.3.

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any national securities exchange or automated quotation system on which the Debentures may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.4. *Execution of Debentures*. The Debentures shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chairman of the Board, Chief Executive Officer, President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”) and attested by the manual or facsimile signature of its Secretary or any of its Assistant Secretaries or its Treasurer or any of its Assistant Treasurers (which may be printed, engraved or otherwise reproduced thereon, by facsimile or otherwise). Only such Debentures as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Debenture attached as Exhibit A hereto, manually executed by the Trustee (or an authenticating agent appointed by the Trustee as provided by Section 17.11), shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee (or such an authenticating agent) upon any Debenture executed by the Company shall be conclusive evidence that the Debenture

so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Debentures shall cease to be such officer before the Debentures so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Debentures nevertheless may be authenticated and delivered or disposed of as though the person who signed such Debentures had not ceased to be such officer of the Company, and any Debenture may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Debenture, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

Section 2.5. *Exchange and Registration of Transfer of Debentures; Restrictions on Transfer.*

(a) The Company shall cause to be kept at the Corporate Trust Office a register (the register maintained in such office and in any other office or agency of the Company designated pursuant to Section 6.2 being herein sometimes collectively referred to as the "**Debenture Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Debentures and of transfers of Debentures. The Debenture Register shall be in written form or in any form capable of being converted into written form within a reasonably prompt period of time. The Trustee is hereby appointed "**Debenture Registrar**" for the purpose of registering Debentures and transfers of Debentures as herein provided. The Company may appoint one or more co-registrars in accordance with Section 6.2.

Upon surrender for registration of transfer of any Debenture to the Debenture Registrar or any co-registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.5, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Debentures of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

Debentures may be exchanged for other Debentures of any authorized denominations and of a like aggregate principal amount, upon surrender of the Debentures to be exchanged at any such office or agency maintained by the Company pursuant to Section 6.2. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Debentures which the Debentureholder making the exchange is entitled to receive bearing registration numbers not contemporaneously outstanding.

All Debentures issued upon any registration of transfer or exchange of Debentures shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Debentures surrendered upon such registration of transfer or exchange.

All Debentures presented or surrendered for registration of transfer or for exchange, redemption, repurchase or conversion shall (if so required by the Company or the Debenture

Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company, and the Debentures shall be duly executed by the Debentureholder thereof or his attorney duly authorized in writing.

No service charge shall be made to any Holder for any registration of, transfer or exchange of Debentures, including those in connection with any redemption, repurchase or conversions pursuant to the terms of this Indenture but the Company or the Trustee may require payment by the Holder of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any such registration of transfer or exchange of Debentures.

Neither the Company nor the Trustee nor any Debenture Registrar shall be required to exchange or register a transfer of: (i) any Debentures for a period of fifteen (15) days next preceding any selection of Debentures to be redeemed; (ii) any Debentures or portions thereof called for redemption pursuant to Section 3.2; (iii) any Debentures or portions thereof surrendered for conversion pursuant to ARTICLE 16, or (iv) any Debentures or portions thereof tendered for redemption (and not withdrawn) pursuant to Section 3.5.

(b) The following provisions shall apply only to Global Debentures:

(i) Each Global Debenture authenticated under this Indenture shall be registered in the name of the Depositary or a nominee thereof and delivered to such Depositary or a nominee thereof or Custodian therefor, and each such Global Debenture shall constitute a single Debenture for all purposes of this Indenture.

(ii) Notwithstanding any other provision in this Indenture, no Global Debenture may be exchanged in whole or in part for Debentures registered, and no transfer of a Global Debenture in whole or in part may be registered, in the name of any Person other than the Depositary or a nominee thereof unless (1) the Depositary (i) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Debenture and a successor depositary has not been appointed by the Company within ninety days or (ii) has ceased to be a clearing agency registered under the Exchange Act, (2) an Event of Default has occurred and is continuing or (3) the Company, in its sole discretion, notifies the Trustee in writing that it no longer wishes to have all the Debentures represented by Global Debentures. Any Global Debenture exchanged pursuant to clause (A) or (B) above shall be so exchanged in whole and not in part and any Global Debenture exchanged pursuant to clause (C) above may be exchanged in whole or from time to time in part as directed by the Company. Any Debenture issued in exchange for a Global Debenture or any portion thereof shall be a Global Debenture; provided that any such Debenture so issued that is registered in the name of a Person other than the Depositary or a nominee thereof shall not be a Global Debenture.

(iii) Securities issued in exchange for a Global Debenture or any portion thereof pursuant to clause (ii) above shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount equal to that of such Global Debenture or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear any legends required hereunder. Any Global Debenture to be exchanged in whole shall be surrendered by the

Depositary to the Trustee, as Debenture Registrar. With regard to any Global Debenture to be exchanged in part, either such Global Debenture shall be so surrendered for exchange or, if the Trustee is acting as Custodian for the Depositary or its nominee with respect to such Global Debenture, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and make available for delivery the Debenture issuable on such exchange to or upon the written order of the Depositary or an authorized representative thereof.

(iv) In the event of the occurrence of any of the events specified in clause (ii) above, the Company will promptly make available to the Trustee a reasonable supply of certificated Debentures in definitive, fully registered form, without interest coupons.

(v) Neither any members of, or participants in, the Depositary ("**Agent Members**") nor any other Persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Debenture registered in the name of the Depositary or any nominee thereof, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Debenture for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other Person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Debenture.

(vi) At such time as all interests in a Global Debenture have been redeemed, repurchased, converted, canceled or exchanged for Debentures in certificated form, such Global Debenture shall, upon receipt thereof, be canceled by the Trustee in accordance with standing procedures and instructions existing between the Depositary and the Custodian. At any time prior to such cancellation, if any interest in a Global Debenture is redeemed, repurchased, converted, canceled or exchanged for Debentures in certificated form, the principal amount of such Global Debenture shall, in accordance with the standing procedures and instructions existing between the Depositary and the Custodian, be appropriately reduced, and an endorsement shall be made on such Global Debenture, by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction.

(c) Every Debenture that bears or is required under this Section 2.5(c) to bear the legend set forth in this Section 2.5(c), (together with any Common Stock issued upon conversion of the Debentures and required to bear the legend set forth in Section 2.5(c), collectively, the "**Restricted Securities**") shall be subject to the restrictions on transfer set forth in this Section 2.5(c) (including those set forth in the legend below) unless such restrictions on transfer shall be waived by written consent of the Company, and the Holder of each such Restricted Security, by such Debentureholder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in Section 2.5(c) and Section 2.5(d), the term "**transfer**" encompasses any sale, pledge, loan, transfer or other disposition whatsoever of any Restricted Security or any interest therein.

Until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any certificate evidencing such Debenture (and all securities issued in exchange therefor or substitution thereof, other than Common Stock, if any, issued upon conversion thereof, which shall bear the legend set forth in this Section 2.5(c), if applicable) shall bear a legend in substantially the following form, unless such Debenture has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or unless otherwise agreed by the Company in writing, with written notice thereof to the Trustee:

THE DEBENTURE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); (2) AGREES THAT IT WILL NOT, PRIOR TO EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS DEBENTURE OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS DEBENTURE EXCEPT (A) TO LSB INDUSTRIES, INC. (THE "COMPANY") OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER); (3) PRIOR TO SUCH TRANSFER (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 2(D) ABOVE), IT WILL FURNISH TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE (THE "TRUSTEE")), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND (4) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEBENTURE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS DEBENTURE PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE). THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS DEBENTURE PURSUANT TO CLAUSE 2(D) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE, DATED AS OF JUNE 28,

2007, BETWEEN THE COMPANY AND THE TRUSTEE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

Any Debenture (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms or as to conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of such Debenture for exchange to the Debenture Registrar in accordance with the provisions of this Section 2.5, be exchanged for a new Debenture or Debentures, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.5(c). If the Restricted Security surrendered for exchange is represented by a Global Debenture bearing the legend set forth in this Section 2.5(c), the principal amount of the legended Global Debenture shall be reduced by the appropriate principal amount and the principal amount of a Global Debenture without the legend set forth in this Section 2.5(c) shall be increased by an equal principal amount. If a Global Debenture without the legend set forth in this Section 2.5(c) is not then outstanding, the Company shall execute and the Trustee shall authenticate and deliver an unlegended Global Debenture to the Depositary.

(d) Until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any stock certificate representing Common Stock issued upon conversion of any Debenture shall bear a legend in substantially the following form, unless such Common Stock has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or such Common Stock has been issued upon conversion of Debentures that have been transferred pursuant to a registration statement that has been declared effective under the Securities Act or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or unless otherwise agreed by the Company in writing with written notice thereof to the transfer agent:

THE COMMON STOCK EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. THE HOLDER HEREOF AGREES THAT, UNTIL THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE COMMON STOCK EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), (1) IT WILL NOT RESELL OR OTHERWISE TRANSFER THE COMMON STOCK EVIDENCED HEREBY EXCEPT (A) TO LSB INDUSTRIES, INC. OR ANY SUBSIDIARY THEREOF, (B) TO A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER); (2) PRIOR TO SUCH TRANSFER (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 1(D) ABOVE), IT WILL FURNISH TO UMB BANK, N.A., AS

TRANSFER AGENT (OR A SUCCESSOR TRANSFER AGENT, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) IT WILL DELIVER TO EACH PERSON TO WHOM THE COMMON STOCK EVIDENCED HEREBY IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 1(D) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THE COMMON STOCK EVIDENCED HEREBY PURSUANT TO CLAUSE 1(D) ABOVE OR UPON ANY TRANSFER OF THE COMMON STOCK EVIDENCED HEREBY AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION).

Any such Common Stock as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like number of shares of Common Stock, which shall not bear the restrictive legend required by this Section 2.5(d).

(e) Any Debenture or Common Stock issued upon the conversion of a Debenture that, prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), is purchased or owned by the Company or any Affiliate thereof may not be resold by the Company or such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from the registration requirements of the Securities Act in a transaction which results in such Debentures or Common Stock, as the case may be, no longer being "**Restricted Securities**" (as defined under Rule 144).

(f) The Trustee shall have no responsibility or obligation to any Agent Members or any other Person with respect to the accuracy of the books or records, or the acts or omissions, of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Debentures or with respect to the delivery to any Agent Member or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Debentures. All notices and communications to be given to the Debentureholder and all payments to be made to Debentureholders under the Debentures shall be given or made only to or upon the order of the registered Debentureholders (which shall be the Depository or its nominee in the case of a Global Debenture). The rights of beneficial owners in any Global Debenture shall be exercised only through the Depository subject to the customary procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its Agent Members.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Debenture (including any transfers

between or among Agent Members in any Global Indenture) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.6. *Mutilated, Destroyed, Lost or Stolen Debentures*. In case any Debenture shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its written request the Trustee or an authenticating agent appointed by the Trustee shall authenticate and make available for delivery, a new Debenture, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture, or in lieu of and in substitution for the Debenture so destroyed, lost or stolen. In every case, the applicant for a substituted Debenture shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, to the Trustee and, if applicable, to such authenticating agent evidence to their satisfaction of the destruction, loss or theft of such Debenture and of the ownership thereof.

Following receipt by the Trustee or such authenticating agent, as the case may be, of satisfactory security or indemnity and evidence, as described in the preceding paragraph, the Trustee or such authenticating agent may authenticate any such substituted Debenture and make available for delivery such Debenture. Upon the issuance of any substituted Debenture, the Company or the Trustee may require the payment by the Holder of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Debenture which has matured or is about to mature or has been called for redemption or has been tendered for redemption upon a Designated Event (and not withdrawn) or has been surrendered for repurchase on a Designated Event Repurchase Date (and not withdrawn) or is to be converted into Common Stock shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debenture, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Debenture), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or in connection with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, the Trustee and, if applicable, any paying agent or conversion agent evidence to their satisfaction of the destruction, loss or theft of such Debenture and of the ownership thereof.

Every substitute Debenture issued pursuant to the provisions of this Section 2.6 by virtue of the fact that any Debenture is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Debentures duly issued hereunder. To the extent permitted by law, all Debentures shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or redemption or repurchase of mutilated, destroyed,

lost or stolen Debentures and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment or conversion or redemption or repurchase of negotiable instruments or other securities without their surrender.

Section 2.7. *Temporary Debentures*. Pending the preparation of Debentures in certificated form, the Company may execute and the Trustee or an authenticating agent appointed by the Trustee shall, upon the written request of the Company, authenticate and deliver temporary Debentures (printed or lithographed). Any such temporary Debentures shall be issuable in any authorized denomination, and substantially in the form of the Debentures in certificated form, but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Every such temporary Debenture shall be executed by the Company and authenticated by the Trustee or such authenticating agent upon the same conditions and in substantially the same manner, and with the same effect, as the Debentures in certificated form. Without unreasonable delay, the Company will execute and deliver to the Trustee or such authenticating agent Debentures in certificated form and thereupon any or all temporary Debentures may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 6.2 and the Trustee or such authenticating agent shall authenticate and make available for delivery in exchange for such temporary Debentures an equal aggregate principal amount of Debentures in certificated form. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Debentures shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Debentures in certificated form authenticated and delivered hereunder.

Section 2.8. *Cancellation of Debentures*. All Debentures surrendered for the purpose of payment, redemption, repurchase, conversion, exchange or registration of transfer shall, if surrendered to the Company or any paying agent or any Debenture Registrar or any conversion agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee, shall be promptly canceled by it, and no Debentures shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of such canceled Debentures in accordance with its customary procedures. If the Company shall acquire any of the Debentures, such acquisition shall not operate as a redemption, repurchase or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered to the Trustee for cancellation.

Section 2.9. *CUSIP Numbers*. The Company in issuing the Debentures shall apply for and maintain “CUSIP” numbers, and the Trustee shall use “CUSIP” numbers in notices of redemption as a convenience to Debentureholders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debentures, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the “CUSIP” numbers.

ARTICLE 3.
REDEMPTION AND REPURCHASE OF DEBENTURES

Section 3.1. *Redemption of Debentures*.

(a) Optional Redemption. At any time on or after July 2, 2010, Debentures may be redeemed at the option of the Company, in whole or in part, upon notice as set forth in Section 3.2 at a redemption price, payable at the option of the Company in cash or, subject to the conditions set forth in Section 3.1(b), in shares of Common Stock, equal to 100% of the principal amount of the Debentures to be redeemed plus accrued and unpaid interest to, but excluding, the date fixed for redemption (the "**Optional Redemption**") if the following three conditions are all satisfied on the date of mailing of the notice of redemption: (1) the Closing Sale Price has exceeded 115% of the Conversion Price for at least 20 Trading Days in the 30 consecutive Trading Day period ending on the Trading Day immediately prior to the date of mailing of the notice of redemption (it being understood for purposes of this Section 3.1(a) that the Conversion Price in effect at the close of business on each of the 30 consecutive Trading Days should be used), (2) the Common Stock is listed on an Eligible Market, no suspension of trading in the Common Stock has occurred and no delisting or suspension of the Common Stock is pending or threatened; and (3) the shelf registration statement covering resales of the Debentures and the Common Stock is effective and available for use and is expected to remain effective and available for use during the 30 days following the redemption date, unless registration is no longer required and such Common Stock may be issued without violating Section 713(a) of the Amex Company Guide or any successor provision thereof or, if the Common Stock is then traded on another Eligible Market, any similar rule of such market.

(b) Option to Pay in Common Stock. The Company may only elect to pay the redemption price set forth in Section 3.1(a) in shares of Common Stock if the following three conditions are all satisfied on the date of redemption: (1) the Common Stock is listed on an Eligible Market; (2) the Trustee has received an Opinion of Counsel (in form and substance satisfactory to the Trustee) that the Common Stock will be duly issued in compliance with all laws and listing requirements (including any shareholder approval requirements) and is fully paid and non-assessable; and (3) the shares of Common Stock used to pay the redemption price are freely tradable. Payments made in Common Stock will be valued per share at 95% of the weighted average of the Closing Sale Prices of Common Stock for the 20 consecutive Trading Days ending on the fifth Trading Day prior to the redemption date. Not later than the fourth Trading Day prior to the redemption date the Company shall publicly announce the number of shares of Common Stock to be paid as the redemption price for each $1,000 principal amount of Debentures to be redeemed.

Section 3.2. *Notice of Optional Redemption; Selection of Debentures*. In case the Company shall desire to exercise the right to redeem all or, as the case may be, any part of the Debentures pursuant to Section 3.1, it shall fix a date for redemption and it or, at its written request received by the Trustee not fewer than forty-five (45) days prior (or such shorter period of time as may be acceptable to the Trustee) to the date fixed for redemption, the Trustee in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such redemption not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date to each Holder of Debentures so to be redeemed as a whole or in part at its last address as the

same appears on the Debenture Register; provided that if the Company shall give such notice, it shall also give written notice of the redemption date to the Trustee. Such mailing shall be by first class mail. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Debenture designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Debenture. Concurrently with the mailing of any such notice of redemption, the Company shall issue a press release announcing such redemption, the form and content of which press release shall be determined by the Company in its sole discretion. The failure to issue any such press release or any defect therein shall not affect the validity of the redemption notice or any of the proceedings for the redemption of any Debenture called for redemption.

Each such notice of redemption shall specify the aggregate principal amount of Debentures to be redeemed, the CUSIP number or numbers of the Debentures being redeemed, the date fixed for redemption (which shall be a Business Day), the redemption price at which Debentures are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Debentures, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said redemption date interest thereon or on the portion thereof to be redeemed will cease to accrue. Such notice shall state the type of consideration to be paid upon redemption and the amount of each Debenture to be paid by each type of consideration. Such notice shall also state the current Conversion Rate and that the right to convert such Debentures or portions thereof into Common Stock will expire on the Business Day prior to the Redemption Date. If fewer than all the Debentures are to be redeemed, the notice of redemption shall identify the Debentures to be redeemed (including CUSIP numbers). In case any Debenture is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that, on and after the redemption date, upon surrender of such Debenture, a new Debenture or Debentures in principal amount equal to the unredeemed portion thereof will be issued.

On or prior to the redemption date specified in the notice of redemption given as provided in this Section 3.2, the Company will deposit with the Trustee or with one or more paying agents (or, if the Company is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 6.4) an amount of money in immediately available funds, or shares of Common Stock, sufficient to redeem on the redemption date all the Debentures (or portions thereof) so called for redemption (other than those theretofore surrendered for conversion into Common Stock) at the appropriate redemption price, together with accrued interest to, but excluding, the redemption date; provided that if such payment is made on the redemption date it must be received by the Trustee or paying agent, as the case may be, by 10:00 a.m. New York City time on such date. If any Debenture called for redemption is converted pursuant hereto prior to such redemption date, any money deposited with the Trustee or any paying agent or so segregated and held in trust for the redemption of such Debenture shall be paid to the Company upon its written request, or, if then held by the Company, shall be discharged from such trust. Whenever any Debentures are to be redeemed, the Company will give the Trustee written notice in the form of an Officers' Certificate not fewer than forty-five (45) days (or such shorter period of time as may be acceptable to the Trustee) prior to the redemption date as to the aggregate principal amount of Debentures to be redeemed.

If less than all of the outstanding Debentures are to be redeemed, the Trustee shall select the Debentures or portions thereof of the Global Debenture or the Debentures in certificated form to be redeemed (in principal amounts of $1,000 or multiples thereof) by lot or other equitable means as determined by the Trustee. If any Debenture selected for partial redemption is submitted for conversion in part after such selection, the portion of such Debenture submitted for conversion shall be deemed (so far as may be possible) to be the portion to be selected for redemption. The Debentures (or portions thereof) so selected shall be deemed duly selected for redemption for all purposes hereof, notwithstanding that any such Debenture is submitted for conversion in part before the mailing of the notice of redemption.

Upon any redemption of less than all of the outstanding Debentures, the Company and the Trustee may (but need not), solely for purposes of determining the pro rata allocation among such Debentures as are unconverted and outstanding at the time of redemption, treat as outstanding any Debentures surrendered for conversion during the period of fifteen (15) days next preceding the mailing of a notice of redemption and may (but need not) treat as outstanding any Debenture authenticated and delivered during such period in exchange for the unconverted portion of any Debenture converted in part during such period.

Section 3.3. *Payment of Debentures Called for Redemption by the Company*. If notice of redemption has been given as provided in Section 3.2, the Debentures or portion of Debentures with respect to which such notice has been given shall, unless converted into Common Stock pursuant to the terms hereof, become due and payable on the date fixed for redemption and at the place or places stated in such notice at the applicable redemption price, together with interest accrued to (but excluding) the redemption date, and on and after said date (unless the Company shall default in the payment of such Debentures at the redemption price, together with interest accrued to said date) interest on the Debentures or portion of Debentures so called for redemption shall cease to accrue and, after the close of business on the Business Day immediately preceding the redemption date (unless the Company shall default in the payment of such Debentures at the redemption price, together with interest accrued to said date) such Debentures shall cease to be convertible into Common Stock and, except as provided in Section 9.5 and Section 14.4, to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Debentures except the right to receive the redemption price thereof and unpaid interest to (but excluding) the redemption date. On presentation and surrender of such Debentures at a place of payment in said notice specified, the said Debentures or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to, but excluding, the redemption date; provided that if the applicable redemption date is an interest payment date, the interest payable on such interest payment date shall be paid on such interest payment date to the holders of record of such Debentures on the applicable Record Date instead of the holders surrendering such Debentures for redemption on such date.

Upon presentation of any Debenture redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the Holder thereof, at the expense of the Company, a new Debenture or Debentures, of authorized denominations, in principal amount equal to the unredeemed portion of the Debentures so presented.

Notwithstanding the foregoing, the Trustee shall not redeem any Debentures or mail any notice of redemption during the continuance of a default in payment of interest or premium, if any, on the Debentures. If any Debenture called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid or duly provided for, bear interest from the redemption date at a rate equal to 1% per annum plus the rate borne by the Debenture and such Debenture shall remain convertible into Common Stock until the principal and premium, if any, and interest shall have been paid or duly provided for.

Section 3.4. *Conversion Arrangement on Call for Redemption*. In connection with any redemption of Debentures, the Company may arrange for the purchase and conversion of any Debentures by an agreement with one or more investment banks or other purchasers to purchase such Debentures by paying to the Trustee in trust for the Debentureholders, before the date fixed for redemption, an amount not less than the applicable redemption price, together with interest accrued to, but excluding, the date fixed for redemption, of such Debentures. Notwithstanding anything to the contrary contained in this ARTICLE 3, the obligation of the Company to pay the redemption price of such Debentures, together with interest accrued to, but excluding, the date fixed for redemption, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the date fixed for redemption, any Debentures not duly surrendered for conversion by the Holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in ARTICLE 16) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the date fixed for redemption (and the right to convert any such Debentures shall be extended through such time), subject to payment of the above amount as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Debentures. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Debentures shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture.

Section 3.5. *Repurchase at Option of Holders Upon a Designated Event*.

(a)(i) If there shall occur any Designated Event at any time prior to maturity of the Debentures, then each Debentureholder shall have the right, at such Holder's option, to require the Company to repurchase all of such Holder's Debentures then outstanding, or any portion thereof that is a multiple of $1,000 principal amount, on the date specified by the Company that is not less than forty-five (45) Calendar Days after the date of the Designated Event Notice (as defined in Section 3.5(b)) of such Designated Event (or, if such 45th day is not a Business Day, the next succeeding Business Day), such date being the "Designated Event Repurchase Date", at a redemption price equal to 101% of the principal amount thereof, together with accrued and unpaid interest to, but excluding, the Designated Event Repurchase Date; provided that if such Designated Event Repurchase Date falls after a Record Date and on or prior to the corresponding interest payment date, then the interest payable on such interest payment date shall be paid to the holders of record of the Debentures on the applicable Record Date instead of the holders surrendering the Debentures for redemption on such date.

A "**Fundamental Change**" will be deemed to have occurred at any time after the Debentures are originally issued when any of the following events shall occur:

(1) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act other than the Company, its subsidiaries or the Company's or its subsidiaries' employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of the Common Stock representing more than 50% (or, in the case of a Permitted Holder, Common Stock representing more than 70%) of the voting power of the Company's Common Stock entitled to vote generally in the election of directors; or

(2) consummation of any share exchange, consolidation or merger of the Company pursuant to which its Common Stock will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole, to any person other than the Company or one or more of its subsidiaries; provided, however, that a transaction where the holders of the Company's Common Stock immediately prior to such transaction have directly or indirectly, more than 50% of the aggregate voting power of all classes of Common Stock of the continuing or surviving corporation or transferee entitled to vote generally in the election of directors immediately after such event shall not be a Fundamental Change; or

(3) Continuing Directors cease to constitute at least a majority of the Board of Directors.

(ii) Notwithstanding any provision hereof to the contrary, no Designated Event shall be deemed to have occurred in respect of the foregoing if (1) the Closing Sale Price for any five Trading Days within the ten (10) consecutive Trading Days ending immediately before the later of the Fundamental Change or the public announcement of the Fundamental Change, equals or exceeds 105% of the Conversion Price of the Debentures in effect immediately before the Fundamental Change or the public announcement of the Fundamental Change, or (2) at least 90% of the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Fundamental Change consists of shares of capital stock traded or quoted on an Eligible Market or which will be so traded or quoted when issued or exchanged in connection with a Fundamental Change (such securities being referred to as "**Publicly Traded Securities**"), and, as a result of the transaction or transactions, the Debentures become convertible into such Publicly Traded Securities (excluding cash payments for fractional shares).

For purposes of this Section 3.5, (a) "**Continuing Directors**" means a director who either was a member of the Board of Directors on the date of this Indenture or who becomes a member of the Board of Directors subsequent to that date and whose appointment, election or nomination for election by the Company's stockholders is duly approved by a majority of the continuing directors on the Board of Directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the Board of Directors in which such individual is named as nominee for director and (b) the "capital stock" of any Person

means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into any equity interest), warrants or options to acquire an equity interest in such Person. Notwithstanding the foregoing, directors selected and approved by the holders of the Company's Series 2 Preferred voting as a separate class, pursuant to the terms of the Series 2 Preferred, shall not be deemed Continuing Directors.

Upon presentation of any Debenture redeemed in part only, the Company shall execute and, upon the Company's written direction to the Trustee, the Trustee shall authenticate and make available for delivery to the Holder thereof, at the expense of the Company, a new Debenture or Debentures, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Debentures presented.

(b) On or before the fifteenth day after the occurrence of a Designated Event, and in the case of any Fundamental Change, on or before the fifteenth day after the occurrence of a Fundamental Change (whether or not the same constitutes a Designated Event) the Company or at its written request (which must be received by the Trustee at least five (5) Business Days prior to the date the Trustee is requested to give notice as described below, unless the Trustee shall agree in writing to a shorter period), the Trustee, in the name of and at the expense of the Company, shall mail or cause to be mailed to all Holders on the date of the Designated Event a notice (the "**Designated Event Notice**") of the occurrence of such Designated Event or Fundamental Change and of the redemption right (or right to receive a Make-Whole Premium upon conversion) at the option of the Holders arising as a result thereof. Such notice shall be mailed in the manner and with the effect set forth in the first paragraph of Section 3.2 (without regard for the time limits set forth therein). If the Company shall give such notice, the Company shall also deliver a copy of the Company's Designated Event Notice to the Trustee at such time as it is mailed to Debentureholders. Concurrently with the mailing of any Designated Event Notice, the Company shall issue a press release announcing such Designated Event referred to in the Designated Event Notice, the form and content of which press release shall be determined by the Company in its sole discretion. The failure to issue any such press release or any defect therein shall not affect the validity of the Designated Event Notice or any proceedings for the redemption of any Debenture which any Debentureholder may elect to have the Company redeem as provided in this Section 3.5.

Each Designated Event Notice shall state, among other things:

(1) briefly, the events causing the Designated Event or Fundamental Change;

(2) the date of the such Designated Event or Fundamental Change;

(3) that the Holder must exercise the repurchase right prior to the close of business on the Business Day prior to the Designated Event Repurchase Date (the "**Designated Event Expiration Time**") which may not be less than forty-five (45) days after the date of mailing of the Designated Event Notice, if applicable;

(4) the price at which the Company shall be obligated to redeem Debentures, including the amount of interest accrued, on each Debenture to the Designated Event Repurchase Date, if applicable;

(5) the Designated Event Repurchase Date, if applicable;

(6) the name and address of the agent to whom the Holder is to surrender such Holder's debentures;

(7) the Conversion Rate and any adjustments to the Conversion Rate;

(8) that the Holder can only convert surrendered Debentures if the Holder withdraws any Debentures surrendered prior to the Designated Event Expiration Time in accordance with the terms of the Indenture;

(9) a description of the procedure which a Holder must follow to exercise such redemption right and to withdraw any surrendered Debentures, if applicable;

(10) the CUSIP number or numbers of the Debentures (if then generally in use);

(11) in the case of a Fundamental Change, in which a Make-Whole Premium is required to be paid hereunder, that a Make-Whole Premium is required to be paid by the Company upon any conversion in connection with a Fundamental Change; and

(12) in the case of a Fundamental Change, whether such Make-Whole Premium shall be paid by delivery of shares of Common Stock, Exchange Property or any combination thereof in accordance with Section 5.1(d) (and containing such information required by Section 5.1(d)).

No failure of the Company to give the foregoing notices and no defect therein shall limit the Debentureholders' redemption rights or affect the validity of the proceedings for the redemption of the Debentures pursuant to this Section 3.5.

(c) For a Debenture to be so redeemed at the option of the Holder, the Company must receive at the office or agency of the Company maintained for that purpose or, at the option of such Holder, the Corporate Trust Office, the form entitled "**Designated Event Repurchase Notice**" duly completed, on or before the Designated Event Expiration Time. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Debenture for redemption shall be determined by the Company, whose determination shall be final and binding absent manifest error.

The Designated Event Repurchase Notice shall state, among other things:

(1) the certificate numbers of the Debentures that the Holder will deliver to be purchased or the appropriate Depositary procedures if certificated Debentures have not been issued;

(2) the portion of the principal amount of Debentures that the Holder will deliver to be purchased, which portion must be $1,000 or an integral multiple of $1,000; and

(3) that the Debentures shall be purchased pursuant to the terms and conditions specified in this Article 3 of the Debentures and in this Indenture.

(d) For a Debenture to be so redeemed at the option of a Holder, the Debentures must be delivered or transferred by book-entry to the Trustee (or other paying agent appointed by the Company) at any time after delivery of the Designated Event Repurchase Notice (together with all necessary endorsements) but on or prior to the Designated Event Expiration Time at the Corporate Trust Office of the Trustee (or other paying agent appointed by the Company) as provided in Section 6.2, such delivery being a condition to the receipt by the Holder of the purchase price therefor; provided that such purchase price shall be so paid pursuant to this Section 3.5(d) only if the Debenture so delivered to the Trustee (or other paying agent appointed by the Company) shall conform in all respects to the description thereof in the related Designated Event Repurchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 3.5, a portion of a Debenture, if the principal amount of such portion is $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Debenture also apply to the purchase of such portion of such Debenture.

Any purchase by the Company contemplated pursuant to the provisions of this Section 3.5 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Designated Event Repurchase Date and the time of the book-entry transfer or delivery of the Debenture.

Notwithstanding anything herein to the contrary, any Holder delivering the Designated Event Repurchase Notice contemplated by this Section 3.5(d) shall have the right to withdraw such Designated Event Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Designated Event Repurchase Date by delivery of a written notice of withdrawal in accordance with Section 3.6.

The Trustee (or other paying agent appointed by the Company) shall promptly notify the Company of the receipt by it of any Designated Event Repurchase Notice or written notice of withdrawal thereof.

(e) In the case of a reclassification, change, consolidation, merger, combination, sale or conveyance to which Section 16.6 applies, in which the Common Stock of the Company is changed or exchanged as a result into the right to receive stock, securities or other property or assets (including cash), which includes shares of Common Stock of the Company or shares of common stock of another Person that are, or upon issuance will be, traded on an Eligible Market or approved for trading on an established automated over-the-counter trading market in the United States and such shares constitute at the time such change or exchange becomes effective in excess of 50% of the aggregate fair market value of such stock, securities or other property or assets (including cash) (as determined by the Company, which determination shall be conclusive and binding), then the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture (accompanied by an Opinion of Counsel that such supplemental indenture complies with the Trust Indenture Act as in force at the date of

execution of such supplemental indenture) modifying the provisions of this Indenture relating to the right of Holders of the Debentures to cause the Company to repurchase the Debentures following a Designated Event, including without limitation the applicable provisions of this Section 3.5 and the definitions of Common Stock and Designated Event, as appropriate, as determined in good faith by the Company (which determination shall be conclusive and binding), to make such provisions apply to such other Person if different from the Company and the common stock issued by such Person (in lieu of the Company and the Common Stock of the Company).

(f) The Company will comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act to the extent then applicable in connection with the redemption rights of the Holders of Debentures in the event of a Designated Event.

Section 3.6. *Effect of Designated Event Repurchase*. Upon receipt by the Trustee (or other paying agent appointed by the Company) of the Designated Event Repurchase Notice specified in Section 3.5, the Holder of the Debenture in respect of which such Designated Event Repurchase Notice was given shall (unless such Designated Event Repurchase Notice is validly withdrawn) thereafter be entitled to receive solely the purchase price with respect to such Debenture. Such purchase price shall be paid to such Holder, subject to receipt of funds and/or Debentures by the Trustee (or other paying agent appointed by the Company), promptly following the later of (x) the Designated Event Repurchase Date with respect to such Debenture (provided the Holder has satisfied the conditions in Section 3.5 and (y) the time of delivery of such Debenture to the Trustee (or other paying agent appointed by the Company) by the Holder thereof in the manner required by Section 3.5. Debentures in respect of which a Designated Event Repurchase Notice has been given by the Holder thereof may not be converted pursuant to ARTICLE 16 hereof on or after the date of the delivery of such Designated Event Repurchase Notice, as the case may be, unless such Designated Event Repurchase Notice, as the case may be, has first been validly withdrawn.

A Designated Event Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Trustee (or other paying agent appointed by the Company) in accordance with the Designated Event Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Designated Event Repurchase Date, specifying:

(a) the certificate number, if any, of the Debenture in respect of which such notice of withdrawal is being submitted, or the appropriate Depositary information if the Debenture in respect of which such notice of withdrawal is being submitted is represented by a Global Debenture,

(b) the principal amount of the Debenture with respect to which such notice of withdrawal is being submitted, and

(c) the principal amount, if any, of such Debenture which remains subject to the original Designated Event Repurchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Designated Event Repurchase Notice may be in the form set forth in the preceding paragraph.

Section 3.7. *Deposit of Purchase Price for Designated Event Repurchase*. (a) Prior to 10:00 a.m. (New York City time) on the Business Day following the Designated Event Repurchase Date, the Company shall deposit with the Trustee (or other paying agent appointed by the Company; or, if the Company or a Subsidiary or an Affiliate of either of them is acting as the paying agent, shall segregate and hold in trust as provided in Section 6.4) an amount of funds (in immediately available funds if deposited on such Business Day), sufficient to pay the aggregate purchase price of all the Debentures or portions thereof that are to be purchased as of the Designated Event Repurchase Date.

(b) If the Trustee or other paying agent appointed by the Company, or the Company or a Subsidiary or Affiliate of either of them, if such entity is acting as the paying agent, holds funds immediately available sufficient to pay the aggregate purchase price of all the Debentures, or portions thereof that are to be purchased as of the Designated Event Repurchase Date, on or after the Designated Event Repurchase Date (i) the Debentures will cease to be outstanding, (ii) interest on the Debentures will cease to accrue, and (iii) all other rights of the Holders of such Debentures will terminate, whether or not book-entry transfer of the Debentures has been made or the Debentures have been delivered to the Trustee or paying agent, other than the right to receive the repurchase price upon delivery of the Debentures.

Section 3.8. *Debentures Repurchased in Part*. Upon presentation of any Debenture repurchased only in part, the Company shall execute and the Trustee shall authenticate and make available for delivery to the Holder thereof, at the expense of the Company, a new Debenture or Debentures, of any authorized denomination, in aggregate principal amount equal to the unrepurchased portion of the Debentures presented.

Section 3.9. *Repayment to the Company*. The Trustee (or other paying agent appointed by the Company) shall return to the Company any funds that remain unclaimed as provided in ARTICLE 14 of this Indenture without liability for interest (unless such funds have been deposited in an interest bearing account, then with interest thereon) held by them for the payment of the purchase price; provided that to the extent that the aggregate amount of funds deposited by the Company pursuant to Section 3.7 exceeds the aggregate purchase price of the Debentures or portions thereof which the Company is obligated to purchase as of the Designated Event Repurchase Date then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Designated Event Repurchase Date, the Trustee shall return any such excess to the Company.

Section 3.10. *Payment of Debentures at Maturity*.

(a) Payment at Maturity. The Company may pay the Debentures at maturity on the Maturity Date, at the option of the Company, in cash or, subject to the conditions and limitations set forth in Section 3.10(b) below, a combination of cash and shares of Common Stock, equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the Maturity Date ("Debenture Amount at Maturity"); provided, however that

no more than 50% of the Debenture Amount at Maturity may be paid in shares of Common Stock.

(b) Option to Pay in Common Stock. The Company may elect to pay up to 50% of the Debenture Amount at Maturity as set forth in Section 3.10(a), on the Maturity Date in shares of Common Stock if the following conditions are all satisfied on the date of the Maturity Date: (1) the Common Stock is listed on an Eligible Market; (2) the Trustee has received an Opinion of Counsel (in form and substance reasonably satisfactory to the Trustee) that the Common Stock will be duly issued in compliance with all laws and listing requirements (including any shareholder approval requirements) and is fully paid and non-assessable, (3) the shares of Common Stock used to pay any portion of the Debenture Amount at Maturity are freely tradable by the Holder, without regard to volume limitations, manner of sale, holding periods or other restrictions under the Securities Act, and (4) there shall exist no Default or Event of Default. Common Stock used to pay any portion of the Debenture Amount at Maturity will be valued at 95% of the weighted average of the closing sales prices of Common Stock for the 20 consecutive Trading Days ending on the fifth Trading Day prior to the Maturity Date. Not later than the fourth Trading Day prior to the Maturity Date the Company shall publicly announce the number of shares of Common Stock to be paid on the Maturity Date in respect of the Debenture Amount at Maturity. In case the Company shall elect to pay any portion of the Debenture Amount at Maturity in Common Stock pursuant to this Section 3.10, it shall so notify the Trustee no fewer than forty-five (45) days prior (or such shorter period of time as may be acceptable to the Trustee) prior to the Maturity Date, advising the Trustee of the portion of the Debenture Amount at Maturity to be paid in Common Stock and that portion to be paid in cash. The Trustee shall mail or cause to be mailed in the name of, and at the expense of, the Company, a notice to each Debentureholder of the Company's election not fewer than thirty (30) nor more than sixty (60) days prior to the Maturity Date at its last address as the name appears on the Debenture Register. Such mailing shall be by first class mail. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail to the Holder of any Debenture designated to be paid at Maturity in part in Common Stock shall not affect the validity of the proceedings for the payment of the Debenture Amount at Maturity of any other Debenture. Concurrently with the mailing of such notice by the Trustee, the Company shall issue a press release announcing its election to pay some of the Debenture Amount at Maturity in shares of Common Stock.

(c) Content of Notice. Each such notice provided in (b) above of this Section 3.10 shall specify the aggregate principal amount of the Debenture Amount at Maturity to be paid in Common Stock and the amount to be paid in cash. Such notice shall also state the current Conversion Rate and the date on which the right to convert such Debentures into Common Stock will expire.

(d) Payments Proportional. If any portion of the Debenture Amount at Maturity is to be paid in shares of Common Stock, then all Debentures shall be paid in both cash and Common Stock in the same proportion, provided, however, that the Trustee may make such variations as may be necessary to assure that only whole shares of Common Stock are issued. The Company shall not issue fractional shares.

ARTICLE 4.
SUBORDINATION OF DEBENTURES

Section 4.1. *Agreement of Subordination*. The Company covenants and agrees, and each Holder of Debentures issued hereunder by its acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this ARTICLE 4, and each Person holding any Debentures, whether upon original issue or upon registration of transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of, premium, if any, and interest on all Debentures (including, but not limited to, the redemption or repurchase price with respect to the Debentures subject to redemption or repurchase in accordance with ARTICLE 3 as provided in this Indenture) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this ARTICLE 4 shall prevent the occurrence of any default or Event of Default hereunder or have any effect on the rights of the Holders of the Debentures or the Trustee to accelerate the maturity of the Debentures.

Section 4.2. *Payments to Debentureholders*. No payment shall be made with respect to the principal of, premium, if any, or interest on the Debentures (including, but not limited to, the redemption or repurchase price with respect to the Debentures subject to redemption or repurchase in accordance with ARTICLE 3, as provided in this Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.5, if:

(i) a default in the payment of principal, premium, if any, interest, rent or other obligations in respect of Designated Senior Indebtedness occurs and is continuing (or, in the case of Designated Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Designated Senior Indebtedness) (a "**Payment Default**"); or

(ii) a default, other than a Payment Default, on any Designated Senior Indebtedness occurs and is continuing (or would occur as a result of such payment; provided in that case that the Company has notified the Trustee that such default would result from such payment prior to the time that the Trustee is required to make such payment) that then permits holders of such Designated Senior Indebtedness to accelerate its maturity (or in the case of any lease that is Designated Senior Indebtedness, a default occurs and is continuing that permits the lessor to either terminate the lease or require the Company to make an irrevocable offer to terminate the lease following an event of default thereunder) and the Trustee receives a notice of the default (a "**Payment Blockage Notice**") from a holder of Designated Senior Indebtedness or a Representative of Designated Senior Indebtedness (a "**Non-Payment Default**").

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section 4.2 unless and until at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice. No Non-Payment Default that existed or was continuing on the

date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Company may and shall resume payments on and distributions in respect of the Debentures (including, but not limited to, the redemption price with respect to the Debentures to be redeemed) upon the earlier of:

(1) in the case of a Payment Default, the date upon which any such Payment Default is cured or waived or ceases to exist, or

(2) in the case of a Non-Payment Default, the earlier of (a) the date upon which such default is cured or waived or ceases to exist or (b) 179 days after the applicable Payment Blockage Notice is received by the Trustee if the maturity of such Designated Senior Indebtedness has not been accelerated (or in the case of any lease, 179 days after notice is received if the Company has not received notice that the lessor under such lease has exercised its right to terminate the lease or require the Company to make an irrevocable offer to terminate the lease following an event of default thereunder), unless this ARTICLE 4 otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness before any payment is made on account of the principal of, premium, if any, or interest on the Debentures (except payments made pursuant to ARTICLE 14 from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding up, liquidation or reorganization unless the Trustee has received notice to the contrary in accordance with Section 4.5), and upon any such dissolution or winding up or liquidation or reorganization of the Company or bankruptcy, insolvency, receivership or other similar proceeding, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Debentures or the Trustee would be entitled, except for the provisions of this Article 4, shall (except as aforesaid) be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Debentures or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, or as otherwise required by law or a court order) or their Representative or Representatives, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full, in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the Holders of the Debentures or to the Trustee.

For purposes of this ARTICLE 4, the words, "**Cash, Property or Securities**" shall not be deemed to include shares of Common Stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or

readjustment, the payment of which is subordinated at least to the extent provided in this ARTICLE 4 with respect to the Debentures to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions provided for in ARTICLE 13 shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 4.2 if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in ARTICLE 13.

In the event of the acceleration of the Debentures because of an Event of Default, no payment or distribution shall be made to the Trustee or any Holder of Debentures in respect of the principal of, premium, if any, or interest on the Debentures (including, but not limited to, the redemption price with respect to the Debentures called for redemption in accordance with Section 3.2 or submitted for redemption in accordance with Section 3.5, as the case may be, as provided in this Indenture, whether called or submitted for redemption before or after an Event of Default), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Debentures is accelerated because of an Event of Default, the Company or, at the Company's request and expense, the Trustee shall promptly notify holders of Senior Indebtedness of the acceleration.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing provisions in this Section 4.2, shall be received by the Trustee or the Holders of the Debentures before all Senior Indebtedness is paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or provision is made for such payment thereof in accordance with its terms in cash or other payment satisfactory to the holders of such Senior Indebtedness, to the extent that the Trustee or any Holder of the Debentures has acquired notice, by whatever means, that all Senior Indebtedness has not been paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their Representative or Representatives, as their respective interests may appear, as calculated by the Company, for application to the payment of any Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

Nothing in this Section 4.2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 9.6. This Section 4.2 shall be subject to the further provisions of Section 4.5.

Section 4.3. *Subrogation of Debentures*. Subject to the payment in full of all Senior Indebtedness, the rights of the Holders of the Debentures shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this ARTICLE 4 (equally and ratably with the holders of all Indebtedness of the Company which by its express terms is subordinated to other Indebtedness of the Company to substantially the same extent as the Debentures are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Debentures shall be paid in full, and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Debentures or the Trustee would be entitled except for the provisions of this ARTICLE 4, and no payment pursuant to the provisions of this ARTICLE 4, to or for the benefit of the holders of Senior Indebtedness by Holders of the Debentures or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness, and the Holders of the Debentures, be deemed to be a payment by the Company to or on account of the Senior Indebtedness, and no payments or distributions of cash, property or securities to or for the benefit of the Holders of the Debentures pursuant to the subrogation provisions of this ARTICLE 4, which would otherwise have been paid to the holders of Senior Indebtedness, shall be deemed to be a payment by the Company to or for the account of the Debentures. It is understood that the provisions of this ARTICLE 4 are intended solely for the purposes of defining the relative rights of the Holders of the Debentures, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this ARTICLE 4 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Debentures the principal of, premium, if any, and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Debentures and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or, subject to Section 8.4, the Holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this ARTICLE 4 of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this ARTICLE 4, the Trustee, subject to the provisions of Section 9.1, and the Holders of the Debentures shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Debentures, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon and all other facts pertinent thereto or to this ARTICLE 4.

Section 4.4. *Authorization to Effect Subordination*. Each Holder of a Debenture by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this ARTICLE 4 and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in the third paragraph of Section 8.2 hereof at least thirty (30) days before the expiration of the time to file such claim, the holders of any Senior Indebtedness or their Representatives are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Debentures.

Section 4.5. *Notice to Trustee*. The Company shall give prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any paying agent of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee or any paying agent in respect of the Debentures pursuant to the provisions of this ARTICLE 4. Notwithstanding the provisions of this ARTICLE 4 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provisions of this ARTICLE 4, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from the Company (in the form of an Officers' Certificate) or a Representative or a holder or holders of Senior Indebtedness, and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 9.1, shall be entitled in all respects to assume that no such facts exist; provided, however, that if by the Business Day prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Debenture) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section 4.5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to apply monies received to the purpose for which they were received, and shall not be affected by any notice to the contrary that may be received by it on or after such prior date.

Notwithstanding anything in this ARTICLE 4 to the contrary, nothing shall prevent any payment by the Trustee to the Debentureholders of monies deposited with it pursuant to Section 14.1, if a Responsible Officer of the Trustee shall not have received written notice at the Corporate Trust Office on or before one Business Day prior to the date such payment is due that such payment is not permitted under Section 4.1 or Section 4.2.

The Trustee, subject to the provisions of Section 9.1, shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. The Trustee shall not be required to make any payment or distribution to or on behalf of a holder of Senior Indebtedness pursuant to this ARTICLE 4 unless it has received satisfactory evidence as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 4.

Section 4.6. *Trustee's Relation to Senior Indebtedness*. The Trustee, in its individual capacity, shall be entitled to all the rights set forth in this ARTICLE 4 in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section 9.13 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this ARTICLE 4, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and, subject to the provisions of Section 9.1, the Trustee shall not be liable to any holder of Senior Indebtedness (i) for any failure to make any payments or distributions to such holder or (ii) if it shall pay over or deliver money to Holders of Debentures, the Company or any other Person in compliance with this ARTICLE 4.

Section 4.7. *No Impairment of Subordination*. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with. Senior Indebtedness may be created, renewed or extended and holders of Senior Indebtedness may exercise any rights under any instrument creating or evidencing such Senior Indebtedness, including, without limitation, any waiver of default thereunder, without any notice to or consent from the Holders of the Debentures or the Trustee. No compromise, alteration, amendment, modification, extension, renewal or other change of, or waiver, consent or other action in respect of, any liability or obligation under or in respect of the Senior Indebtedness or any terms or conditions of any instrument creating or evidencing such Senior Indebtedness shall in any way alter or affect any of the provisions of this ARTICLE 4 or the subordination of the Debentures provided thereby.

Section 4.8. *Certain Conversions Not Deemed Payment*. For the purposes of this ARTICLE 4 only, (1) the issuance and delivery of Junior Securities upon conversion of Debentures in accordance with ARTICLE 16, delivered as a Make-Whole Premium in accordance with ARTICLE 5 and/or pursuant to any other provision contained herein or in the Debentures and (2) the payment, issuance or delivery of cash, property or securities (including any such cash, property or securities described as a Make-Whole Premium) upon conversion of a Debenture as a result of any transaction specified in Section 16.6 shall not be deemed to constitute a payment or distribution on account of the principal of, premium, if any, or interest on Debentures or on account of the purchase or other acquisition of Debentures. For the purposes of this Section 4.8, the term "**Junior Securities**" means (a) Common Stock of the Company or (b) securities of the Company that are subordinated in right of payment to all Senior Indebtedness that may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Debentures are so subordinated as provided in this ARTICLE 4. Nothing contained in this ARTICLE 4 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as among the Company, its creditors (other than holders of Senior Indebtedness) and the Debentureholders, the right, which is absolute and

unconditional, of the Holder of any Debenture to convert such Debenture in accordance with ARTICLE 16.

Section 4.9. *Article Applicable to Paying Agents*. If at any time any paying agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this ARTICLE 4 shall (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning as fully for all intents and purposes as if such paying agent were named in this ARTICLE 4 in addition to or in place of the Trustee; provided, however, that the first paragraph of Section 4.5 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as paying agent.

The Trustee shall not be responsible for the actions or inactions of any other paying agents (including the Company if acting as its own paying agent) and shall have no control of any funds held by such other paying agents.

Section 4.10. *Senior Indebtedness Entitled to Rely*. The holders of Senior Indebtedness (including, without limitation, Designated Senior Indebtedness) shall have the right to rely upon this ARTICLE 4, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

Section 4.11. *Reliance on Judicial Order or Certificate of Liquidating Agent*. Upon any payment or distribution of assets of the Company referred to in this ARTICLE 4, the Trustee and the Debentureholders shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, liquidating trustee, custodian, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Debentureholders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this ARTICLE 4.

ARTICLE 5.
MAKE-WHOLE PREMIUM

Section 5.1. *Make-Whole Premium.* (a) Upon the occurrence of a Fundamental Change (whether or not such Fundamental Change constitutes a Designated Event), the Holders will be entitled to receive from the Company upon the later to occur of the Conversion Date, or the Effective Date, the Make-Whole Premium, if any, if they convert any of their Debentures pursuant to Section 16.1 hereof at any time during the Fundamental Change Conversion Period.

(b) The Make-Whole Premium shall be equal to an additional number of shares of Common Stock calculated in accordance with Section 5.1(c) hereof. The Make-Whole Premium will be in addition to, and not in substitution for, any cash, securities, or other assets otherwise due to Holders of Debentures upon conversion thereof.

(c) The "**Make-Whole Premium**" shall be equal to the principal amount of the Debentures to be converted divided by $1,000 and multiplied by the applicable number of

shares of Common Stock determined by reference to the table set forth in Exhibit C hereto (the "**Make-Whole Premium Table**").

(1) If the Stock Price is between two stock price amounts on the Make-Whole Premium Table or the Effective Date is between two dates on the Make-Whole Premium Table, the Make-Whole Premium will be determined by straight-line interpolation between Make-Whole Premium amounts set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year (or a 366-day year if the Effective Date occurs in a leap year).

(2) If the Stock Price is equal to or in excess of $75.00 per share of Common Stock (subject to adjustment as described in Section 5.3, the "**Stock Price Cap**"), the Make-Whole Premium corresponding to the Stock Price row "$75.00 or above" shall be paid per $1,000 principal amount of Debentures.

(3) If the Stock Price is less than or equal to $23.00 per share of Common Stock (subject to adjustment as described in Section 5.3, the "**Stock Price Threshold**"), the Make-Whole Premium shall equal zero.

(4) For purposes of this Section 5.1(c), "**Stock Price**" means the price paid per share of Common Stock in the transaction constituting the Fundamental Change, determined as follows: (i) if holders of Common Stock receive only cash in the transaction constituting the Fundamental Change, the Stock Price shall equal the cash amount paid per share of Common Stock; and (ii) in all other cases, the Stock Price shall equal the arithmetic average of the Closing Sale Prices of a share of Common Stock over the five Trading Day period ending on the Trading Day immediately preceding the Effective Date.

(d) The Company may pay the Make-Whole Premium in shares of Common Stock (other than cash paid in lieu of fractional shares), in the same form of consideration into which shares of Common Stock have been converted in connection with the applicable Fundamental Change or in any combination of the foregoing. The Designated Event Notice delivered pursuant to Section 3.5(b), in connection with the Fundamental Change shall state the percentage of any Make-Whole Premium, stated in total principal amount as if all Debentures then Outstanding shall be converted or redeemed during the Fundamental Change Conversion Period, that will be paid in shares of Common Stock (which indication shall be irrevocable). If holders of Common Stock have the right to elect the form of consideration received in a Fundamental Change, then for purposes of the foregoing the consideration into which a share of Common Stock has been converted shall be deemed to equal the same percentage of each form of consideration as encompasses the aggregate consideration distributed in respect of all shares of Common Stock participating in the distribution. Unless the Company gives notice to the contrary, the Make-Whole Premium shall be paid in shares of Common Stock (or, if applicable, in Exchange Property).

If the Company elects to pay the Make-Whole Premium in Exchange Property (the same form of consideration used to pay for the shares of the Common Stock in connection with the applicable Fundamental Change), the value of the consideration to be delivered in respect of the Make-Whole Premium will be calculated as follows:

(i) securities that are traded on an Eligible Market or any similar system of automated dissemination of quotations of securities prices will be based on 100% of the arithmetic average of the Closing Price of such securities during each of the ten (10) Trading Days ending on the Trading Day immediately preceding the Effective Date;

(ii) other securities, assets or property (other than cash) will be valued on 100% of the arithmetic average of the Fair Market Value of such securities, assets or property (other than cash) as determined by two independent nationally recognized investment banks selected by the Trustee; and

(iii) 100% of any cash.

If a Make-Whole Premium is required, the Company or the Trustee, at the expense of the Company, shall from time to time appoint an independent nationally recognized investment bank to serve as calculation agent with respect to calculation of the Make-Whole Premium (the "**Calculation Agent**"). The Calculation Agent shall, on behalf of and upon request by the Company or the Trustee, (A) calculate the Stock Price, the Stock Price Cap and the Stock Price Threshold, (B) calculate the Make-Whole Premium with respect to such Stock Price based on the Effective Date specified by the Company or the Trustee, and (C) make the adjustments to the Make-Whole Premium Table as provided for in Section 5.3, and shall deliver its calculation of the Stock Price and Make-Whole Premium, along with its adjustments to the Make-Whole Premium Table, to the Company and the Trustee within five (5) Business Days after the request by the Company or the Trustee. The Company, or at the Company's request and expense, the Trustee in the name of the Company, (X) shall notify the Holders of the Stock Price and the estimated Make-Whole Premium per $1,000 Principal Amount of Securities with respect to a Fundamental Change as part of the Designated Event Notice delivered in connection with a Fundamental Change in accordance with Section 3.5(b) or otherwise in accordance with the notice provisions of the Indenture and (Y) shall notify the Holders promptly upon the opening of business on the Effective Date of the number of shares of Common Stock (or, at the option of the Company, other securities, assets or property or cash into which all or substantially all of the shares of Common Stock have been converted as of the Effective Date as described above) to be delivered in respect of the Make-Whole Premium, if any, payable in connection with conversions upon such Fundamental Change.

(e) In the event of a Fundamental Change where the Company is not the surviving entity, for each conversion by a Holder after the Effective Date, such Holder shall receive in lieu of each share of Common Stock payable as part of the Make-Whole Premium the Exchange Property received in such Fundamental Change for each share of Common Stock.

(f) Promptly after determination of the actual number of shares of Common Stock to be issued in respect of the Make-Whole Premium, the Company shall publish a notice containing this information in a newspaper published in the English language, customarily published each Business Day and of general circulation in The City of New York and publish such information on the Company's web site or through such other public medium as the Company may use at that time.

Section 5.2. *Payment Of Make-Whole Premium.* On or prior to 10:00 a.m., New York City time, on the Effective Date, the Company will deposit with the Trustee or with one or more paying agents, additional shares of Common Stock, cash and/or other assets or property sufficient to satisfy the entitlement of the Holders of Debentures under Section 5.1. Payment of the entitlement pursuant to Section 5.1 to Holders of Debentures surrendered for conversion during the Fundamental Change Conversion Period will be made promptly by the Trustee or such paying agent on the Conversion Date or Effective Date, as applicable. To the extent that the aggregate amount of shares of Common Stock, cash and/or other assets or property deposited by the Company pursuant to this Section exceeds the aggregate entitlement of the Holders of Debentures under Section 5.1 that are converted in respect of the Fundamental Change and are entitled to receive the Make-Whole Premium, then, promptly after the expiration of the Fundamental Change Conversion Period, the Trustee (or the paying agent) shall return any such excess to the Company.

Section 5.3. *Adjustments Relating To The Make-Whole Premium*. Each time that the Conversion Rate is adjusted by the Company pursuant to Section 16.5 hereof, (A) the Stock Price Threshold, the Stock Price Cap and each of the stock prices set forth in the left hand column of the Make-Whole Premium Table shall be adjusted (rounded to the nearest cent) by multiplying each such amount by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment and the denominator of which is the Conversion Rate as so adjusted, and (B) each of share amounts set forth in the body of the Make-Whole Premium Table shall be adjusted (rounded to the nearest one-one hundredth of a share) in the same manner as the Conversion Rate is adjusted pursuant to Section 16.5 hereof.

ARTICLE 6.
PARTICULAR COVENANTS OF THE COMPANY

Section 6.1. *Payment of Principal, Premium and Interest*. The Company covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and premium, if any (including the redemption price upon redemption or the purchase price upon repurchase, in each case pursuant to ARTICLE 3), and interest, on each of the Debentures at the places, at the respective times and in the manner provided herein and in the Debentures.

Section 6.2. *Maintenance of Office or Agency*. The Company will, or will cause the Trustee to, maintain an office or agency where the Debentures may be surrendered for registration of transfer or exchange or for presentation for payment or for conversion, redemption or repurchase and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not designated or appointed by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office.

The Company may also from time to time designate co-registrars and one or more offices or agencies where the Debentures may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written

notice of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the Trustee as paying agent, Debenture Registrar, Custodian and conversion agent and each of the Corporate Trust Office and the office of agency of the Trustee, shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

So long as the Trustee is the Debenture Registrar, the Trustee agrees to mail, or cause to be mailed, the notices set forth in Section 9.10(a) and the third paragraph of Section 9.11. If co-registrars have been appointed in accordance with this Section 6.2, the Trustee shall mail such notices only to the Company and the Holders of Debentures it can identify from its records.

Section 6.3. *Appointments to Fill Vacancies in Trustee's Office*. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 9.10, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 6.4. *Provisions as to Paying Agent*. (a) If the Company shall appoint a paying agent other than the Trustee, or if the Trustee shall appoint such a paying agent, the Company will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 6.4:

(1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or interest on the Debentures (whether such sums have been paid to it by the Company or by any other obligor on the Debentures) in trust for the benefit of the Holders of the Debentures;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Debentures) to make any payment of the principal of and premium, if any, or interest on the Debentures when the same shall be due and payable; and

(3) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal of, premium, if any, or interest on the Debentures, deposit with the paying agent a sum (in funds which are immediately available on the due date for such payment) sufficient to pay such principal, premium, if any, or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; provided that if such deposit is made on the due date, such deposit shall be received by the paying agent by 10:00 a.m. New York City time, on such date.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of, premium, if any, or interest on the Debentures, set aside, segregate and hold in trust for the benefit of the Holders of the Debentures a sum sufficient to pay such principal, premium, if any, or interest so becoming due and will promptly notify the Trustee of any failure to take such action and of any failure by the Company (or any other obligor under the

Debentures) to make any payment of the principal of, premium, if any, or interest on the Debentures when the same shall become due and payable.

(c) Anything in this Section 6.4 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any paying agent hereunder as required by this Section 6.4, such sums to be held by the Trustee upon the trusts herein contained and upon such payment by the Company or any paying agent to the Trustee, the Company or such paying agent shall be released from all further liability with respect to such sums.

(d) Anything in this Section 6.4 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 6.4 is subject to Section 14.3 and Section 14.4.

The Trustee shall not be responsible for the actions of any other paying agents (including the Company if acting as its own paying agent) and shall have no control of any funds held by such other paying agents.

Section 6.5. *Existence*. Subject to ARTICLE 13, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and rights (charter and statutory); provided that the Company shall not be required to preserve any such right if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof does not adversely effect in any material respect the Debentureholders.

Section 6.6. *Maintenance of Properties*. The Company will cause all material properties used or useful in the conduct of its business or the business of any Significant Subsidiary to be maintained and kept in good condition, repair and working order (normal wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly conducted at all times; provided that nothing in this Section 6.6 shall prevent the Company from (i) selling, assigning, transferring, consigning, delivering or otherwise disposing of such properties or (ii) discontinuing the operation or maintenance of any of such properties, in each case, if such sale, assignment, transfer, conveyance, delivery, disposition or discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any subsidiary.

Section 6.7. *Payment of Taxes and Other Claims*. The Company will pay or discharge, or cause to be paid or discharged, before the same may become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Significant Subsidiary or upon the income, profits or property of the Company or any Significant Subsidiary, (ii) all claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the property of the Company or any Significant Subsidiary and (iii) all stamp taxes and other duties, if any, which may be imposed by the United States or any political subdivision thereof or therein in connection with the issuance, transfer, exchange, conversion, redemption or

repurchase of any Debentures or with respect to this Indenture; provided that, in the case of clauses (i) and (ii), the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (A) if the failure to do so will not, in the aggregate, have a material adverse impact on the Company, or (B) if the amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 6.8. *Rule 144A Information Requirement*. Within the period prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), the Company covenants and agrees that it shall, during any period in which it is not subject to Sections 13 or 15(d) under the Exchange Act, make available to any Holder or beneficial holder of Debentures or any Common Stock issued upon conversion thereof which continue to be Restricted Securities in connection with any sale thereof and any prospective purchaser of Debentures or such Common Stock designated by such Holder or beneficial holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial holder of the Debentures or such Common Stock and it will take such further action as any Holder or beneficial holder of such Debentures or such Common Stock may reasonably request, all to the extent required from time to time to enable such Holder or beneficial holder to sell its Debentures or Common Stock without registration under the Securities Act within the limitation of the exemption provided by Rule 144A, as such Rule may be amended from time to time. Upon the reasonable request of any Holder or any beneficial holder of the Debentures or such Common Stock, the Company will deliver to such Holder or beneficial holder a written statement as to whether it has complied with such requirements.

Section 6.9. *Stay, Extension and Usury Laws*. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of, premium, if any, or interest on the Debentures as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.10. *Compliance Certificate*. The Company shall deliver to the Trustee, within one hundred twenty (120) days after the end of each fiscal year of the Company, a certificate signed by either the principal executive officer, principal financial officer or principal accounting officer of the Company, stating whether or not, to the best knowledge of the signer thereof, the Company is in default, in any material respect, in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and the status thereof of which the signer may have knowledge.

The Company will deliver to the Trustee, forthwith upon becoming aware of (i) any default in any material respect in the performance or observance of any covenant, agreement or condition contained in this Indenture, or (ii) any Event of Default, an Officers' Certificate

specifying with particularity such default or Event of Default and further stating what action the Company has taken, is taking or proposes to take with respect thereto.

Any notice required to be given under this Section 6.10 shall be delivered to a Responsible Officer of the Trustee at its Corporate Trust Office.

Section 6.11. *Liquidated Damages Notice*. In the event that the Company is required to pay Liquidated Damages to Holders of Debentures pursuant to the Registration Rights Agreement, the Company will provide written notice ("**Liquidated Damages Notice**") to the Trustee of its obligation to pay Liquidated Damages no later than fifteen (15) days prior to the proposed payment date for the Liquidated Damages, and the Liquidated Damages Notice shall set forth the amount of Liquidated Damages to be paid by the Company on such payment date. The Trustee shall not at any time be under any duty or responsibility to any Holder of Debentures to determine the Liquidated Damages, or with respect to the nature, extent or calculation of the amount of Liquidated Damages when made, or with respect to the method employed in such calculation of the Liquidated Damages.

Section 6.12. *Future Subordinated Indebtedness*. The Company will not create Future Subordinated Indebtedness unless, by its terms, it is either junior to, or pari passu with, the Debentures. The term "**Future Subordinated Indebtedness**" refers to indebtedness for money borrowed hereafter created by the Company which is designated as subordinated to Senior Indebtedness of the Company.

ARTICLE 7.
DEBENTUREHOLDERS' LISTS AND REPORTS
BY THE COMPANY AND THE TRUSTEE

Section 7.1. *Debentureholders' Lists*. The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semiannually, not more than fifteen (15) days after each June 15 and December 15 in each year beginning with December 15, 2007, and at such other times as the Trustee may request in writing, within thirty (30) days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of Debentures as of a date not more than fifteen (15) days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished by the Company to the Trustee so long as the Trustee is acting as the sole Debenture Registrar.

Section 7.2. *Preservation And Disclosure Of Lists*. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders of Debentures contained in the most recent list furnished to it as provided in Section 7.1 or maintained by the Trustee in its capacity as Debenture Registrar or co-registrar in respect of the Debentures, if so acting. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) The rights of Debentureholders to communicate with other holders of Debentures with respect to their rights under this Indenture or under the Debentures, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Debentureholder, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of holders of Debentures made pursuant to the Trust Indenture Act.

Section 7.3. *Reports By Trustee*. (a) Within sixty (60) days after May 15 of each year commencing with the year 2008, the Trustee shall transmit to Holders of Debentures such reports dated as of May 15 of the year in which such reports are made concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. In the event that no events have occurred under the applicable sections of the Trust Indenture Act the Trustee shall be under no duty or obligation to provide such reports.

(b) A copy of such report shall, at the time of such transmission to Holders of Debentures, be filed by the Trustee with each stock exchange and automated quotation system upon which the Debentures are listed and with the Company. The Company will promptly notify the Trustee in writing when the Debentures are listed on any stock exchange or automated quotation system or delisted therefrom.

Section 7.4. *Reports by Company*. The Company shall file with the Trustee (and the Commission if at any time after the Indenture becomes qualified under the Trust Indenture Act), and transmit to Holders of Debentures, such information, documents and other reports and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act, whether or not the Debentures are governed by such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Sections 13 or 15(d) of the Exchange Act shall be filed with the Trustee within fifteen (15) days after the same is so required to be filed with the Commission. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officers' Certificates).

ARTICLE 8.
REMEDIES OF THE TRUSTEE AND
DEBENTUREHOLDERS ON AN EVENT OF DEFAULT

Section 8.1. *Events Of Default*. In case one or more of the following Events of Default (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall have occurred and be continuing:

(a) default in the payment of the principal of or premium, if any, on any of the Debentures as and when the same shall become due and payable either at maturity or in connection with any redemption, repurchase or otherwise, in each case pursuant to ARTICLE 3, by acceleration or otherwise and whether or not prohibited by ARTICLE 4; or

(b) default in the payment of any installment of interest upon any of the Debentures as and when the same shall become due and payable, whether or not prohibited by ARTICLE 4, and continuance of such default for a period of ten (10) Business Days; or

(c) default in the Company's obligation to convert any Debentures following the exercise by the Holder of the Debentures of the right to convert such Debentures into Common Stock pursuant to and in accordance with ARTICLE 16; or

(d) default in the Company's obligation to provide a Designated Event Notice upon a Designated Event as provided in Section 3.5; or

(e) default in the payment of principal when due at interim or final maturity or resulting in acceleration of other Indebtedness of the Company for borrowed money where the aggregate principal amount with respect to which the default or acceleration has occurred exceeds $5 million and such acceleration has not been cured or rescinded within a period of ten (10) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Required Holders; or

(f) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Debentures or in this Indenture (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section 8.1 specifically dealt with) continued for a period of thirty (30) days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or the Company and a Responsible Officer of the Trustee by the Required Holders; or

(g) the Company shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any substantial part of the property of the Company, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against the Company, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or admit in writing its inability to pay its debts as they become due; or

(h) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization or other relief with respect to the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any substantial part of the property of the Company, and such involuntary case or

other proceeding shall remain undismissed and unstayed for a period of sixty (60) consecutive days, then, and in each and every such case (other than an Event of Default specified in Section 8.1(g) or Section 8.1(h)), unless the principal of all of the Debentures then outstanding shall have already become due and payable, either the Trustee or the Required Holders, by notice in writing to the Company (and to the Trustee if given by Debentureholders), may declare the principal of and premium, if any, on all the Debentures then outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Debentures contained to the contrary notwithstanding. If an Event of Default specified in Section 8.1(g) or Section 8.1(h) occurs, the principal of all the Debentures then outstanding and the interest accrued thereon shall be immediately and automatically due and payable without necessity of further action. This provision, however, is subject to the conditions that if, at any time after the principal of the Debentures shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all Debentures then outstanding and the principal of and premium, if any, on any and all Debentures which shall have become due otherwise than by acceleration (with interest on overdue installments of interest (to the extent that payment of such interest is enforceable under applicable law) and on such principal and premium, if any, at the rate borne by the Debentures, to the date of such payment or deposit) and amounts due to the Trustee pursuant to Section 9.6, and if any and all defaults under this Indenture, other than the nonpayment of principal of and premium, if any, and accrued interest on Debentures which shall have become due by acceleration, shall have been cured or waived pursuant to Section 8.7, then and in every such case the Holders of a majority in aggregate principal amount of the Debentures then outstanding, by written notice to the Company and to the Trustee, may waive all defaults or Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or Event of Default, or shall impair any right consequent thereon. The Company shall notify in writing a Responsible Officer of the Trustee, promptly upon becoming aware thereof, of any Event of Default.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such waiver or rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders of Debentures, and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders of Debentures, and the Trustee shall continue as though no such proceeding had been taken.

Section 8.2. *Payments of Debentures on Default; Suit Therefor*. The Company covenants that (i) in case default shall be made in the payment of any installment of interest upon any of the Debentures then outstanding as and when the same shall become due and payable, and such default shall have continued for a period of ten (10) Business Days, or (ii) in case default shall be made in the payment of the principal of or premium, if any, on any of the Debentures then outstanding as and when the same shall have become due and payable, whether at maturity of the Debentures or in connection with any redemption, by or under this Indenture declaration or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the

benefit of the Holders of the Debentures, the whole amount that then shall have become due and payable on all such Debentures for principal and premium, if any, or interest, as the case may be, with interest upon the overdue principal and premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the rate borne by the Debentures, plus 1% and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other amounts due the Trustee under Section 9.6. Until such demand by the Trustee, the Company may pay the principal of and premium, if any, and interest on the Debentures to the Holders, whether or not the Debentures are overdue.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the Debentures and collect in the manner provided by law out of the property of the Company or any other obligor on the Debentures wherever situated the monies adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Debentures under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the case of any other judicial proceedings relative to the Company or such other obligor upon the Debentures, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 8.2, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Debentures, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Debentureholders allowed in such judicial proceedings relative to the Company or any other obligor on the Debentures, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due the Trustee under Section 9.6, and to take any other action with respect to such claims, including participating as a member of any official committee of creditors, as it reasonably deems necessary or advisable, and, unless prohibited by law or applicable regulations, and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Debentureholders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Debentureholders, to pay to the Trustee any amount due it for reasonable compensation, expenses, advances and disbursements, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all

distributions, dividends, monies, securities and other property which the Holders of the Debentures may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Debentures, may be enforced by the Trustee without the possession of any of the Debentures, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Debentures.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Debentures, and it shall not be necessary to make any Holders of the Debentures parties to any such proceedings.

Section 8.3. *Application of Monies Collected By Trustee*. Any monies collected by the Trustee pursuant to this ARTICLE 8 or any other monies held by the Trustee under this Indenture shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Debentures, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 9.6;

SECOND: In case the principal of the outstanding Debentures shall not have become due and be unpaid, to the payment of interest on the Debentures in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate borne by the Debentures, such payments to be made ratably to the Persons entitled thereto;

THIRD: In case the principal of the outstanding Debentures shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount then owing and unpaid upon the Debentures for principal and premium, if any, and interest, with interest on the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate borne by the Debentures, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Debentures, then to the payment of such principal and premium, if any, and interest without preference or priority of principal and premium, if any, over interest, or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Debenture over any other Debenture, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Company or any other Person lawfully entitled thereto.

Section 8.4. *Proceedings by Debentureholder*. No Holder of any Debenture shall have any right by virtue of or by reference to any provision of this Indenture to institute any suit,

action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Required Holders shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable security or indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 8.7; it being understood and intended, and being expressly covenanted by the taker and Holder of every Debenture with every other taker and Holder and the Trustee, that no one or more Holders of Debentures shall have any right in any manner whatever by virtue of or by reference to any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of Debentures, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Debentures (except as otherwise provided herein). For the protection and enforcement of this Section 8.4, each and every Debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Debenture, the right of any Holder of any Debenture to receive payment of the principal of and premium, if any (including the redemption price upon redemption pursuant to ARTICLE 8), and accrued interest on such Debenture, on or after the respective due dates expressed in such Debenture or in the event of redemption, or to institute suit for the enforcement of any such payment on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Anything in this Indenture or the Debentures to the contrary notwithstanding, the Holder of any Debenture, without the consent of either the Trustee or the Holder of any other Debenture, in its own behalf and for its own benefit, may enforce, and may institute and maintain any proceeding suitable to enforce, its rights of conversion as provided herein.

Section 8.5. *Proceedings By Trustee*. In case of an Event of Default, the Trustee may, in its discretion, proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 8.6. *Remedies Cumulative And Continuing*. Except as provided in Section 2.6, all powers and remedies given by this Article 8 to the Trustee or to the Debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Debentures, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and

agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Debentures to exercise any right or power accruing upon any default or Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or any acquiescence therein, and, subject to the provisions of Section 8.4, every power and remedy given by this ARTICLE 8 or by law to the Trustee or to the Debentureholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Debentureholders.

Section 8.7. *Direction of Proceedings and Waiver of Defaults By Majority of Debentureholders*. The Holders of a majority in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.4 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that (a) such direction shall not be in conflict with any rule of law or with this Indenture, (b) the Trustee may take any other action which is not inconsistent with such direction, (c) the Trustee may decline to take any action that would benefit some Debentureholder to the detriment of other Debentureholders and (d) the Trustee may decline to take any action that would involve the Trustee in personal liability. The Holders of a majority in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.4 may, on behalf of the Holders of all of the Debentures, waive any past default or Event of Default hereunder and its consequences except (i) a default in the payment of interest or premium, if any, on, or the principal of, the Debentures, (ii) a failure by the Company to convert any Debentures into Common Stock, (iii) a default in the payment of the redemption price pursuant to ARTICLE 3, (iv) a default in the payment of the purchase price pursuant to ARTICLE 3 or (v) a default in respect of a covenant or provisions hereof which under ARTICLE 12 cannot be modified or amended without the consent of the Holders of each or all Debentures then outstanding or affected thereby. Upon any such waiver, the Company, the Trustee and the Holders of the Debentures shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 8.7, said default or Event of Default shall for all purposes of the Debentures and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 8.8. *Notice of Defaults*. The Trustee shall, within ninety (90) days after a Responsible Officer of the Trustee has knowledge of the occurrence of a default, mail to all Debentureholders, as the names and addresses of such Holders appear upon the Debenture Register, notice of all defaults known to a Responsible Officer, unless such defaults shall have been cured or waived before the giving of such notice; provided that except in the case of default in the payment of the principal of, or premium, if any, or interest on any of the Debentures, the Trustee shall be protected in withholding such notice if and so long as a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Debentureholders.

Section 8.9. *Undertaking To Pay Costs*. All parties to this Indenture agree, and each Holder of any Debenture by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under

this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided that the provisions of this Section 8.9 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Debentureholder, or group of Debentureholders, holding in the aggregate more than ten percent in principal amount of the Debentures at the time outstanding determined in accordance with Section 10.4, or to any suit instituted by any Debentureholder for the enforcement of the payment of the principal of or premium, if any, or interest on any Debenture on or after the due date expressed in such Debenture or to any suit for the enforcement of the right to convert any Debenture in accordance with the provisions of ARTICLE 16.

ARTICLE 9.
THE TRUSTEE

Section 9.1. *Duties and Responsibilities of Trustee*. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs, and no implied covenants or obligations shall be read into this Indenture and the Trust Indenture Act against the Trustee.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and the Trust Indenture Act, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture and the Trust Indenture Act against the Trustee; and

(ii) in the absence of bad faith and willful misconduct on the part of the Trustee, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not the forms of such certificates or opinions conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Holders of not less than a majority in principal amount of the Debentures at the time outstanding determined as provided in Section 10.4 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this ARTICLE 9;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any paying agent or any records maintained by any co-registrar with respect to the Debentures;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively rely on its failure to receive such notice as reason to act as if no such event occurred; and

(g) the Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless it shall have been notified in writing of such Event of Default by the Company or the Holders of at least 10% in aggregate principal amount of the Debentures.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 9.2. *Reliance on Documents, Opinions, Etc*. Except as otherwise provided in Section 9.1:

(a) the Trustee may conclusively rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or other paper or document (whether in its original or facsimile form) believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel of its own selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Debentureholders pursuant to the provisions of this Indenture, unless such Debentureholders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder.

(g) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(h) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder;

(i) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded; and

(j) Any permissive right or authority granted to the Trustee shall not be construed as a mandatory duty.

Section 9.3. *No Responsibility For Recitals, Etc*. The recitals contained herein and in the Debentures (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures. The Trustee shall not be accountable for the use or application by the

Company of any Debentures or the proceeds of any Debentures authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 9.4. *Trustee, Paying Agents, Conversion Agents or Registrar May Own Debentures*. The Trustee, any paying agent, any conversion agent or Debenture Registrar, in its individual or any other capacity, may become the owner or pledgee of Debentures with the same rights it would have if it were not Trustee, paying agent, conversion agent or Debenture Registrar.

Section 9.5. *Monies to Be Held in Trust*. Subject to the provisions of Section 14.4, all monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as may be agreed in writing from time to time by the Company and the Trustee.

Section 9.6. *Compensation and Expenses of Trustee*. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to from time to time in writing between the Company and the Trustee, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, willful misconduct, recklessness or bad faith. The Company also covenants to indemnify the Trustee and any predecessor Trustee (or any officer, director or employee of the Trustee), in any capacity under this Indenture and its agents and any authenticating agent for, and to hold them harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of the Trustee) incurred without negligence, willful misconduct, recklessness or bad faith on the part of the Trustee or such officers, directors, employees and agent or authenticating agent, as the case may be, and arising out of or in connection with the acceptance or administration of this trust or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim (whether asserted by the Company, any Holder or any other Person) of liability in the premises. The obligations of the Company under this Section 9.6 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Debentures. The obligation of the Company under this Section 9.6 shall survive the satisfaction and discharge of this Indenture.

When the Trustee and its agents and any authenticating agent incur expenses or render services after an Event of Default specified in Section 8.1(g) or Section 8.1(h) with respect to the Company occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 9.7. *Officers' Certificate As Evidence*. Except as otherwise provided in Section 9.1, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee.

Section 9.8. *Conflicting Interests of Trustee*. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 9.9. *Eligibility of Trustee*. There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 (or if such Person is a member of a bank holding company system, its bank holding company shall have a combined capital and surplus of at least $50,000,000). If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section 9.9 the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.9, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 9.10. *Resignation or Removal of Trustee*.

(a) The Trustee may at any time resign by giving written notice of such resignation to the Company and to the Holders of Debentures. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment sixty (60) days after the mailing of such notice of resignation to the Debentureholders, the resigning Trustee may, upon ten (10) Business Days' notice to the Company and the Debentureholders, appoint a successor identified in such notice or may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee, or, if any Debentureholder who has been a bona fide Holder of a Debenture or Debentures for at least six (6) months may, subject to the provisions of Section 8.9, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with Section 9.8 after written request therefor by the Company or by any Debentureholder who has been a bona fide Holder of a Debenture or Debentures for at least six (6) months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 9.9 and shall fail to resign after written request therefor by the Company or by any such Debentureholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 8.9, any Debentureholder who has been a bona fide Holder of a Debenture or Debentures for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee; provided that if no successor Trustee shall have been appointed and have accepted appointment sixty (60) days after either the Company or the Debentureholders has removed the Trustee, or the Trustee resigns, the Trustee so removed may petition, at the expense of the Company, any court of competent jurisdiction for an appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Debentures at the time outstanding may at any time remove the Trustee and nominate a successor trustee which shall be deemed appointed as successor trustee unless, within ten (10) days after notice to the Company of such nomination, the Company objects thereto, in which case the Trustee so removed or any Debentureholder, or if such Trustee so removed or any Debentureholder fails to act, the Company, upon the terms and conditions and otherwise as in Section 9.10(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 9.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 9.11.

(e) Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under Section 9.6 shall continue for the benefit of the retiring Trustee.

Section 9.11. *Acceptance by Successor Trustee*. Any successor trustee appointed as provided in Section 9.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein, and the predecessor trustee's duties and obligations shall cease and terminate, except as otherwise expressly provided herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment

of any amount then due it pursuant to the provisions of Section 9.6, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property and funds held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Debentures, to secure any amounts then due it pursuant to the provisions of Section 9.6.

No successor trustee shall accept appointment as provided in this Section 9.11 unless, at the time of such acceptance, such successor trustee shall be qualified under the provisions of Section 9.8 and be eligible under the provisions of Section 9.9.

Upon acceptance of appointment by a successor trustee as provided in this Section 9.11, the Company (or the former trustee, at the written direction of the Company) shall mail or cause to be mailed notice of the succession of such trustee hereunder to the Holders of Debentures at their addresses as they shall appear on the Debenture Register. If the Company fails to mail such notice within ten (10) days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 9.12. *Succession By Merger*. Any corporation, association or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee (including any trust created by this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that in the case of any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, such corporation shall be qualified under the provisions of Section 9.8 and eligible under the provisions of Section 9.9.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Debentures shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee or authenticating agent appointed by such predecessor trustee, and deliver such Debentures so authenticated; and in case at that time any of the Debentures shall not have been authenticated, any successor to the Trustee or any authenticating agent appointed by such successor trustee may authenticate such Debentures in the name of the successor trustee; and in all such cases such certificates shall have the full force that is provided in the Debentures or in this Indenture; provided that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Debentures in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 9.13. *Preferential Collection of Claims*. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Debentures), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of the claims against the Company (or any such other obligor).

ARTICLE 10.
THE DEBENTUREHOLDERS

Section 10.1. *Action By Debentureholders*. Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Debentures may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Debentureholders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders of Debentures voting in favor thereof at any meeting of Debentureholders duly called and held in accordance with the provisions of ARTICLE 11, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Debentureholders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Debentures, the Company or the Trustee may fix in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date shall be not more than fifteen (15) days prior to the date of commencement of solicitation of such action.

Section 10.2. *Proof of Execution by Debentureholders*. Subject to the provisions of Section 9.1, Section 9.2 and Section 11.5, proof of the execution of any instrument by a Debentureholder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Debentures shall be proved by the registry of such Debentures or by a certificate of the Debenture Registrar.

The record of any Debentureholders' meeting shall be proved in the manner provided in Section 11.6.

Section 10.3. *Who Are Deemed Absolute Owners*. The Company, the Trustee, any paying agent, any conversion agent and any Debenture Registrar may deem the Person in whose name such Debenture shall be registered upon the Debenture Register to be, and may treat it as, the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Debenture Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Debenture, for conversion of such Debenture and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Debenture Registrar shall be affected by any notice to the contrary. All such payments so made to any Holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Debenture.

Section 10.4. *Company-owned Debentures Disregarded*. In determining whether the Holders of the requisite aggregate principal amount of Debentures have concurred in any direction, consent, waiver or other action under this Indenture, Debentures which are owned by the Company or any other obligor on the Debentures or any Affiliate of the Company or any other obligor on the Debentures shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided that for the purposes of determining whether the

Trustee shall be protected in relying on any such direction, consent, waiver or other action, only Debentures which a Responsible Officer knows are so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 10.4 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures and that the pledgee is not the Company, any other obligor on the Debentures or any Affiliate of the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Debentures, if any, known by the Company to be owned or held by or for the account of any of the above described Persons, and, subject to Section 9.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Debentures not listed therein are Outstanding for the purpose of any such determination.

Section 10.5. *Revocation Of Consents, Future Holders Bound*. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 10.1, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action, any Holder of a Debenture which is shown by the evidence to be included in the Debentures the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 10.2, revoke such action so far as concerns such Debenture. Except as aforesaid, any such action taken by the Holder of any Debenture shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Debenture and of any Debentures issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon such Debenture or any Debenture issued in exchange or substitution therefor.

ARTICLE 11.
MEETINGS OF DEBENTUREHOLDERS

Section 11.1. *Purpose Of Meetings*. A meeting of Debentureholders may be called at any time and from time to time pursuant to the provisions of this ARTICLE 11 for any of the following purposes:

(1) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Debentureholders pursuant to any of the provisions of ARTICLE 8;

(2) to remove the Trustee and nominate a successor trustee pursuant to the provisions of ARTICLE 9;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 12.2; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Debentures under any other provision of this Indenture or under applicable law.

Section 11.2. *Call Of Meetings By Trustee*. The Trustee may at any time call a meeting of Debentureholders to take any action specified in Section 11.1, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Debentureholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 10.1, shall be mailed to Holders of Debentures at their addresses as they shall appear on the Debenture Register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than twenty (20) nor more than ninety (90) days prior to the date fixed for the meeting.

Any meeting of Debentureholders shall be valid without notice if the Holders of all Debentures then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Debentures outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 11.3. *Call of Meetings by Company or Debentureholders*. In case at any time the Company, pursuant to a resolution of its Board of Directors, or the Holders of at least ten percent (10%) in aggregate principal amount of the Debentures then outstanding, shall have requested the Trustee to call a meeting of Debentureholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within twenty (20) days after receipt of such request, then the Company or such Debentureholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 11.1, by mailing notice thereof as provided in Section 11.2.

Section 11.4. *Qualifications for Voting*. To be entitled to vote at any meeting of Debentureholders a person shall (a) be a Holder of one or more Debentures on the record date pertaining to such meeting or (b) be a person appointed by an instrument in writing as proxy by a Holder of one or more Debentures on the record date pertaining to such meeting. The only persons who shall be entitled to be present or to speak at any meeting of Debentureholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 11.5. *Regulations*. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Debentureholders, in regard to proof of the holding of Debentures and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Debentureholders as provided in Section 11.3, in which case the Company or the Debentureholders calling the

meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Debentures represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 10.4, at any meeting each Debentureholder or proxyholder shall be entitled to one vote for each $1,000 principal amount of Debentures held or represented by him; provided that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Debentures held by him or instruments in writing as aforesaid duly designating him as the proxy to vote on behalf of other Debentureholders. Any meeting of Debentureholders duly called pursuant to the provisions of Section 11.2 or Section 11.3 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Debentures represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 11.6. *Voting*. The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballot on which shall be subscribed the signatures of the Holders of Debentures or of their representatives by proxy and the outstanding principal amount of the Debentures held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 11.2. The record shall show the principal amount of the Debentures voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 11.7. *No Delay Of Rights By Meeting*. Nothing contained in this ARTICLE 11 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Debentureholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Debentureholders under any of the provisions of this Indenture or of the Debentures.

ARTICLE 12.
SUPPLEMENTAL INDENTURES

Section 12.1. *Supplemental Indentures Without Consent of Debentureholders*. The Company, when authorized by the resolutions of the Board of Directors, and the Trustee may, from time to time, and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) make provision with respect to the conversion rights of the Holders of Debentures pursuant to the requirements of Section 16.6 and the redemption obligations of the Company pursuant to the requirements of Section 3.5(e);

(b) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Debentures, any property or assets;

(c) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company pursuant to ARTICLE 13;

(d) to add to the covenants of the Company such further covenants, restrictions or conditions as the Board of Directors and the Trustee shall consider to be for the benefit of the Holders of Debentures, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided that in respect of any such additional covenant, restriction or condition, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(e) to provide for the issuance under this Indenture of Debentures in coupon form (including Debentures registrable as to principal only) and to provide for exchangeability of such Debentures with the Debentures issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(f) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture that shall not materially adversely affect the interests of the Holders of the Debentures;

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Debentures; or

(h) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualifications of this Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted.

Upon the written request of the Company, accompanied by a copy of the resolutions of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any supplemental indenture, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 12.1 may be executed by the Company and the Trustee without the consent of the Holders of any of the Debentures at the time outstanding, notwithstanding any of the provisions of Section 12.2.

Notwithstanding any other provision of the Indenture or the Debentures, the Registration Rights Agreement and the obligation to pay Liquidated Damages thereunder may be amended, modified or waived in accordance with the provisions of the Registration Rights Agreement.

Section 12.2. *Supplemental Indenture With Consent Of Debentureholders*. With the consent (evidenced as provided in ARTICLE 10) of the Holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding, the Company, when authorized by the resolutions of the Board of Directors, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders of the Debentures; provided that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or (ii) reduce the rate or extend the time of payment of interest thereon, or (iii) reduce the principal amount thereof or premium, if any, thereon, or (iv) reduce any amount payable on redemption or repurchase thereof, or (v) impair the right of any Debentureholder to institute suit for the payment thereof, or (vi) make the principal thereof or interest or premium, if any, thereon payable in any coin or currency other than that provided in the Debentures, or (vii) change the obligation of the Company to redeem any Debenture on a redemption date in a manner adverse to the Holders of Debentures, or (viii) change the obligation of the Company to redeem any Debenture upon the happening of a Designated Event in a manner adverse to the Holders of Debentures, or (ix) change the obligation of the Company to repurchase any Debenture on a Designated Event Repurchase Date in a manner adverse to the Holders of Debentures, or (x) impair the right to convert the Debentures into Common Stock subject to the terms set forth herein, including Section 16.6, in each case, without the consent of the Holder of each Debenture so affected, or (xi) modify any of the provisions of this Section 12.2 or Section 8.7, except to increase any such percentage or (xii) to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Debenture so affected, or (xiii) change any obligation of the Company to maintain an office or agency in the places and for the purposes set forth in Section 6.1, or (xiv) reduce the quorum or voting requirements set forth in ARTICLE 11, or change the provisions of ARTICLE 4 in a manner adverse to the Holders of Debentures, or modify in any manner the entitlement and calculation of the Make-Whole Premium, or (xv) reduce the aforesaid percentage of Debentures, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of all Debentures then outstanding.

Upon the written request of the Company, accompanied by a copy of the resolutions of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Debentureholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Debentureholders under this Section 12.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 12.3. *Effect Of Supplemental Indenture*. Any supplemental indenture executed pursuant to the provisions of this ARTICLE 12 shall comply with the Trust Indenture Act, as then in effect, provided that this Section 12.3 shall not require such supplemental indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by any party to such supplemental indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act. Upon the execution of any supplemental indenture pursuant to the provisions of this ARTICLE 12, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders of Debentures shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 12.4. *Notation On Debentures.* Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this ARTICLE 12 may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee (or an authenticating agent duly appointed by the Trustee pursuant to Section 17.10 and delivered in exchange for the Debentures then outstanding, upon surrender of such Debentures then outstanding.

Section 12.5. *Evidence Of Compliance Of Supplemental Indenture To Be Furnished To Trustee*. Prior to entering into any supplemental indenture, the Trustee shall be provided with an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this ARTICLE 12 and is otherwise authorized or permitted by this Indenture.

ARTICLE 13.
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 13.1. *Company May Consolidate on Certain Terms*. Subject to the provisions of Section 13.2, the Company shall not consolidate or merge with or into any other Person or Persons (whether or not affiliated with the Company), nor shall the Company or its successor or successors be a party or parties to successive consolidations or mergers, nor shall the Company sell, convey, transfer or lease all or substantially all of the property and assets of the Company (computed on a consolidated basis), to any other Person (whether or not affiliated with the Company), unless: (i) the Company is the surviving Person, or the resulting, surviving or transferee Person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia; (ii) upon any such consolidation, merger, sale, conveyance, transfer or lease, the due and punctual payment of the principal of and premium, if any, and interest on all of the Debentures, according to their tenor and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company, shall be expressly assumed, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee by the Person (if other than the Company) formed by such consolidation, or into which the Company shall have been merged, or by the Person that shall have acquired or leased such property, and such supplemental indenture shall provide for the applicable conversion rights set forth in Section 16.6; and (iii) immediately after giving effect to the transaction described above, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing. If the Company were to sell its chemical business, based upon the current configuration of the Company, such sale would not constitute a sale of all or substantially all of the property and assets of the Company (computed on a consolidated basis) within the meaning of this Section 13.1.

Section 13.2. *Successor to be Substituted*. In case of any such consolidation, merger or sale, conveyance, transfer or lease of all or substantially all of the Company's properties and assets, and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and interest on all of the Debentures and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such successor Person shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of this first part. Such successor Person thereupon may cause to be signed, and may issue either in its own name or in the name of the Person named as the Company in the first paragraph of this Indenture any or all of the Debentures, issuable hereunder that theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Debentures that previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Debentures that such successor Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures had been issued at the date of the execution hereof. In the event of any such

consolidation, merger or sale, conveyance, transfer or lease of all or substantially all of the Company's properties and assets, the Person named as the "Company" in the first paragraph of this Indenture or any successor that shall thereafter have become such in the manner prescribed in this ARTICLE 13 may be dissolved, wound up and liquidated at any time thereafter and such Person shall be released from its liabilities as obligor and maker of the Debentures and from its obligations under this Indenture.

In case of any such consolidation, merger or sale, conveyance, transfer or lease of all or substantially all of the Company's properties and assets, such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

Section 13.3. *Opinion of Counsel to be Given Trustee*. The Trustee shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger or sale, conveyance, transfer or lease of all or substantially all of the Company's properties and assets and any such assumption complies with the provisions of this ARTICLE 13.

ARTICLE 14.
SATISFACTION AND DISCHARGE OF INDENTURE

Section 14.1. *Discharge of Indenture*. When (i) the Company shall deliver to the Trustee for cancellation all Debentures theretofore authenticated (other than any Debentures that have been destroyed, lost or stolen and in lieu of or in substitution for which other Debentures shall have been authenticated and delivered) and not theretofore canceled, or (ii) all the Debentures not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee, in trust, funds sufficient to pay at maturity or upon redemption of all of the Debentures (other than any Debentures that shall have been mutilated, destroyed, lost or stolen and in lieu of or in substitution for which other Debentures shall have been authenticated and delivered) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, accompanied by a verification report, as to the sufficiency of the deposited amount, from an independent certified accountant or other financial professional satisfactory to the Trustee, and if the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (1) remaining rights of registration of transfer, substitution and exchange and conversion of Debentures, (2)rights hereunder of Debentureholders to receive payments of principal of and premium, if any, and interest on, the Debentures and the other rights, duties and obligations of Debentureholders, as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (3) the rights, obligations and immunities of the Trustee hereunder), and the Trustee, on written demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 17.4 and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; the Company, however, hereby agrees to reimburse the Trustee for any costs or expenses

thereafter reasonably and properly incurred by the Trustee and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Debentures.

Section 14.2. *Deposited Monies to be Held in Trust by Trustee*. Subject to Section 14.4, all monies deposited with the Trustee pursuant to Section 14.1, shall be held in trust for the sole benefit of the Debentureholders, and such monies shall be applied by the Trustee to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the Holders of the particular Debentures for the payment or redemption of which such monies have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest and premium, if any.

Section 14.3. *Paying Agent to Repay Monies Held*. Upon the satisfaction and discharge of this Indenture, all monies then held by any paying agent of the Debentures (other than the Trustee) shall, upon written request of the Company, be repaid to it or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such monies.

Section 14.4. *Return of Unclaimed Monies*. Subject to the requirements of applicable law, any monies deposited with or paid to the Trustee for payment of the principal of, premium, if any, or interest on Debentures and not applied but remaining unclaimed by the Holders of Debentures for two years after the date upon which the principal of, premium, if any, or interest on such Debentures, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on demand and all liability of the Trustee shall thereupon cease with respect to such monies; and the Holder of any of the Debentures shall thereafter look only to the Company for any payment that such Holder may be entitled to collect unless an applicable abandoned property law designates another Person.

Section 14.5. *Reinstatement*. If the Trustee or the paying agent is unable to apply any money in accordance with Section 14.2 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Debentures shall be revived and reinstated as though no deposit had occurred pursuant to Section 14.1 until such time as the Trustee or the paying agent is permitted to apply all such money in accordance with Section 14.2; provided that if the Company makes any payment of interest on or principal of any Debenture following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Debentures to receive such payment from the money held by the Trustee or paying agent.

ARTICLE 15.
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 15.1. *Indenture and Debentures Solely Corporate Obligations*. No recourse for the payment of the principal of or premium, if any, or Interest on any Debenture, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Debenture, or because of the creation of any Indebtedness represented thereby, shall be had

against any incorporator, stockholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Debentures.

ARTICLE 16.
CONVERSION OF DEBENTURES

Section 16.1. *Right to Convert*.

(a) Subject to the provisions of this Indenture, the Holder of any Debenture shall have the right, at such Holder's option, to, at any time prior to the close of business on June 30, 2012 convert the principal amount of the Debenture, or any portion of such principal amount which is a multiple of $1,000, into fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) at the Conversion Rate in effect at such time, by surrender of the Debenture so to be converted in whole or in part, together with any required funds, under the circumstances described in this Section 16.1 and in the manner provided in Section 16.2. Any Holder of a Debenture electing to convert a Debenture, in whole or in part, in connection with a Fundamental Change, shall be entitled to receive, in addition to any cash and shares of Common Stock, if any, provided for in the foregoing sentence, a Make-Whole Premium in accordance with Article V. Notwithstanding the foregoing, if such Debenture has been called for redemption, the Debenture may be converted only until the close of business on the Business Day immediately preceding the redemption date unless the Company fails to pay the redemption price.

(b) A Debenture in respect of which a Holder is electing to exercise its option to require redemption upon a Designated Event pursuant to Section 3.5 may be converted only if such Holder withdraws its election in accordance with Section 3.5(b), or Section 3.6, respectively. A Holder of Debentures is not entitled to any rights of a holder of Common Stock until such Holder has converted his Debentures to Common Stock, and only to the extent such Debentures are deemed to have been converted to Common Stock under this ARTICLE 16.

Section 16.2. *Exercise of Conversion Privilege; Issuance of Common Stock on Conversion.* In order to exercise the conversion privilege with respect to any Debenture in certificated form, the Company must receive at the office or agency of the Company maintained for that purpose or, at the option of such Holder, the Corporate Trust Office, such Debenture with the original or facsimile of the form entitled "**Conversion Notice**" on the reverse thereof, duly completed and manually signed, together with such Debentures duly endorsed for transfer, accompanied by the funds, if any, required by this Section 16.2. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued, and shall be accompanied by transfer or similar taxes, if required pursuant to Section 16.7.

In order to exercise the conversion privilege with respect to any interest in a Global Debenture, the beneficial holder must complete, or cause to be completed, the appropriate

instruction form for conversion pursuant to the Depositary's book-entry conversion program, deliver, or cause to be delivered, by book-entry delivery an interest in such Global Debenture, furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or conversion agent, and pay the funds, if any, required by this Section 16.2 and any transfer taxes if required pursuant to Section 16.7.

In order to validly exercise the conversion privilege under this Section 16.2, a conversion must be effected prior to the expiration of the period of time set forth in the applicable clause of Section 16.1. Each conversion shall be deemed to have been effected as to any such Debenture (or portion thereof) on the date on which the requirements set forth above in this Section 16.2 have been satisfied as to such Debenture (or portion thereof) (the "**Conversion Date**"), and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person in whose name the certificates are to be issued as the holder of record thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Rate in effect on the date upon which such Debenture shall be surrendered.

As promptly as practicable following the Conversion Date, subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than that of the Debentureholder (as if such transfer were a transfer of the Debenture or Debentures (or portion thereof) so converted) but in any event, no later than three (3) Business Days following the Conversion Date, the Company shall issue and shall deliver to such Debentureholder at the office or agency maintained by the Company for such purpose pursuant to Section 6.2, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Debenture or portion thereof as determined by the Company in accordance with the provisions of this ARTICLE 16 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, calculated by the Company as provided in Section 16.3. If the Company is unable to comply with its obligations in the previous sentence within such three (3) Business Days because of the occurrence of a Force Majeure Event, then the days in which such Force Majeure Event exists shall not be deemed Business Days for purposes of the previous sentence. In case any Debenture of a denomination greater than $1,000 shall be surrendered for partial conversion, and subject to Section 2.3, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of the Debenture so surrendered, without charge to him, a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Debenture.

Any Debenture or portion thereof surrendered for conversion during the period from the close of business on the Record Date for any interest payment date to the close of business on the Business Day preceding the following interest payment date that has not been called for redemption during such period shall be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the interest otherwise payable on such interest payment date on the principal amount being converted; provided that no such payment need be made (1) if the Company has specified a redemption date that is after a Record Date and prior to the next interest payment date, (2) if the Company has specified a redemption

date following a Designated Event that is during such period or (3) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such Debenture. Except as provided above in this Section 16.2, no payment or other adjustment shall be made for interest accrued on any Debenture converted or for dividends on any shares issued upon the conversion of such Debenture as provided in this ARTICLE 16.

Upon the conversion of an interest in a Global Debenture, the Trustee (or other conversion agent appointed by the Company), or the Custodian at the direction of the Trustee (or other conversion agent appointed by the Company), shall make a notation on such Global Debenture as to the reduction in the principal amount represented thereby.

Upon the conversion of a Debenture, that portion of the accrued but unpaid interest, attributable to the period from the issue date of the Debenture to the Conversion Date, with respect to the converted Debenture shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Common Stock (together with the cash payment, if any in lieu of fractional shares) in exchange for the Debenture being converted pursuant to the provisions hereof; and the fair market value of such shares of Common Stock (together with any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for and in satisfaction of our obligation to pay the principal amount of the converted Debenture, the accrued but unpaid interest, through the Conversion Date from the issue date, and the balance, if any, of such fair market value of such Common Stock (and any such cash payment) shall be treated as issued in exchange for and in satisfaction of the right to convert the Debenture being converted pursuant to the provisions hereof.

Section 16.3. *Cash Payments in Lieu of Fractional Shares*. No fractional shares of Common Stock or scrip certificates representing fractional shares shall be issued upon conversion of Debentures. If more than one Debenture shall be surrendered for conversion at one time by the same Holder, the number of full shares that shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Debentures (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of stock would be issuable upon the conversion of any Debenture or Debentures, the Company shall make an adjustment and payment therefor in cash at the current market price thereof to the Holder of Debentures. The current market price of a share of Common Stock shall be the Closing Sale Price on the last Trading Day immediately preceding the day on which the Debentures (or specified portions thereof) are deemed to have been converted.

Section 16.4. *Conversion Rate*. The conversion rate (herein called the "**Conversion Rate**") means the number of shares of Common Stock issuable upon conversion of a Debenture per $1,000 principal amount, which Conversion Rate shall initially be 36.4 shares of Common Stock per $1,000 principal amount of the Debentures, subject to adjustment as provided in this ARTICLE 16.

Section 16.5. *Adjustment Of Conversion Rate*. The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution by a fraction,

(i) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution plus the total number of shares of Common Stock constituting such dividend or other distribution; and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination,

such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purpose of this paragraph (a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company. If any dividend or distribution of the type described in this Section 16.5(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock (except as otherwise provided in this ARTICLE 16) entitling them (for a period expiring within forty-five (45) days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price on the date fixed for determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be increased by multiplying the Conversion Rate in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction,

(i) the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding on the date fixed for determination of stockholders entitled to receive such rights or warrants and (y) the total number of shares (the "**Underlying Shares**") of Common Stock underlying all of such issued rights or warrants (whether by exercise, conversion, exchange or otherwise), and

(ii) the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding at the close of business on the date fixed for determination of stockholders entitled to receive such rights or warrants and (y) the number of shares of Common Stock which the aggregate exercise, conversion, exchange or other price at which the Underlying Shares may be subscribed for or purchased pursuant to such rights or warrants would purchase at such Current Market Price.

Such adjustment shall be successively made whenever any such rights or warrants are issued, and shall become effective immediately after the opening of business on the day following the date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) Except as otherwise provided in this ARTICLE 16, in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock a portion of its assets (including cash and shares of a Subsidiary) or debt or other securities issued by the Company or certain rights to purchase the Company's securities (including securities, but excluding any rights or warrants referred to in Section 16.5(b), and excluding any dividend or distribution (x) paid exclusively in cash or (y) referred to in Section 16.5(a)) (any of the foregoing hereinafter in this Section 16.5(d) called the "**Securities**"), then, in each such case (unless the Company elects to reserve such Securities for distribution to the Debentureholders upon the conversion or redemption of the Debentures, or the redemption of the Debentures pursuant to Section 3.1(b), so that any such Holder converting or redeeming Debentures will receive upon such conversion, in addition to the shares of Common Stock to which such Holder is entitled, the amount and kind of such Securities which such Holder would have received if such Holder had converted its Debentures into Common Stock immediately prior to the Record Date) the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect on the Record Date with respect to such distribution by a fraction,

(i) the numerator of which shall be the Current Market Price on such Record Date; and

(ii) the denominator of which shall be the Current Market Price on such Record Date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) on the Record Date of the portion of the Securities so distributed applicable to one share of Common Stock,

such adjustment to become effective immediately prior to the opening of business on the day following such Record Date; provided that if the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Debentureholder shall have the right to receive upon conversion or redemption pursuant to Section 3.1(b) the amount of Securities such Holder would have received had such Holder converted each Debenture on the Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 16.5(d) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price on the applicable Record Date. Notwithstanding the foregoing, if the Securities distributed by the Company to all holders of its Common Stock consists of capital stock of, or similar equity interests in, a Subsidiary or other business unit, the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect on the Record Date with respect to such distribution by a fraction:

(1) the numerator of which shall be the sum of (x) the average Closing Sale Price over the ten (10) consecutive Trading Day period (the "**Spinoff Valuation Period**") commencing on and including the fifth Trading Day after the date on which "ex-dividend trading" commences on the Common Stock on the Eligible Market on which the Common Stock is then listed or quoted and (y) the average Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) over the Spinoff Valuation Period of the portion of the Securities so distributed applicable to one share of Common Stock; and

(2) the denominator of which shall be the average Closing Sale Price over the Spinoff Valuation Period,

such adjustment to become effective immediately prior to the opening of business on the day following such Record Date; provided that the Company may in lieu of the foregoing adjustment make adequate provision so that each Debentureholder shall have the right to receive upon conversion or redemption pursuant to Section 3.1(b) the amount of Securities such Holder would have received had such Holder converted each Debenture on the Record Date with respect to such distribution.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a

specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 16.5 (and no adjustment to the Conversion Rate under this Section 16.5 will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 16.5(d). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 16.5 was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

No adjustment of the Conversion Rate shall be made pursuant to this Section 16.5(d) in respect of rights or warrants distributed or deemed distributed on any Trigger Event to the extent that such rights or warrants are actually distributed, or reserved by the Company for distribution to Holders of Debentures upon conversion by such Holders of Debentures to Common Stock or redemption of the Debentures pursuant to Section 3.1(b).

For purposes of this Section 16.5(d) and Section 16.5(a) and Section 16.5(b), any dividend or distribution to which this Section 16.5(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Rate adjustment required by this Section 16.5(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Rate adjustment required by Section 16.5(a) and Section 16.5(b) with respect to such dividend or distribution shall then be made), except (A) the Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "the date fixed for the determination of stockholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of Section 16.5(a) and Section 16.5(b) and (B) any shares of

Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 16.5(a).

(e) In case a tender or exchange offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to stockholders of consideration per share of Common Stock having a Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) that as of the last time (the "**Expiration Time**") tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) exceeds the last reported Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the Expiration Time by a fraction,

(i) the numerator of which shall be the sum of (x) the Fair Market Value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such maximum, being referred to as the "**Purchased Shares**") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time

such adjustment to become effective immediately prior to the opening of business on the day following the Expiration Time. If the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made.

(f) In case of a tender or exchange offer made by a Person other than the Company or any Subsidiary for an amount that increases the offeror's ownership of Common Stock to more than fifty percent (50%) of the Common Stock outstanding and shall involve the payment by such Person of consideration per share of Common Stock having a Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) that as of the last time (the "**Offer Expiration Time**") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) exceeds the Closing Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time, and in which, as of the Offer Expiration Time the Board of Directors is not recommending rejection of the offer, the Conversion Rate

shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the Offer Expiration Time by a fraction

(i) the numerator of which shall be the sum of (x) the Fair Market Value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Offer Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "**Accepted Purchased Shares**") and (y) the product of the number of shares of Common Stock outstanding (less any Accepted Purchased Shares) at the Offer Expiration Time and the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Offer Expiration Time multiplied by the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time,

such adjustment to become effective immediately prior to the opening of business on the day following the Offer Expiration Time. If such Person is obligated to purchase shares pursuant to any such tender or exchange offer, but such Person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made. Notwithstanding the foregoing, the adjustment described in this Section 16.5(f) shall not be made if, as of the Offer Expiration Time, the offering documents with respect to such offer disclose a plan or intention to cause the Company to engage in any transaction described in ARTICLE 13.

(g) In case the Company shall, by dividend or otherwise, at any time make a distribution of cash (excluding any cash that is distributed as part of a distribution requiring a Conversion Rate adjustment pursuant to Section 16.5(d)) to all holders of its Common stock, then in such case the Conversion Rate shall be increased by multiplying the Conversion Rate in effect on the Record Date for the determination of holders of Common Stock entitled to such distribution by a fraction, the numerator of which shall be the Current Market Price and the denominator of which shall be an amount equal to the Current Market Price less the amount of the distribution per share of Common Stock.

(h) For purposes of this Section 16.5, the following terms shall have the meaning indicated:

(i) "**Current Market Price**" shall mean the average of the daily Closing Sale Prices per share of Common Stock for the ten consecutive Trading Days selected by the Company commencing no more than 30 Trading Days before and ending not later than the earlier of such date of determination and the day before the "**ex**" date with respect to the issuance, distribution, subdivision or combination requiring such computation immediately prior to the date in question. For purpose of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades, regular way, on the relevant exchange or in the relevant market from which the Closing Sale

Price was obtained without the right to receive such issuance or distribution, and (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades, regular way, on such exchange or in such market after the time at which such subdivision or combination becomes effective.

If another issuance, distribution, subdivision or combination to which Section 16.5 applies occurs during the period applicable for calculating "**Current Market Price**" pursuant to the definition in the preceding paragraph, "**Current Market Price**" shall be calculated for such period in a manner determined by the Board of Directors to reflect the impact of such issuance, distribution, subdivision or combination on the Closing Sale Price of the Common Stock during such period.

(ii) "**Fair Market Value**" shall mean the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

(iii) "**Record Date**" shall mean, for purposes of this Section 16.5, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(iv) "**Trading Day**" shall mean (x) if the applicable security is quoted on the Nasdaq Stock Market, a day on which trades may be made thereon or (y) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or another national securities exchange is open for business or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(i) The Company may make such increases in the Conversion Rate, in addition to those required by Section 16.5(a), (b), (c), (d) or (f) as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least twenty (20) days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to Holders of the Debentures a notice of the increase at least fifteen (15) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any conversion agent other than the Trustee an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to the Holder of each Debenture at his last address appearing on the Debenture Register provided for in Section 2.5 of this Indenture, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 16.5 provides that an adjustment shall become effective immediately after (1) a record date or Record Date for an event, (2) the date fixed for the determination of stockholders entitled to receive a dividend or distribution pursuant to Section 16.5(a), (3) a date fixed for the determination of stockholders entitled to receive rights or warrants pursuant to Section 16.5(b), (4) the Expiration Time for any tender or exchange offer pursuant to Section 16.5(e), or (5) the Offer Expiration Time for a tender or exchange offer pursuant to Section 16.5(f)(i) (each a "**Determination Date**"), the Company may elect to defer until the occurrence of the applicable Adjustment Event (as hereinafter defined) by (x) issuing to the Holder of any Debenture converted after such Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities issuable upon such conversion by reason of the adjustment required by such Adjustment Event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (y) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 16.3. For purposes of this Section 16.5(k), the term "**Adjustment Event**" shall mean:

(i) in any case referred to in clause (1) hereof, the occurrence of such event,

(ii) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(iii) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(iv) in any case referred to in clause (4) or clause (5) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(l) For purposes of this Section 16.5, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

Section 16.6. *Effect Of Reclassification, Consolidation, Merger or Sale*. If any of the following events occur, namely (i) any reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which Section 16.5(c) applies), (ii) any consolidation, merger or combination of the Company with another Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of all or substantially all of the properties and assets of the Company to any other Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock (such property collectively the "**Exchange Property**"), then the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture) providing that each Debenture shall be convertible into the Exchange Property receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of such Debentures (assuming, for such purposes, a sufficient number of authorized shares of Common Stock are available to convert all such Debentures) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance (provided that, if the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised **("Non-Electing Share")**, then for the purposes of this Section 16.6 the kind and amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this ARTICLE 16.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder of Debentures, at its address appearing on the Debenture Register provided for in Section 2.5 of this Indenture, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 16.6 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

Section 16.7. *Taxes On Shares Issued*. The issue of stock certificates on conversions, redemptions or at maturity of Debentures shall be made without charge to the converting or redeeming Debentureholder or those receiving stock in payment of any portion of the Debenture Amount at Maturity for any documentary, stamp or similar issue or transfer tax in respect of the issue thereof. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other

than that of the Holder of any Debenture converted, and the Company shall not be required to issue or deliver any such stock certificate in connection with conversion unless and until the Person or Persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 16.8. *Reservation of Shares, Shares to Be Fully Paid; Compliance With Governmental Requirements; Listing of Common Stock*. The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares of Common Stock to provide for (a) the conversion of the Debentures from time to time as such Debentures are presented for conversion; and (b) the redemption of the Debentures from time to time as such Debentures are called or presented for redemption.

Before taking any action which would cause an adjustment increasing the Conversion Rate to an amount that would cause the Conversion Price to be reduced below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Debentures, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

The Company covenants that all shares of Common Stock which may be issued upon conversion or redemption of Debentures or issued in payment of any portion of the Debenture Amount at Maturity or as a Make-Whole Premium will upon issue be fully paid and non-assessable by the Company and free from all taxes (excluding any income taxes of the Holder), liens and charges with respect to the issue thereof, and be entitled to identical rights and privileges as its then outstanding Common stock.

The Company covenants that, if any shares of Common Stock to be provided for the purpose of conversion or redemption of Debentures or payment of the Debenture Amount at Maturity hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, redemption at Maturity Date, the Company will in good faith and as expeditiously as possible, to the extent then permitted by the rules and interpretations of the Commission (or any successor thereto), endeavor to secure such registration or approval, as the case may be provided that in the case of issuance of Common Stock in payment of a portion of the Debenture Amount at Maturity, such registration and/or approval must have been obtained and be in effect as of the Maturity Date.

The Company further covenants that, if at any time the Common Stock shall be listed on an Eligible Market or automated quotation system, the Company will, if permitted by the rules of such market or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such market or automated quotation system, all Common Stock issuable upon conversion or redemption of the Debenture; provided that if the rules of such market or automated quotation system permit the Company to defer the listing of such Common Stock until the first conversion or redemption of the Debentures into Common Stock in accordance with the provisions of this Indenture, the Company covenants to list such Common Stock issuable upon conversion or redemption of the Debentures in accordance with the requirements of such market or automated quotation system at such time.

Section 16.9. *Responsibility Of Trustee*. The Trustee and any other conversion agent shall not at any time be under any duty or responsibility to any Holder of Debentures to determine the Conversion Rate or whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other conversion agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion or redemption of any Debenture; and the Trustee and any other conversion agent make no representations with respect thereto. Neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Debenture for the purpose of conversion or redemption or to comply with any of the duties, responsibilities or covenants of the Company contained in this ARTICLE 16. Without limiting the generality of the foregoing, neither the Trustee nor any conversion or redemption agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 16.6 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Debentureholders upon the conversion or redemption of their Debentures after any event referred to in such Section 16.6 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 9.1, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 16.10. *Notice To Holders Prior To Certain Actions*. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Rate pursuant to Section 16.5; or

(b) the Company shall authorize the granting to the holders of all or substantially all of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification or reorganization of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

the Company shall cause to be filed with the Trustee and to be mailed to each Holder of Debentures at his address appearing on the Debenture Register provided for in Section 2.5 of this

Indenture, as promptly as possible but in any event at least twenty (20) days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

Section 16.11. *Stockholder Rights Plans*. The Company shall amend any current or future stockholder rights agreement, if necessary, to provide that upon conversion or redemption of the Debentures, pursuant to Section 3.1(b), the Holders will receive, in addition to the Common Stock issuable upon such conversion or redemption of the Debentures, any rights which would have attached to such Common Stock if the Debentures had been converted into Common Stock on the date of this Indenture. So long as the Company shall provide the Holders with the benefits under this Section, no adjustment to the Conversion Rate need be made under Section 16.5(b) or (d) if the rights under the stockholder rights agreement are triggered.

ARTICLE 17.
MISCELLANEOUS PROVISIONS

Section 17.1. *Provisions Binding on Company's Successors*. All the covenants, stipulations, promises and agreements by the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.2. *Official Acts By Successor Corporation*. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any Person that shall at the time be the lawful sole successor of the Company.

Section 17.3. *Addresses for Notices, Etc*. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders of Debentures on the Company shall be deemed to have been sufficiently given or made, for all purposes, if given or served by overnight delivery or sent by telecopier transmission confirmed by phone addressed as follows: to LSB Industries, Inc., 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107, Attention: Chief Financial Officer. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or served by overnight delivery or sent by telecopier transmission confirmed by phone addressed as follows: UMB Bank, n.a., 1010 Grand Boulevard, 4th Floor, Kansas City, Missouri 64106, Telecopier No: (816) 860-3029, Attention: Corporate Trust Administration.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Debentureholder shall be mailed to him by first class mail, postage prepaid, at his address as it appears on the Debenture Register and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Debentureholder or any defect in it shall not affect its sufficiency with respect to other Debentureholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 17.4. *Governing Law*. This Indenture and each Debenture, and all matters arising out of or related to this Indenture and each Debenture, shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

Section 17.5. *Evidence of Compliance with Conditions Precedent, Certificates to Trustee*. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include: (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in such certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 17.6. *Legal Holidays*. In any case in which the date of maturity of interest on or principal of the Debentures or the redemption date of any Debenture will not be a Business Day, then payment of such interest on or principal of the Debentures need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the redemption date, and no interest shall accrue for the period from and after such date.

Section 17.7. *Trust Indenture Act*. This Indenture is hereby made subject to, and shall be governed by, the provisions of the Trust Indenture Act required to be part of and to govern indentures qualified under the Trust Indenture Act; provided that unless otherwise required by law, notwithstanding the foregoing, this Indenture and the Debentures issued hereunder shall not be subject to the provisions of subsections (a)(1), (a)(2), and (a)(3) of Section 314 of the Trust Indenture Act as now in effect or as hereafter amended or modified; provided further that this

Section 17.7 shall not require this Indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by any party to the Indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in an indenture qualified under the Trust Indenture Act, such required provision shall control.

Section 17.8. *No Security Interest Created*. Nothing in this Indenture or in the Debentures, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction in which property of the Company or its subsidiaries is located.

Section 17.9. *Benefits of Indenture*. Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto, any paying agent, any authenticating agent, any Debenture Registrar and their successors hereunder and the Holders of Debentures any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10. *Table Of Contents, Headings, Etc*. The table of contents and the titles and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11. *Authenticating Agent*. The Trustee may appoint an authenticating agent that shall be authorized to act on its behalf, and subject to its direction, in the authentication and delivery of Debentures in connection with the original issuance thereof and transfers and exchanges of Debentures hereunder, including under Section 2.4, Section 2.5, Section 2.6, Section 2.7, Section 3.3 and Section 3.5, as fully to all intents and purposes as though the authenticating agent had been expressly authorized by this Indenture and those Sections to authenticate and deliver Debentures. For all purposes of this Indenture, the authentication and delivery of Debentures by the authenticating agent shall be deemed to be authentication and delivery of such Debentures “by the Trustee” and a certificate of authentication executed on behalf of the Trustee by an authenticating agent shall be deemed to satisfy any requirement hereunder or in the Debentures for the Trustee’s certificate of authentication. Such authenticating agent shall at all times be a Person eligible to serve as trustee hereunder pursuant to Section 9.9.

Any corporation, association or other entity into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any authenticating agent shall be a party, or any corporation succeeding to the corporate trust business of any authenticating agent, shall be the successor of the authenticating agent hereunder, if such successor corporation is otherwise eligible under this Section 17.11, without the execution or filing of any paper or any further act on the part of the parties hereto or the authenticating agent or such successor corporation.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any

authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible under this Section 17.11, the Trustee shall either promptly appoint a successor authenticating agent or itself assume the duties and obligations of the former authenticating agent under this Indenture and, upon such appointment of a successor authenticating agent, if made, shall give written notice of such appointment of a successor authenticating agent to the Company and shall mail notice of such appointment of a successor authenticating agent to all Holders of Debentures as the names and addresses of such Holders appear on the Debenture Register.

The Company agrees to pay to the authenticating agent from time to time such reasonable compensation for its services as shall be agreed upon in writing between the Company and the authenticating agent.

The provisions of Section 9.2, Section 9.3, Section 9.4 and Section 10.3 and this Section 17.11 shall be applicable to any authenticating agent. This Indenture may be executed and accepted by facsimile signature and any such signature shall be of the same force and effect as an original signature.

Section 17.12. *Execution In Counterparts*. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. In addition, the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 17.13. *Severability*. In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

UMB Bank, n.a. hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions herein above set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed.

LSB INDUSTRIES, INC.

By: _____
Name: Jack E. Golsen
Title: Chief Executive Officer

UMB BANK, N.A., as Trustee

By: _____
Name:
Title:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY", WHICH TERM INCLUDES ANY SUCCESSOR DEPOSITARY FOR THE CERTIFICATES) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREIN IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE DEBENTURE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); (2) AGREES THAT IT WILL NOT, PRIOR TO EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS DEBENTURE OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS DEBENTURE EXCEPT (A) TO LSB INDUSTRIES, INC. OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER); (3) PRIOR TO SUCH TRANSFER (OTHER THAN A TRANSFER PURSUANT TO CLAUSE 2(D) ABOVE), IT WILL FURNISH TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND (4) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEBENTURE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS DEBENTURE PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE

HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO UMB BANK, N.A., AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE). THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THE DEBENTURE EVIDENCED HEREBY PURSUANT TO CLAUSE 2(D) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

CUSIP: 502160AF1

No. 1 $60,000,000

LSB Industries, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to CEDE & CO. or its registered assigns, the aggregate principal sum set forth on Schedule I hereto on July 1, 2012 at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, or, at the election of the Company in accordance with and subject to the conditions of the terms of the Indenture, in a combination of cash and freely tradable shares of Common Stock of the Company and to pay interest, semiannually on July 1 and January 1 of each year, commencing January 1, 2008, on said principal sum at said office or agency, in like coin or currency, at the rate per annum of 5.5%, from the July 1 or January 1**,** as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures, in which case from June 28, 2007 until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after any June 15 or December 15, as the case may be, and before the following July 1 or January 1, this Debenture shall bear interest from such July 1, or January 1; provided that if the Company shall default in the payment of interest due on such July 1 or January 1, then this Debenture shall bear interest from the next preceding July 1 or January 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for on such Debenture, from June 28, 2007. Except as otherwise provided in the Indenture, the interest payable on the Debenture pursuant to the Indenture on any July 1 or January 1 will be paid to the Person entitled thereto as it appears in the Debenture Register at the close of business on the Record Date, which shall be June 15 or December 15 (whether or not a Business Day) next preceding such July 1 or January 1, as provided in the Indenture; provided that any such interest not punctually paid or duly provided for shall be payable as provided in the Indenture. The Company shall pay interest (i) on any Debentures in certificated form by check mailed to the address of the Person entitled thereto as it appears in the Debenture Register or (ii) on any Global Debenture by wire transfer of

immediately available funds to the account of the Depositary or its nominee. Notwithstanding anything herein to the contrary, at maturity, the Company may elect to pay a portion the accrued and unpaid interest in freely tradable shares of Common Stock of the Company on the terms and subject to the conditions of the Indenture.

The Company promises to pay interest on overdue principal, premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) interest at a rate equal to 1% per annum plus the rate borne by the Debenture.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Debenture the right to convert this Debenture into Common Stock of the Company and to redeem the Debenture upon a Designated Event (as defined in the Indenture) and the Company the right (at its option) to redeem the Debentures with cash or Common Stock of the Company on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of the State of New York, without regard to conflicts of laws principles thereof.

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed.

LSB INDUSTRIES, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debentures described in the within-named Indenture.

UMB Bank, n.a., as Trustee

By: _____
Authorized Signatory

or

By: _____
As Authenticating Agent
(if different from Trustee)

By: _____
Authorized Signatory

FORM OF REVERSE OF DEBENTURE

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

This Debenture is one of a duly authorized issue of Debentures of the Company, designated as its 5.5% Convertible Senior Subordinated Debentures Due 2012 (herein called the "**Debentures**"), limited in aggregate principal amount to $60,000,000 issued and to be issued under and pursuant to an Indenture dated as of June 28, 2007 (herein called the "**Indenture**"), between the Company and UMB Bank, n.a., as trustee (herein called the "**Trustee**"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Debentures. If any of the terms of the Debenture conflict with the Indenture, the Indenture shall be controlling.

In case an Event of Default shall have occurred and be continuing, the principal of, premium, if any, and accrued interest, on all Debentures may be declared by either the Trustee or any two Required Holders, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Debentures; provided that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or (ii) reduce the rate or extend the time of payment of interest, or (iii) reduce the principal amount thereof or premium, if any, thereon, or (iv) reduce any amount payable upon redemption or repurchase thereof, or (v) impair the right of any Debentureholder to institute suit for the payment thereof, or (vi) make the principal thereof or interest or premium, if any, thereon payable in any coin or currency other than that provided in the Debentures, or (vii) change the obligation of the Company to redeem any Debenture on a redemption date in a manner adverse to the Holders or (viii) change the obligation of the Company to redeem any Debenture upon the happening of a Designated Event in a manner adverse to the Holder of the Debentures, or (ix) change the obligation of the Company to repurchase any Debenture on a Designated Event Repurchase Date in a manner adverse to the Holder of the Debentures, or (x) impair the right to convert the Debentures into Common Stock subject to the terms set forth in the Indenture, including Section 16.6 thereof, in each case without the consent of the Holder of each Debenture so affected, or (xi) modify any of the provisions of Section 12.2 or Section 8.7 thereof, except to increase any such percentage, or (xii) to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Debenture so affected, or (xiii) change any obligation of the Company to maintain an office or agency in the places and for the purposes set forth in Section 6.1 thereof, or (xiv) reduce the quorum or voting requirements set forth in ARTICLE 11 or change the provisions of ARTICLE 4 in a manner adverse to the Holders of Debentures or modify in any manner the entitlement and calculation of the Make-Whole Premium or (xv) reduce the aforesaid percentage of Debentures, the Holders of

which are required to consent to any such supplemental indenture, without the consent of the Holders of all Debentures then outstanding. Subject to the provisions of the Indenture, the Holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the Holders of all of the Debentures waive any past default or Event of Default under the Indenture and its consequences except (A) a default in the payment of interest, or any premium on, or the principal of, any of the Debentures, (B) a failure by the Company to convert any Debentures into Common Stock of the Company, (C) a default in the payment of the redemption price pursuant to ARTICLE 3 of the Indenture, (D) a default in the payment of the repurchase price pursuant to ARTICLE 3 of the Indenture, or (E) a default in respect of a covenant or provisions of the Indenture which under ARTICLE 12 of the Indenture cannot be modified or amended without the consent of the Holders of each or all Debentures then outstanding or affected thereby. Any such consent or waiver by the Holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Debenture and any Debentures which may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

THE INDEBTEDNESS EVIDENCED BY THE DEBENTURES IS, TO THE EXTENT AND IN THE MANNER PROVIDED IN THE INDENTURE, EXPRESSLY SUBORDINATED AND SUBJECT IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR INDEBTEDNESS OF THE COMPANY, WHETHER OUTSTANDING AT THE DATE OF THE INDENTURE OR THEREAFTER INCURRED, AND THIS DEBENTURE IS ISSUED SUBJECT TO THE PROVISIONS OF THE INDENTURE WITH RESPECT TO SUCH SUBORDINATION. EACH HOLDER OF THIS DEBENTURE, BY ACCEPTING THE SAME, AGREES TO AND SHALL BE BOUND BY SUCH PROVISIONS AND AUTHORIZES THE TRUSTEE ON ITS BEHALF TO TAKE SUCH ACTION AS MAY BE NECESSARY OR APPROPRIATE TO EFFECTUATE THE SUBORDINATION SO PROVIDED AND APPOINTS THE TRUSTEE HIS ATTORNEY-IN-FACT FOR SUCH PURPOSE.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest, on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed or in shares of Common Stock of the Company as prescribed in the Indenture.

Interest on the Debentures shall be computed on the basis of a 360-day year of twelve 30-day months.

The Debentures are issuable in fully registered form, without coupons, in denominations of $1,000 principal amount and any multiple of $1,000. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, without payment of any service charge but with payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any registration or exchange of Debentures, Debentures may be exchanged for a like aggregate principal amount of Debentures of any other authorized denominations.

At any time on or after July 2, 2010 and prior to maturity, Debentures may be redeemed at the option of the Company, in whole or in part, upon notice as set forth in Section 3.2 at a redemption price, payable at the option of the Company in cash or, subject to the conditions set forth in Section 3.1(b), in shares of Common Stock, equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date fixed for redemption (the "**Optional Redemption**") if the following three conditions are all satisfied on the date of mailing of the notice of redemption: (1) the Closing Sale Price has exceeded 115% of the Conversion Price for at least 20 Trading Days in the 30 consecutive Trading Day period ending on the Trading Day immediately prior to the date of mailing of the notice of redemption (it being understood for these purposes that the Conversion Price in effect at the close of business on each of the 30 consecutive Trading Days should be used), (2) the Common Stock is listed on an Eligible Market, no suspension of trading in the Common Stock has occurred and no delisting or suspension of the Common Stock is pending or threatened; and (3) the shelf registration statement covering resales of the Debentures and the Common Stock is effective and available for use and is expected to remain effective and available for use during the 30 days following the redemption date, unless registration is no longer required.

In the event of an **Optional Redemption**, the Company may only elect to pay the redemption price in shares of Common Stock if the following three conditions are all satisfied on the date of redemption: (1) the Common Stock is listed on an Eligible Market; (2) the Trustee has received an Opinion of Counsel (in form and substance satisfactory to the Trustee) that the Common Stock will be duly issued in compliance with all laws and listing requirements (including any shareholder approval requirements) and is fully paid and non-assessable; and (3) the shares of Common Stock used to pay the redemption price are freely tradable. Payments made in Common Stock will be valued at 95% of the weighted average of the closing sale prices of Common Stock for the 20 consecutive Trading Days ending on the fifth Trading Day prior to the redemption date. The Company will specify in the redemption notice the type of consideration to be paid upon redemption and the amount of each Debenture to be paid by each type of consideration. Not later than the fourth Trading Day prior to the redemption date the Company shall publicly announce the number of shares of Common Stock to be paid as the redemption price for each $1,000 principal amount of Debentures to be redeemed.

The Company may not give notice of any redemption of the Debentures if a default in the payment of interest, or premium, if any, on the Debentures has occurred and is continuing.

The Debentures are not subject to redemption through the operation of any sinking fund.

If a Designated Event occurs at any time prior to maturity of the Debentures, this Debenture will be redeemable on a Designated Event Repurchase Date, 45 days after notice thereof, at the option of the Holder of this Debenture at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to (but excluding) the Designated Event Repurchase Date; provided that if such Designated Event Repurchase Date falls after a Record Date and on or prior the corresponding interest payment date, the interest payable on such interest payment date shall be paid to the Holder of this Debenture on the preceding July 1 or January 1, respectively. The Debentures will be redeemable in multiples of $1,000 principal amount. The Company shall mail to all Holders of the Debentures a notice of the occurrence of a Designated Event and of the redemption right arising as a result thereof on or before the 10th day after the occurrence of such Designated Event. For a Debenture to be so redeemed at the

option of the Holder, the Company must receive at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, a written notice of purchase (a "**Designated Event Repurchase Notice**") together with such Debenture, duly endorsed for transfer, on or before the 45th day after the date of such notice of a Designated Event (or if such 45th day is not a Business Day, the immediately succeeding Business Day).

The Company shall pay a Make-Whole Premium on the Designated Event Repurchase Date on all Debentures presented for conversion in connection with a Fundamental Change in accordance with the terms of the Indenture. The Company may make the Make-Whole Premium in shares of Common Stock, in the same form of consideration into which shares of Common Stock have been converted in connection with the applicable Fundamental Change or in any combination of the foregoing, and the Company shall specify the type of consideration for the Make-Whole Premium in the Designated Event Notice.

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Debentures held in whole multiples of $1,000 at a purchase price of 101% of the principal amount, plus any accrued and unpaid interest, on such Debenture up to (but excluding) the Designated Event Repurchase Date. To exercise such right, a Holder shall deliver to the Company such Debenture with the form entitled "**Designated Event Repurchase Notice**" on the reverse thereof duly completed, together with the Debenture, duly endorsed for transfer.

Holders have the right to withdraw any Designated Event Repurchase Notice by delivering to the Trustee (or other paying agent appointed by the Company) a written notice of withdrawal prior to the date that is one Business Day prior to the Designated Event Repurchase Date, all as provided in the Indenture.

If cash, sufficient to pay the purchase price of all Debentures or portions thereof to be purchased as of the Designated Event Repurchase Date is deposited with the Trustee (or other paying agent appointed by the Company), on the Business Day following the Designated Event Repurchase Date, interest will cease to accrue on such Debentures (or portions thereof) immediately after such Designated Event Repurchase Date, and the Holder thereof shall have no other rights as such other than the right to receive the purchase price upon surrender of such Debenture.

Subject to the occurrence of certain events and in compliance with the provisions of the Indenture, prior to the final maturity date of the Debentures, the Holder hereof has the right, at its option, to convert each $1,000 principal amount of the Debentures into 36.4 shares of Common Stock (the "**Conversion Rate**") as such shares shall be constituted at the date of conversion and subject to adjustment from time to time as provided in the Indenture, upon surrender of this Debenture with the form entitled "**Conversion Notice**" on the reverse thereof duly completed, to the Company at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, or at the option of such Holder, the Corporate Trust Office, and, unless the shares issuable on conversion are to be issued in the same name as this Debenture, duly endorsed by, or accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or by his duly authorized attorney. Notwithstanding the foregoing, if such Debenture has been called for redemption, the Debenture may be converted

only until the close of business on the Business Day immediately preceding the redemption date unless the Company fails to pay the redemption price.

No adjustment in respect of interest on any Debenture converted or dividends on any shares issued upon conversion of such Debenture will be made upon any conversion except as set forth in the next sentence. If this Debenture (or portion hereof) is surrendered for conversion during the period from the close of business on any Record Date for the payment of interest to the close of business on the Business Day preceding the following interest payment date and has not been called for redemption by the Company on a redemption date that occurs during such period, this Debenture (or portion hereof being converted) must be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the interest otherwise payable on such interest payment date on the principal amount being converted; provided that no such payment shall be required (1) if the Company has specified a redemption date that is after a Record Date and prior to the next interest payment date, (2) if the Company has specified a redemption date following a Designated Event that is during such period or (3) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such debenture.

No fractional shares will be issued upon any conversion, but an adjustment and payment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon the surrender of any Debenture or Debentures for conversion.

A Debenture in respect of which a Holder is exercising its right to require redemption upon a Designated Event may be converted only if such Holder withdraws its election to exercise either such right in accordance with the terms of the Indenture.

Any Debentures called for redemption, unless surrendered for conversion by the Holders thereof on or before the close of business on the Business Day preceding the redemption date, may be deemed to be redeemed from the Holders of such Debentures for an amount equal to the applicable redemption price, together with accrued but unpaid interest to, but excluding, the date fixed for redemption, by one or more investment banks or other purchasers who may agree with the Company (i) to purchase such Debentures from the Holders thereof and convert them into shares of the Company's Common Stock and (ii) to make payment for such Debentures as aforesaid to the Trustee in trust for the Holders.

Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange thereof, subject to the limitations provided in the Indenture, without charge except for any tax, assessment or other governmental charge imposed in connection therewith.

The Company, the Trustee, any authenticating agent, any paying agent, any conversion agent and any Debenture Registrar may deem and treat the Holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture Registrar) for the purpose of receiving payment hereof, or on account hereof, for the conversion hereof and for all other purposes, and neither the Company nor the Trustee nor any

other authenticating agent nor any paying agent nor other conversion agent nor any Debenture Registrar shall be affected by any notice to the contrary. All payments made to or upon the order of such Holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Debenture.

No recourse for the payment of the principal of or any premium or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any supplemental indenture or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer or director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Debenture shall be deemed to be a contract made under the laws of New York, and for all purposes this Debenture and all matters arising out of or related to this Debenture shall be construed in accordance with the laws of New York, without regard to conflicts of laws principles thereof.

Terms used in this Debenture and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Debenture, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common	UNIF GIFT MIN ACT - ____ Custodian ____
TEN ENT - as tenant by the entireties	(Cust) (Minor)
JT TEN - as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____
	(State)

Additional abbreviations may also be used though not in the above list.

CONVERSION NOTICE

TO: LSB INDUSTRIES, INC.
UMB BANK, N.A.

The undersigned registered owner of this Debenture hereby irrevocably exercises the option to convert this Debenture, or the portion thereof (which is $1,000 or a multiple thereof) below designated, into shares of Common Stock of LSB Industries, Inc. in accordance with the terms of the Indenture referred to in this Debenture, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Debentures representing any unconverted principal amount hereof, be issued and delivered to the Holder hereof unless a different name has been indicated below. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. If shares or any portion of this Debenture not converted are to be issued in the name of a person other than the undersigned, the undersigned will provide the appropriate information below, together with evidence satisfactory to LSB Industries, Inc. and the Trustee of transfer, and pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Debenture.

Dated: _____

_____

_____
Signature(s)

Signature(s) must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program **("STAMP")** or such other "**signature guarantee program**" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

_____
Signature Guarantee

Fill in the registration of shares of Common Stock if to be issued, and Debentures if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Principal amount to be converted
(if less than all):

$

Social Security or Other Taxpayer
Identification Number:

DESIGNATED EVENT
REPURCHASE NOTICE

TO: LSB INDUSTRIES, INC.
UMB BANK, N.A.

The undersigned registered owner of this Debenture hereby irrevocably acknowledges receipt of a notice from LSB Industries, Inc. (the "Company") as to the occurrence of a Designated Event with respect to the Company and requests and instructs the Company to redeem the entire principal amount of this Debenture, or the portion thereof (which is $1,000 or a multiple thereof) below designated, in accordance with the terms of the Indenture referred to in this Debenture at the price of 101% of such entire principal amount or portion thereof, together with accrued interest to, but excluding, the Designated Event Repurchase Date, to the Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

Dated: _____

_____

_____
Signature(s)

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

Principal amount to be repaid (if less than all):

_____

_____
Social Security or Other Taxpayer
Identification Number

ASSIGNMENT

For value received _____ hereby sell(s) assign(s) and transfer(s) unto _____ (Please insert social security or other Taxpayer Identification Number of assignee) the within Debenture, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Debenture on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the Debenture prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision) (other than any transfer pursuant to a registration statement that has been declared effective under the Securities Act), the undersigned confirms that such Debenture is being transferred:

- To LSB Industries, Inc. or a subsidiary thereof; or
- To a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended; or
- Pursuant to a Registration Statement which has been declared effective under the Securities Act of 1933, as amended, and which continues to be effective at the time of transfer;

and unless the Debenture has been transferred to LSB Industries, Inc. or a subsidiary thereof, the undersigned confirms that such Debenture is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Debentures evidenced by this certificate in the name of any person other than the registered holder thereof.

Dated: _____

_____

Signature(s)

Signature(s) must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("**STAMP**") or such other "**signature guarantee program**" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, al in accordance with the Securities Exchange Act of 1934, as amended.

_____

Signature Guarantee

NOTICE: The signature on the Conversion Notice, the Option to Elect Redemption Upon a Designated Event, or the Assignment must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

LSB INDUSTRIES, INC.

5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURE DUE 2012

No. 1

Date	Principal Amount	Notation Explaining Principal Amount Recorded	Authorized Signature of Trustee or Custodian
June 28, 2007	$ 60,000,000		

EXHIBIT B

LSB Industries, Inc.
Designated Senior Indebtedness

	(unaudited) March 31, 2007 (Dollars in thousands)
The Bank of the West	$ 1,598
The City of Oklahoma City	$ 2,625
GE Commercial Finance Business Property Corporation	$ 6,375
Applied Financial, LLC	$ 507
Bank of Oklahoma	$ 10
IBM Credit LLC	$ 56
Quail Creek Bank n.a.	$ 2,862
Orix Capital Markets, LLC	$ 50,000
Jack E. Golsen	$ 8
Guarantee to United Leasing	$ 526
Marquette Equipment Finance	$ 120

EXHIBIT C
Make-Whole Premium Table

Make-Whole Premium
(Number of Additional Shares of Common Stock)

Stock Price	Make-Whole Premium in Shares of Common Stock per $1,000 principal amount of Debentures						
$23.00 or below	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$25.00	6.38	5.77	5.13	4.42	0.00	0.00	0.00
$27.47	7.28	6.69	6.06	5.37	4.62	3.75	0.00
$30.00	6.17	5.61	5.01	4.35	3.63	2.80	0.00
$35.00	4.65	4.14	3.61	3.03	2.41	1.71	0.00
$40.00	3.67	3.23	2.76	2.26	1.74	1.18	0.00
$50.00	2.55	2.21	1.86	1.49	1.13	0.75	0.00
$60.00	1.96	1.69	1.42	1.14	0.86	0.59	0.00
$70.00	1.61	1.39	1.17	0.94	0.72	0.50	0.00
$75.00 or above	1.48	1.28	1.07	0.87	0.67	0.46	0.00
Effective Date	7/1/2007 to 12/31/2007	1/1/2008 to 6/30/2008	7/1/2008 to 12/31/2009	1/1/2010 to 6/30/2010	7/1/2010 to 12/31/2010	1/1/2010 to 6/30/2010	On or after 7/1/2010

Exhibit 4.3

REGISTRATION RIGHTS AGREEMENT

between

LSB INDUSTRIES, INC.

as Issuer,

and

the Purchasers

Dated as of June 28, 2007

Table of Contents

REGISTRATION RIGHTS AGREEMENT dated as of June 28, 2007 between LSB Industries, Inc., a Delaware corporation (the "Company") and the purchasers (the "Purchasers") named in Schedule I to the Purchase Agreement dated June 28, 2007 (the "Purchase Agreement"), between the Company and the Purchasers. In order to induce the Purchasers to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The Company agrees with the Purchasers, (i) for their benefit as Purchasers and (ii) for the benefit of the beneficial owners (including the Purchasers) from time to time of the Debentures (as defined herein) and the beneficial owners from time to time of the Underlying Common Stock (as defined herein) issued upon conversion of the Debentures (each of the foregoing a "Holder" and together the "Holders"), as follows:

Section 1. *Definitions*. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means with respect to any specified person, an "affiliate," as defined in Rule 144, of such person.

"Amendment Effectiveness Deadline Date" has the meaning set forth in Section 2(e) hereof.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"Common Stock" means the shares of common stock, $0.10 par value per share, of the Company and any other shares of common stock as may constitute "Common Stock" for purposes of the Indenture, including the Underlying Common Stock.

"Conversion Price" has the meaning assigned such term in the Indenture.

"Damages Accrual Period" has the meaning set forth in Section 2(g) hereof.

"Damages Payment Date" means each July 1 and January 1.

"Debentures" means the 5.5% Convertible Senior Subordinated Debentures Due 2012 of the Company to be purchased pursuant to the Purchase Agreement.

"Deferral Notice" has the meaning set forth in Section 3(h) hereof.

"Deferral Period" has the meaning set forth in Section 3(h) hereof.

"Effectiveness Deadline Date" has the meaning set forth in Section 2(a) hereof.

"Effectiveness Period" means the period commencing on the date hereof and ending on the earlier of the date that all Registrable Securities have ceased to be Registrable Securities and July 1, 2010.

"Event" has the meaning set forth in Section 2(g) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Filing Deadline Date" has the meaning set forth in Section 2(a) hereof.

"Holder" has the meaning set forth in the second paragraph of this Agreement.

"Indenture" means the Indenture, dated as of June 28, 2007, between the Company and UMB Bank, n.a., as trustee, pursuant to which the Debentures are being issued.

"Purchasers" has the meaning set forth in the preamble hereof.

"Initial Shelf Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Issue Date" means June 28, 2007.

"Liquidated Damages Amount" has the meaning set forth in Section 2(g) hereof.

"Material Event" has the meaning set forth in Section 3(h) hereof.

"Notice and Questionnaire" means a written notice delivered to the Company containing the information called for by the Selling Securityholder Notice and Questionnaire attached as Annex C to the Offering Memorandum of the Company dated June 25, 2007 relating to the Debentures.

"Notice Holder" means, on any date, any Holder that has delivered a Notice and Questionnaire to the Company on or prior to such date.

"Other Registration Rights" means the rights of third parties to require the Company to register the sale of securities of the Company under the agreements described on Schedule II.

"Purchase Agreement" has the meaning set forth in the preamble hereof.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any amendment or prospectus supplement, including post-effective amendments, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such Prospectus.

"Record Holder" means with respect to any Damages Payment Date relating to any Debentures or Underlying Common Stock as to which any Liquidated Damages Amount has accrued, the registered holder of such Debenture or Underlying Common Stock on the June 15

immediately preceding a Damages Payment Date occurring on a July 1, and on the December 15 immediately preceding a Damages Payment Date occurring on a January 1.

"Registrable Securities" means the Debentures until such Debentures have been converted into or exchanged for the Underlying Common Stock and, at all times the Underlying Common Stock and any securities into or for which such Underlying Common Stock has been converted or exchanged, and any security issued with respect thereto upon any stock dividend, split or similar event until, in the case of any such security, (A) the earliest of (i) its effective registration under the Securities Act and resale in accordance with the Registration Statement covering it, (ii) expiration of the holding period that would be applicable thereto under Rule 144(k) or (iii) its transfer pursuant to Rule 144 under the Securities Act, and (B) as a result of the event or circumstance described in any of the foregoing clauses (i) through (iii), the legend with respect to transfer restrictions required under the Indenture is removed or removable in accordance with the terms of the Indenture or such legend, as the case may be.

"Registration Statement" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such registration statement.

"Restricted Securities" means "Restricted Securities" as defined in Rule 144.

"Rule 144" means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"Rule 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

"Shelf Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Special Counsel" means Blank Rome LLP or one such other successor counsel as shall be specified in writing to the Company by the Holders of a majority of the Registrable Securities, but which may, with the written consent of J Giordano Securities Group, be another nationally recognized law firm experienced in securities law matters designated by the Company, the reasonable fees and expenses of which will be paid by the Company pursuant to Section 5 hereof. For purposes of determining the Holders of a majority of the Registrable Securities in this definition, Holders of Debentures shall be deemed to be the Holders of the number of shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date the consent is requested or specification of counsel is made.

"Subsequent Shelf Registration Statement" has the meaning set forth in Section 2(c) hereof.

"TIA" means the Trust Indenture Act of 1939, as amended.

"Trustee" means UMB Bank, n.a., the Trustee under the Indenture.

"Underlying Common Stock" means the Common Stock into which the Debentures are convertible or issued upon any such conversion.

Section 2. *Shelf Registration*. (a) The Company shall prepare and file or cause to be prepared and filed with the SEC, as soon as practicable but in any event by the date that is sixty (60) days after the Issue Date (the "Filing Deadline Date"), a Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act (a "Shelf Registration Statement") registering the resale from time to time by Holders thereof of all of the Registrable Securities (the "Initial Shelf Registration Statement"). The Initial Shelf Registration Statement shall be on Form S-1 or S-3 or another appropriate form permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and permitted by applicable law and set forth in the Initial Shelf Registration Statement. The Company shall use its commercially reasonable efforts to cause the Initial Shelf Registration Statement to be declared effective under the Securities Act as promptly as is practicable but in any event by the date (the "Effectiveness Deadline Date") that is one hundred fifty (150) days after the Issue Date, and to keep the Initial Shelf Registration Statement (or any Subsequent Shelf Registration Statement) continuously effective under the Securities Act until the expiration of the Effectiveness Period. At the time the Initial Shelf Registration Statement is declared effective, each Holder that became a Notice Holder on or prior to the date at least ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Initial Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of Registrable Securities in accordance with applicable law. Except as provided in the Other Registration Rights, none of the Company's security holders (other than the Holders of Registrable Securities) shall have the right to include any of the Company's securities in the Shelf Registration Statement. The Shelf Registration Statement shall, to the extent required to register the resale of all the Registrable Securities, include the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(b) Promptly following the Closing, the Company shall use its reasonable commercial efforts to obtain the agreement of the holders of the Other Registration Rights not to require the inclusion in the Registration Statement of any of the securities covered by the Other Registration Rights. If such agreement cannot be obtained, the Company will use reasonable commercial efforts to obtain waivers of the 20 and 30 day notice periods included in the Other Registration Rights so that the filing of the Registration Statement is not delayed. In any event, unless and until any of the foregoing can be accomplished, the Company shall give all notices and take such other actions as may be required under the Other Registration Rights expeditiously and without delay and, in particular, shall give the initial notice of its proposal to file the Registration Statement on the Closing Date so as to start the respective 20 and 30 day notice periods contained in the Other Registration Rights.

(c) Following the date that the Initial Shelf Registration Statement is declared effective, if the Initial Shelf Registration Statement or any Subsequent Shelf Registration

Statement ceases to be effective for any reason at any time during the Effectiveness Period (other than because all Registrable Securities registered thereunder shall have been resold pursuant thereto or shall have otherwise ceased to be Registrable Securities, it being agreed that the right of the Company to suspend the use of a Registration Statement pursuant to Section 3(h) shall not be deemed a cessation of effectiveness of the Registration Statement), the Company shall use its commercially reasonable efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within thirty (30) days of such cessation of effectiveness or as otherwise provided in this Section 2, amend the Shelf Registration Statement in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement covering all of the securities that as of the date of such filing are Registrable Securities (a "Subsequent Shelf Registration Statement"). If a Subsequent Shelf Registration Statement is filed, the Company shall use its commercially reasonable efforts to cause the Subsequent Shelf Registration Statement to become effective as promptly as is practicable after such filing and to keep such Registration Statement (or Subsequent Shelf Registration Statement) continuously effective until the end of the Effectiveness Period.

(d) The Company shall supplement and amend the Shelf Registration Statement (i) as required by the Securities Act or the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement so as to keep the Registration Statement continuously effective and current so that Registrable Securities can be sold thereunder by the Holders named therein until the end of the Effectiveness Period and (ii) to name a Notice Holder as a selling securityholder pursuant to Section (e) below.

(e) Each Holder agrees that if such Holder wishes to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus, it will do so only in accordance with this Section 2(e) and Section 3(h) of this Agreement. Following the date that the Initial Shelf Registration Statement is declared effective, each Holder that is not a Notice Holder wishing to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus agrees to deliver a completed and executed Notice and Questionnaire to the Company prior to any intended distribution of Registrable Securities under the Shelf Registration Statement. From and after the date the Initial Shelf Registration Statement is declared effective, until the end of the Effectiveness Period, the Company shall, as promptly as practicable (subject to the limitations of clause (i) below), do the following:

(i) If required by applicable law, file with the SEC a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that any Holder delivering a Notice and Questionnaire to the Company pursuant to Section 8(c) is named as a selling securityholder in the Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law. If the Notice Holder can be included in the Prospectus by the filing of a supplement to the Prospectus rather than the filing of a post-effective amendment to the Registration Statement, the Company shall prepare and file such supplement promptly, but in no event later than ninety (90) days after receipt of the Notice and Questionnaire from such

Holder. If the Company shall file a post-effective amendment to the Shelf Registration Statement which adds such Holder, the Company shall use its commercially reasonable efforts to cause such post-effective amendment to be declared effective under the Securities Act as promptly as is practicable, but in any event by the date (the "Amendment Effectiveness Deadline Date") that is sixty (60) days (ninety (90) days if the post-effective amendment is reviewed by the SEC) after the date such post-effective amendment is required by this Section 2 to be filed; except that if the Shelf Registration Statement is on Form S-1 and a Deferral Period will be in effect until such post-effective amendment to such shelf Registration Statement has been declared effective, then the Amendment Effectiveness Deadline Date for such post-effective amendment shall be the applicable date set forth in Section 2(f)**.** The Company shall not be required to file more than one post-effective amendment in any calendar year which includes additional Holders pursuant to this clause (i) provided that the Company files post-effective amendments to the Shelf Registration Statement as required by Section 2(f). Whenever the Company files a post-effective amendment to the Registration Statement by reason of Section 2(f) it shall include any additional Holders as selling securityholders therein provided the Company received the applicable Notice and Questionnaire from such Holder at least ten (10) Business Days prior to the filing of such post-effective amendment with the SEC. If the Company files two or more post-effective amendments pursuant to Section 2(f) and complies with its obligations in the preceding sentence, the Company shall not, solely by reason of this Section 2(e) be required to file an additional post-effective amendment.

(ii) The Company shall provide such Holders copies of any documents filed pursuant to Section 2(e)(i); and

(iii) The Company shall notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 2(e)(i).

Notwithstanding the foregoing, if such Notice and Questionnaire is delivered during a Deferral Period, or a Deferral Period commences within five (5) Business Days after the Company receives the Notice and Questionnaire, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the Deferral Period in accordance with Section 3(h). Notwithstanding anything contained herein to the contrary, (i) the Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling securityholder in any Registration Statement or related Prospectus and (ii) the Amendment Effectiveness Deadline Date in Section 2(e)(i) shall be extended by up to ten (10) Business Days from the expiration of such Deferral Period (and the Company shall incur no obligation to pay Liquidated Damages during such extension) if such Deferral Period shall be in effect on such Amendment Effectiveness Deadline Date.

(f) If the Registration Statement is on Form S-1, within ten (10) Business Days after the filing with the SEC of the Company's annual report on Form 10-K for any period and within ten (10) Business Days after the filing with the SEC of any other report by the Company disclosing a fundamental change in the Company or its business or disclosing any other information which triggers or extends a Deferral Period, file a post-effective amendment to the

Registration Statement to include the information in the Registration Statement so that when such post-effective amendment has been declared effective by the SEC, the Deferral Period will terminate. The Amendment Effectiveness Deadline Date for any such post-effective amendments shall be sixty (60) days if there is no SEC review and ninety (90) days if there is an SEC review of such post-effective amendment. With respect to any post-effective amendment filed pursuant to this Section 2(f), the Company shall provide the Holders with copies thereof as filed and notify each Holder as promptly as practicable after such post-effective amendment is declared effective under the Securities Act.

(g) The parties hereto agree that the Holders of Registrable Securities will suffer damages, and that it would not be feasible to ascertain the extent of such damages with precision, if, other than as permitted hereunder,

(i) the Initial Shelf Registration Statement has not been filed on or prior to the Filing Deadline Date,

(ii) the Initial Shelf Registration Statement has not been declared effective under the Securities Act on or prior to the Effectiveness Deadline Date, or

(iii) on any day after the Effectiveness Deadline Date sales of all of the Registrable Securities required to be included on such Registration Statement cannot be made (other than during a Deferral Period (as defined in Section 3(h) pursuant to such Registration Statement (including, without limitation, because of a failure to keep such Registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to such Registration Statement or to register a sufficient number of shares of Common Stock) (a "**Maintenance Failure"**). No Maintenance Failure shall exist during a Deferral Period.

Each event described in any of the foregoing clauses (i) through (ii) is individually referred to herein as an "Event." For purposes of this Agreement, each Event set forth above shall begin and end on the dates set forth in the table set forth below:

Type of Event by - Clause	**Beginning Date**	**Ending Date**
(i)	Filing Deadline Date	the date the Initial Shelf Registration Statement is filed
(ii)	Effectiveness Deadline Date	the date the Initial Shelf Registration Statement becomes effective under the Securities Act
(iii)	The initial day of a Maintenance Failure	the date such Maintenance Failure is cured

Commencing on (and including) any date that an Event has begun and ending on (but excluding) the next date on which there are no Events that have occurred and are continuing (a "Damages Accrual Period"), the Company shall pay, as liquidated damages and not as a penalty,

to Record Holders of Debentures an amount (the "Liquidated Damages Amount") accruing, for each day in the Damages Accrual Period, in respect of any Debenture, at a rate per annum equal to (1) 0.25% of the aggregate principal amount of such Debenture to and including the 90th day of such Damages Accrual Period and (2) 0.5% of the aggregate principal amount of such Debenture from and after the 91st day of such Damages Accrual Period. Notwithstanding the foregoing, no Liquidated Damages Amount shall accrue as to any Debenture from and after the earlier of (x) the date such security is no longer a Registrable Security and (y) expiration of the Effectiveness Period. The rate of accrual of the Liquidated Damages Amount with respect to any period shall not exceed the rate provided for in this paragraph notwithstanding the occurrence of multiple concurrent Events.

The Liquidated Damages Amount shall accrue from the first day of the applicable Damages Accrual Period, and shall be payable on each Damages Payment Date during the Damage Accrual Period (and on the Damages Payment Date next succeeding the end of the Damages Accrual Period if the Damage Accrual Period does not end on a Damages Payment Date) to the Record Holders of the Debentures entitled thereto; provided that any Liquidated Damages Amount accrued with respect to any Debenture or portion thereof redeemed by the Company on a redemption date or converted into Underlying Common Stock on a conversion date prior to the Damages Payment Date, shall, in any such event, be paid instead to the Holder who submitted such Debenture or portion thereof for redemption or conversion on the applicable redemption date or conversion date, as the case may be, on such date (or promptly following the conversion date, in the case of conversion). The Trustee shall be entitled, on behalf of Record Holders of Debentures or Underlying Common Stock, to seek any available remedy for the enforcement of this Agreement, including for the payment of such Liquidated Damages Amount due to Record Holders of Debentures. Notwithstanding the foregoing, the parties agree that the sole damages payable for a violation of the terms of this Agreement with respect to which liquidated damages are expressly provided shall be such liquidated damages. Nothing shall preclude any Holder from pursuing or obtaining specific performance or other equitable relief with respect to this Agreement.

All of the Company's obligations set forth in this Section 2(g) to pay any Liquidated Damages Amount that is outstanding with respect to any Debenture at the time such security ceases to be a Registrable Security shall survive until such time as all such obligations with respect to such security have been satisfied in full (notwithstanding termination of this Agreement pursuant to Section 8(k)).

The parties hereto agree that the liquidated damages provided for in this Section 2(g) constitute a reasonable estimate of the damages that may be incurred by Holders of Debentures by reason of the failure of the Shelf Registration Statement to be filed or declared effective in accordance with the provisions hereof. The parties hereto further agree that the liquidated damages provided for in this Section 2(g) do not apply to Underlying Common Stock.

Section 3. *Registration Procedures*. In connection with the registration obligations of the Company under Section 2 hereof, during the Effectiveness Period, the Company shall:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on any appropriate form under the Securities Act available for the sale of the Registrable

Securities by the Holders thereof in accordance with the intended method or methods of distribution thereof, and use its commercially reasonable efforts to cause each such Registration Statement to become effective and remain effective until the expiration of the Effectiveness Period; provided that before filing any Registration Statement or Prospectus or any amendments or supplements thereto with the SEC, the Company shall furnish to the Purchasers, all Notice Holders and the Special Counsel of such offering, if any, copies of all such documents proposed to be filed at least two (2) Business Days prior to the filing of such Registration Statement or amendment thereto or Prospectus or supplement thereto except in the case of a post-effective amendment to be filed pursuant to Section 2(f), a copy of such proposed post-effective amendment shall be furnished at least one (1) Business Day prior to the filing of such post-effective amendment with the SEC.

(b) Subject to Section 3(h), prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period specified in Section 2(a); cause the related Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and use its commercially reasonable efforts to comply with the provisions of the Securities Act applicable to it with respect to the disposition by Holders of Registrable Securities of all securities covered by such Registration Statement during the Effectiveness Period.

(c) As promptly as practicable give notice to the Notice Holders, the Purchasers and the Special Counsel, (i) when any Prospectus, prospectus supplement, Registration Statement or post-effective amendment to a Registration Statement has been filed with the SEC and, with respect to a Registration Statement or any post-effective amendment, when the same has been declared effective, (ii) of any request, following the effectiveness of the Initial Shelf Registration Statement under the Securities Act, by the SEC or any other federal or state governmental authority for amendments or supplements to any Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of any Registration Statement or the initiation or threatening of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and (v) of the occurrence of, but not the nature of or details concerning, a Material Event.

(d) Use its commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction in which they have been qualified for sale, in either case as promptly as practicable, and provide prompt notice to each Notice Holder and the Purchasers of the withdrawal of any such order.

(e) As promptly as practicable furnish to each Notice Holder, the Special Counsel and the Purchasers, upon request and without charge, at least one (1) conformed copy of the

Registration Statement and any amendment thereto, including exhibits and all documents incorporated or deemed to be incorporated therein by reference.

(f) During the Effectiveness Period, deliver to each Notice Holder, the Special Counsel, if any, and the Purchasers, in connection with any sale of Registrable Securities pursuant to a Registration Statement, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such Notice Holder may reasonably request; and the Company hereby consents (except during such periods that a Deferral Notice is outstanding and has not been revoked) to the use of such Prospectus or each amendment or supplement thereto by each Notice Holder in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in the manner set forth therein.

(g) Prior to any public offering of the Registrable Securities pursuant to a Registration Statement, use its commercially reasonable efforts to register or qualify or cooperate with the Notice Holders and the Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Notice Holder reasonably requests in writing (which request may be included in the Notice and Questionnaire); prior to any public offering of the Registrable Securities pursuant to the Shelf Registration Statement, use its commercially reasonable efforts to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period in connection with such Notice Holder's offer and sale of Registrable Securities pursuant to such registration or qualification (or exemption therefrom) and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities in the manner set forth in the relevant Registration Statement and the related Prospectus; provided that the Company will not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Agreement or (ii) take any action that would subject it to general service of process in suits or to taxation in any such jurisdiction where it is not then so subject.

(h) Upon (A) the issuance by the SEC of a stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of proceedings with respect to the Shelf Registration Statement under Section 8(d) or 8(e) of the Securities Act, (B) the occurrence of any event or the existence of any fact, including the filing of the Company's annual report on Form 10-K or any other filing with the SEC disclosing information that is required to be included in the Registration Statement (a "Material Event") as a result of which in the reasonable opinion of the Company any Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (C) the occurrence or existence of any pending corporate development that, in the reasonable discretion of the Company, makes it appropriate to suspend the availability of the Shelf Registration Statement and the related Prospectus:

(i) in the case of clause (B) above, subject to the next sentence and Section 2(f), as promptly as practicable prepare and file, if necessary pursuant to applicable law, a post-effective amendment to such Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document that would be incorporated by reference into such Registration Statement and Prospectus so that such Registration Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and such Prospectus does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, and, in the case of a post-effective amendment to a Registration Statement, subject to the next sentence, use its commercially reasonable efforts to cause it to be declared effective as promptly as is practicable, and

(ii) give notice to the Notice Holders, and the Special Counsel, if any, that the availability of the Shelf Registration Statement is suspended (a "Deferral Notice") and, upon receipt of any Deferral Notice, each Notice Holder agrees not to sell any Registrable Securities pursuant to the Registration Statement until such Notice Holder's receipt of copies of the supplemented or amended Prospectus provided for in clause (i) above, or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus.

The Company will use its commercially reasonable efforts to ensure that the use of the Prospectus may be resumed (x) in the case of clause (A) above, as promptly as is practicable, (y) in the case of clause (B) above, as soon as, in the sole judgment of the Company, public disclosure of such Material Event would not be prejudicial to or contrary to the interests of the Company or, if necessary to avoid unreasonable burden or expense, as soon as practicable thereafter and (z) in the case of clause (C) above, as soon as in the reasonable discretion of the Company, such suspension is no longer appropriate. The Company shall be entitled to exercise its right under this Section 3(h) to suspend the availability of the Shelf Registration Statement or any Prospectus, without incurring or accruing any obligation to pay liquidated damages pursuant to Section 2(g), no more than, and any such period during which the availability of the Registration Statement and any Prospectus is suspended (the "Deferral Period") shall, without incurring any obligation to pay liquidated damages pursuant to Section 2(g), not exceed, thirty (30) days in any ninety (90) day period or ninety (90) days in any twelve (12) month period.

(i) If requested in writing in connection with a disposition of Registrable Securities pursuant to a Registration Statement, make reasonably available for inspection during normal business hours by a representative for the Notice Holders of such Registrable Securities, any broker-dealers, attorneys and accountants retained by such Notice Holders, and any attorneys or other agents retained by a broker-dealer engaged by such Notice Holders, all relevant financial and other records and pertinent corporate documents and properties of the Company and its subsidiaries, and cause the appropriate officers, directors and employees of the Company and its subsidiaries to make reasonably available for inspection during normal business hours on

reasonable notice all relevant information reasonably requested by such representative for the Notice Holders, or any such broker-dealers, attorneys or accountants in connection with such disposition, in each case as is customary for similar "due diligence" examinations; *provided* that such persons shall first agree in writing with the Company that any non-public information shall be kept confidential by such persons and shall be used solely for the purposes of exercising rights under this Agreement, unless (i) disclosure of such information is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities, (ii) disclosure of such information is required by law (including any disclosure requirements pursuant to federal securities laws in connection with the filing of any Registration Statement or the use of any prospectus referred to in this Agreement), (iii) such information becomes generally available to the public other than as a result of a disclosure or failure to safeguard by any such person or (iv) such information becomes available to any such person from a source other than the Company and such source is not bound by a confidentiality agreement, and *provided further*, in the case of clauses (i) and (ii), that such persons shall give the Company reasonable notice of such requirement and reasonable opportunity, at its expense, to seek an order, decree or judgment protecting the confidentiality of such information, and *provided further* that the foregoing inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of all the Notice Holders and the other parties entitled thereto by Special Counsel and shall be exercisable no more than one time in any 12-month period. Any person legally compelled to disclose any such confidential information made available for inspection shall provide the Company with prompt prior written notice of such requirement so that the Company may seek a protective order or other appropriate remedy.

(j) Use all reasonable efforts to comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) for a 12-month period commencing on the first day of the first fiscal quarter of the Company commencing after the effective date of a Registration Statement, which statements shall be made available no later than 45 days after the end of the 12-month period or 90 days if the 12-month period coincides with the fiscal year of the Company.

(k) Cooperate with each Notice Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold or to be sold pursuant to a Registration Statement, which certificates, following the date the Registration Statement is declared effective, shall not bear any restrictive legends, and cause such Registrable Securities to be in such denominations as are permitted by the Indenture and registered in such names as such Notice Holder may request in writing at least one (1) Business Day prior to any sale of such Registrable Securities.

(l) Provide a CUSIP number for all Registrable Securities covered by each Registration Statement not later than the effective date of such Registration Statement and provide the Trustee and the transfer agent for the Common Stock with printed certificates for the Registrable Securities that are in a form eligible for deposit with The Depository Trust Company.

(m) Cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.

(n) Upon (i) the filing of the Initial Shelf Registration Statement and (ii) the effectiveness of the Initial Shelf Registration Statement, announce the same, in each case by release to two of Reuters Economic Services, Bloomberg Business News or Business Wire.

Section 4. *Holder's Obligations*. Each Holder agrees, by acquisition of the Registrable Securities, that no Holder shall be entitled to sell any of such Registrable Securities pursuant to a Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished the Company with a Notice and Questionnaire as required pursuant to Section 2(e) hereof (including the information required to be included in such Notice and Questionnaire) and the information set forth in the next sentence. Each Notice Holder agrees promptly to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Notice Holder not misleading and any other information regarding such Notice Holder and the distribution of such Registrable Securities as the Company may from time to time reasonably request. Any sale of any Registrable Securities by any Holder shall constitute a representation and warranty by such Holder that the information relating to such Holder and its plan of distribution is as set forth in the Prospectus delivered by such Holder in connection with such disposition, that such Prospectus does not as of the time of such sale contain any untrue statement of a material fact relating to or provided by such Holder or its plan of distribution and that such Prospectus does not as of the time of such sale omit to state any material fact relating to or provided by such Holder or its plan of distribution necessary to make the statements in such Prospectus, in the light of the circumstances under which they were made, not misleading.

Section 5. *Registration Expenses*. The Company shall bear all fees and expenses incurred in connection with the performance by the Company of its obligations under Sections 2 and 3 of this Agreement whether or not any Registration Statement is declared effective, except as otherwise noted below. Such fees and expenses shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with federal and, subject to the limitation contained in Section 3(g) hereof, state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of the Special Counsel not in excess of $5,000 in connection with Blue Sky qualifications of the Registrable Securities under the laws of such jurisdictions as Notice Holders of a majority of the Registrable Securities being sold pursuant to the Initial Shelf Registration Statement may designate)), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company), (iii) duplication expenses relating to copies of any Registration Statement or Prospectus delivered to any Holders hereunder, (iv) fees and disbursements of counsel for the Company in connection with the Shelf Registration Statement, (v) fees and disbursements of one Special Counsel in connection with the Initial Shelf Registration Statement of up to $25,000, (vi) reasonable fees and disbursements of the Trustee and its counsel and of the registrar and transfer agent for the Common Stock and (vii) any Securities Act liability insurance obtained by the Company in its sole discretion. In addition, the Company shall pay the internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing by the Company of the Registrable Securities on any securities exchange on which similar securities of the Company are then listed and the fees and

expenses of any person, including special experts, retained by the Company. Notwithstanding the provisions of this Section 5, each selling Holder of Registrable Securities shall pay selling expenses, including any underwriting discount and commissions, and all transfer taxes, to the extent required by applicable law, and such selling Holder's registration expenses, including the fees and disbursements of its counsel (other than the fees and disbursements of Special Counsel paid by the Company as referred to above) and other representatives.

Section 6. *Indemnification and Contribution.*

(a) *Indemnification by the Company*. The Company agrees to indemnify and hold harmless each Notice Holder, each person, if any, who controls any Notice Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Notice Holder within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim but excluding any consequential damages) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except that the Company shall not be liable to indemnify any Holder insofar as such losses, claims, damages or liabilities are (i) caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Holder furnished to the Company in writing by such Holder expressly for use therein, (ii) based upon a Holder's failure to provide the Company with a material fact relating to the Holder which is required to be included in the Registration Statement or necessary to make a statement in the Registration Statement not be misleading, (iii) relate to sales of Registrable Securities by a Holder to the person asserting any such losses, claims, damages or liabilities, if such person was not sent or given a Prospectus by or on behalf of the Holder, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Registrable Securities to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 3(f) hereof; (iv) based upon the Holder's use of a prospectus during a period when the Holder has been notified that the use of the prospectus has been suspended; or (v) finally judicially determined to have resulted from the bad faith or gross negligence of such Holder.

(b) *Indemnification by Holders*. Each Holder agrees severally and not jointly to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) and any of their affiliates or any other Holder or its affiliates, to the same extent as the foregoing indemnity from the Company to such Holder, but only with reference to (i) information relating to such Holder furnished to the Company in writing by or on behalf of such Holder expressly for use in such Registration Statement or Prospectus or amendment or supplement thereto, (ii) information relating to the Holder which the Holder fails to provide in writing for use in the Registration Statement or Prospectus resulting in an omission of a material fact required to be stated therein or necessary to make the statements therein not

misleading, or in connection with a sale of Registrable Securities for which the Holder would not be entitled to indemnification pursuant under Section 6(a)(iii) or 6(a)(iv). In no event shall the liability of any Holder hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such indemnification obligation.

(c) *Conduct of Indemnification Proceedings*. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 6(a) or 6(b) hereof, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense of such proceedings and retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding who are entitled to indemnification under Section 6(a) or 6(b) hereof and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate under applicable ethical legal standards due to actual or potential differing interests between them based upon the indemnified party's reasonable judgment upon advice of counsel to the indemnified party. It is understood that the indemnifying party shall not, in respect of the legal expenses of all such indemnified parties in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to one local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be reasonably acceptable to the Company and shall be designated in writing by, in the case of parties indemnified pursuant to Section 6(a), the Holders of a majority (with Holders of Debentures deemed to be the Holders, for purposes of determining such majority, of the number of shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date on which such designation is made) of the Registrable Securities covered by the Registration Statement held by Holders that are indemnified parties pursuant to Section 6(a) and, in the case of parties indemnified pursuant to Section 6(b), the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment that is indemnifiable pursuant to Section 6(a) or 6(b), as the case may be, subject to the limitations contained in this Section 6. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such

settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) *Contribution*. To the extent that the indemnification provided for in Section 6(a) or 6(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company shall be deemed to be equal to the total net proceeds from the placement pursuant to the Purchase Agreement (before deducting expenses) of the Registrable Securities to which such losses, claims, damages or liabilities relate. The relative benefits received by any Holder shall be deemed to be equal to the value of receiving Registrable Securities that are registered under the Securities Act. The relative fault of the Holders on the one hand and the Company on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Holders or by the Company or the failure of such party to provide information, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective number of Registrable Securities they have sold pursuant to a Registration Statement, and not joint.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding this Section 6(d), no indemnifying party that is a selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by it and distributed to the public were offered to the public exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity, hereunder, under the Purchase Agreement or otherwise.

(f) The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder, any person controlling any Holder or any affiliate of any Holder or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) the sale of any Registrable Securities by any Holder.

Section 7. *Information Requirements*. The Company covenants that, if at any time before the end of the Effectiveness Period, the Company is not subject to the reporting requirements of the Exchange Act, it will cooperate with any Holder and take such further reasonable action as any Holder may reasonably request in writing (including, without limitation, making such reasonable representations as any such Holder may reasonably request), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 and Rule 144A under the Securities Act and customarily taken in connection with sales pursuant to such exemptions. Upon the written request of any Holder, the Company shall deliver to such Holder a written statement as to whether it has complied with such filing requirements, unless such a statement has been included in the Company's most recent report filed pursuant to Section 13 or Section 15(d) of Exchange Act. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities (other than the Common Stock) under any section of the Exchange Act.

Section 8. *Miscellaneous*.

(a) *No Conflicting Agreements*. The Company is not, as of the date hereof, a party to, nor shall it, on or after the date of this Agreement, enter into, any agreement with respect to its securities that conflicts with the rights granted to the Holders in this Agreement. The Company represents and warrants that the rights granted to the Holders hereunder do not in any way conflict with the rights granted to the holders of the Company's securities under any other agreements except to the extent that a waiver has been obtained.

(b) *Amendments and Waivers*. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the then outstanding Underlying Common Stock constituting Registrable Securities (with Holders of Debentures deemed to be the Holders, for purposes of this Section, of the number of outstanding shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date on which such consent is requested). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by Holders of at least a majority of the Registrable Securities being sold by such Holders pursuant to such Registration Statement; provided that the provisions of this sentence may not be amended, modified or supplemented

except in accordance with the provisions of the immediately preceding sentence. Notwithstanding the foregoing two sentences, this Agreement may be amended by written agreement signed by the Company and the Purchasers, without the consent of the Holders of Registrable Securities, to cure any ambiguity or to correct or supplement any provision contained herein that may be defective or inconsistent with any other provision contained herein, or to make such other provisions in regard to matters or questions arising under this Agreement that shall not adversely affect the interests of the Holders of Registrable Securities. Each Holder of Registrable Securities outstanding at the time of any such amendment, modification, supplement, waiver or consent or thereafter shall be bound by any such amendment, modification, supplement, waiver or consent effected pursuant to this Section 8(b), whether or not any notice, writing or marking indicating such amendment, modification, supplement, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(c) *Notices*. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, by telecopier, by courier guaranteeing overnight delivery or by first-class mail, return receipt requested, and shall be deemed given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by telecopier, (iii) one (1) Business Day after being deposited with such courier, if made by overnight courier or (iv) on the date indicated on the notice of receipt, if made by first-class mail, to the parties as follows:

(i) if to a Holder, at the most current address given by such Holder to the Company in a Notice and Questionnaire or any amendment thereto;

(ii) if to the Company, to:

LSB Industries, Inc.
16 South Pennsylvania Avenue
Oklahoma City, Oklahoma 73107
Attention: David M. Shear, Esq.
General Counsel
Telecopy No.: (405) 236-1209

and

Conner & Winters, LLP
211 N. Robinson, Suite 1700
Oklahoma City, Oklahoma 73102
Attention: Irwin H. Steinhorn, Esq.
Telecopy No.: (405) 232-2695

(iii) if to the Purchasers, to:

Blank Rome LLP
405 Lexington Avenue
New York, New York 10174
Attention: Elise M. Adams, Esq.
Telecopy No.: (212) 885-5001

or to such other address as such person may have furnished to the other persons identified in this Section 8(c) in writing in accordance herewith (which shall be deemed given when received).

(d) *Approval of Holders*. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than the Purchasers or subsequent Holders if such subsequent Holders are deemed to be such affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(e) *Successors and Assigns*. Any person who purchases any Registrable Securities from the Purchasers shall be deemed, for purposes of this Agreement, to be an assignee of the Purchasers. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and shall inure to the benefit of and be binding upon each Holder of any Registrable Securities, provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such person shall be entitled to receive the benefits hereof.

(f) *Counterparts*. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be original and all of which taken together shall constitute one and the same agreement.

(g) *Headings*. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) *Governing Law; Jurisdiction; Jury Trial*. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute

hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY**.

(i) *Severability*. If any term provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(j) *Entire Agreement*. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and the registration rights granted by the Company with respect to the Registrable Securities. Except as provided in the Purchase Agreement, there are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and undertakings among the parties with respect to such registration rights. No party hereto shall have any rights, duties or obligations other than those specifically set forth in this Agreement.

(k) *Termination*. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effectiveness Period, except for any liabilities or obligations under Section 4, 5 or 6 hereof and the obligations to make payments of and provide for the Liquidated Damages Amount under Section 2(g) hereof to the extent such amount accrues prior to the end of the Effectiveness Period, each of which shall remain in effect in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed and delivered this Registration Rights Agreement as of the date first written above.

LSB INDUSTRIES, INC.

By: _____

Name: Jack E. Golsen
Title: Chairman and Chief Executive Officer

[Signatures Follow]

SCHEDULE I

Purchaser signature page with respect to the Registration Rights Agreement between LSB Industries, Inc. and the several Purchasers dated June 28, 2007.

Confirmed and accepted as of
the date first above written:

Purchaser: _____

By: _____
Name:
Title:

SCHEDULE II

1. Registration Rights Agreement, dated as of March 25, 2005, among the Company, Kent C. McCarthy, Jayhawk Capital Management, L.L.C., Jayhawk Investments, L.P., and Jayhawk Institutional Partners, L.P.

2. The Company is subject to a Registration Rights Agreement (the "Existing Rights Agreement") in connection with a private placement of 7% Convertible Senior Subordinated Debentures due 2011 ("7% Debentures"), issued by us in March, 2006. In connection with the Registration Rights Agreement. The Company has registered on Form S-1, No. 333-134111, as amended by a Post-Effective Amendment filed on April 10, 2007, all of the 7% Debentures and underlying common stock issued or issuable upon conversion of the 7% Debentures. All of the 7% Debentures have been converted into Common Stock. Under the Registration Rights Agreement, we are obligated to keep the shares of Common Stock issued upon conversion of the 7% Debentures registered until the earlier of (i) March 14, 2009 and (ii) the earliest of (a) the shares have been resold in accordance with the registration statement, (b) expiration of the holding period that would be applicable thereto under Rule 144(k) as to such shares or (c) the shares have been transferred pursuant to Rule 144, and, in each case, the legend with respect to transfer restrictions is removed or removable.

PURCHASE AGREEMENT

BY AND AMONG

LSB INDUSTRIES INC.

AND

THE PURCHASERS

Dated: June 28, 2007

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "**Agreement**") is made as of the 28 day of June 2007, by and among LSB Industries, Inc., a Delaware corporation ("**Company**"), and the investors listed on Schedule I (the "**Schedule of Purchasers**") attached hereto ("**Purchasers**").

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of this Agreement, the Company desires to sell to the Purchasers, and the Purchasers desire to purchase from the Company, $60 million [subject to increase prior to the closing upon the mutual agreement of the Company and J Giordano] principal amount of the Company's 5.5% convertible senior subordinated debentures due 2012 (the "**Debentures**") to be issued pursuant to the provisions of an indenture dated as of June 28, 2007 (the "**Indenture**") between the Company and UMB Bank, n.a., as Trustee (the "**Trustee")**; and

WHEREAS, J Giordano Securities Group ("**J Giordano")** is acting as placement agent for the Company on a "best efforts, all or none" basis with respect to the offering and sale of the Debentures pursuant to the terms of this Agreement; and

WHEREAS, the Debentures will be convertible into shares of common stock, par value $.10 per share, of the Company (the "**Conversion Shares**"); and

WHEREAS, the Company and each Purchaser are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended ("**Securities Act**"), and Rule 506 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act; and

WHEREAS, pursuant to the terms of the Debentures and the Indenture, the Debentures and the Conversion Shares may be resold or otherwise transferred by the Purchasers only if the resale or transfer is hereinafter registered under the Securities Act or an exemption from registration under the Securities Act is available; and

WHEREAS, the Purchasers and their permitted transferees will be entitled to the benefits of a Registration Rights Agreement dated as of the Closing (as defined herein) by and among the Company and the Purchasers (the "**Registration Rights Agreement**"); and

WHEREAS, each Purchaser is a "qualified institutional buyer" (a "**QIB**"), as such term is defined in Rule 144A under the Securities Act, and as such the Debentures may be offered and resold by the Purchasers, without being registered under the Securities Act, to other QIBs in compliance with the exemption from registration provided by Rule 144A under the Securities Act; and

WHEREAS, in connection with the sale of the Debentures, the Company has prepared a preliminary offering memorandum and, prior to the Closing Date (defined below), will prepare a final offering memorandum (such final offering memorandum is referred to as the

"**Memorandum"**) including or incorporating by reference a description of the terms of the Debentures and the Conversion Shares, the material terms of the offering and a description of the Company. As used herein, the term "Memorandum" shall include the exhibits and annexes thereto and the documents and reports incorporated by reference therein (including, but not limited to, those reports filed with the SEC pursuant to the Exchange Act, as hereafter defined) and any amendment or supplement thereto, as of and after the date thereof. The terms "**supplement**", "**amendment**" and "**amend**" as used herein with respect to the Memorandum shall include any supplement or amendment to the Memorandum prior to the Closing and all documents incorporated by reference in the Memorandum that are filed, subsequent to the date of the Memorandum and prior to the Closing, with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

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

1. Purchase and Sale of Securities. On the basis of the representations and warranties contained in this Agreement and subject to its terms and conditions, the Purchasers hereby agree, severally and not jointly, to purchase from the Company, and the Company hereby agrees to issue and sell to the Purchasers, $60 million aggregate principal amount of Debentures in the principal denominations per each Purchaser set forth opposite such Purchaser's name on the Schedule of Purchasers (which shall be no more than the principal amount of the Debentures subscribed for by such Purchaser on the signature page of this Agreement executed by such Purchaser), for an aggregate purchase price per Purchaser equal to 100% of the principal amount of the Debentures purchased by such Purchaser (the "**Purchase Price**"), as set forth opposite such Purchaser's name on the Schedule of Purchasers (the "**Purchase**"). The Company shall not issue and sell more than $60 million.

2. Closing; Payment and Delivery.

2.1. In the event that Purchasers have (a) deposited at least $60 into a non-interest bearing escrow account (the "**Escrow Account")** maintained for such purpose, on behalf of J Giordano as placement agent for the Company, by Bank of New York **("Escrow Agent")**, and (b) subscribed for a corresponding amount of Debentures by executing, completing and delivering their signature pages to this Agreement indicating such and their signature pages to the Registration Rights Agreement, all in accordance with the instructions set forth in the Subscription Instructions attached hereto as EXHIBIT A (the "**Subscription Instructions**"), and the Company and J Giordano have accepted, from such subscriptions, subscriptions for $60 million principal amount of Debentures on or before July 3, 2007, a closing of the Purchase with respect to the subscription amounts so accepted (the "**Closing"**) shall occur as soon as practicable thereafter (but in no event after July 6, 2007) at the offices of Blank Rome LLP, The Chrysler Building, 405 Lexington Avenue, 24th Floor, New York, New York 10174 at 10:00 a.m. (the "**Closing Date"**), at which time the Company will execute this Agreement and the $60 million payment for the Debentures being sold at such Closing shall be released to the Company from the Escrow Account against delivery of such Debentures, with any transfer taxes payable in connection with the transfer of the Debentures to the Purchasers duly paid, for the respective accounts of the several Purchasers participating in such Closing.

2.2. The Company has the right to reject any subscription for Debentures, in whole or in part, for any reason whatsoever, and to allot to any Purchaser less than the number of Debentures subscribed for by such Purchaser. In the event that the Company accepts only a portion of a Purchaser's subscription and reduces the principal amount of the Debentures to be sold to the Purchaser hereunder, the Purchase Price deposited into the Escrow Account by the Purchaser with respect to the unaccepted portion of the subscription, shall be returned to the Purchaser.

2.3. The Debentures delivered for the account of each Purchaser shall be in definitive form or global form, as specified by such Purchaser and registered in such names and in such denominations as requested in writing by such Purchaser not later than two full business days prior to the Closing Date.

3. Representations and Warranties of the Company. The Company has prepared, executed and delivered to each Purchaser a disclosure statement (the "**Disclosure Statement**"), attached as Schedule II hereto and setting forth exceptions to the representations and warranties contained in this Section 3 in paragraphs numbered to correspond to the sections to which they apply. The Company hereby represents and warrants to each Purchaser as of the date hereof and as of the Closing Date of the sale of Debentures to such Purchaser that, except as set forth in the Disclosure Statement, the following representations and warranties are true and correct.

3.1. As of their respective dates, each document, filed by the Company with the SEC pursuant to the Exchange Act and incorporated by reference in the Memorandum, as any of such documents may have been subsequently amended by filings made by the Company with the SEC prior to the Closing Date (the "**Incorporated Documents**"), complied in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC thereunder, and none of the Incorporated Documents or the Memorandum contains, and on the Closing Date, none of the Incorporated Documents or the Memorandum will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3.2. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority, to own or lease, as the case may be, and operate its properties, whether tangible or intangible, and to conduct its business as described in the Memorandum and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries taken as a whole.

3.3. The Company has no subsidiaries other than these subsidiaries set forth in the Disclosure Statement (the "**Subsidiaries**"). Unless the context requires otherwise, all references to the Company include the Subsidiaries. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation as set forth in the Disclosure Statement, with full corporate power and authority to own or lease, as the case may be, and operate its properties, whether tangible or intangible, and to conduct its

business as currently conducted. Each Subsidiary is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which the conduct of its business or the ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and the Subsidiaries taken as a whole. The Company owns all of the issued and outstanding shares of capital stock (or other equity or ownership interests) of each Subsidiary, and such ownership is free and clear of any security interests, liens, encumbrances, claims and charges, and all of such shares have been duly authorized and validly issued, and are fully paid and nonassessable. There are no options or warrants for the purchase of, or other rights to purchase, or other securities convertible or exercisable into or exchangeable for, any capital stock or other securities of any Subsidiary.

3.4. The Company does not presently own, directly or indirectly, an interest in any corporation, association, or other business entity, and is not a party to any joint venture, partnership, or similar arrangement, other than the Subsidiaries.

3.5. The authorized capital stock of the Company conforms in all material respects to the description thereof contained in the Memorandum and such description conforms in all material respects to the rights in the instruments defining the same.

3.6. The shares of common stock of the Company outstanding prior to the closing have been duly authorized and are validly issued, fully paid and non-assessable.

3.7. The Debentures to be sold under this Agreement have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Purchasers in accordance with the terms of this Agreement, will be valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally (including, without limitation, statutory or other laws regarding fraudulent preferential transfers) and equitable principles of general applicability, and the holders thereof will be entitled to the benefits of the Indenture and the Registration Rights Agreement, although the indemnification and contribution provisions contained in the Transaction Documents (as hereafter defined) may also be limited under applicable law and by public policy.

3.8. The Conversion Shares have been duly authorized and reserved and, when issued upon conversion of the Debentures in accordance with the terms of the Debentures, will be validly issued, fully paid and non-assessable, and the issuance of the Conversion Shares will not be subject to any preemptive or similar rights.

3.9. Except for the registration rights contained in the Registration Rights Agreement, the Company has not granted or agreed to grant to any person any rights (including "piggy-back" registration rights) to have any securities of the Company registered with the SEC or any other governmental authority that have not been satisfied or waived.

3.10. There are no stockholders agreements, voting agreements, voting trusts, proxies or other agreements or understandings with respect to the voting of any capital stock of the Company of which the Company is a party.

3.11. Each of this Agreement, the Indenture, the Registration Rights Agreement, the Debentures and the Escrow Agreement (the "**Transaction Documents**") has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally (including, without limitation, statutory or other laws regarding fraudulent preferential transfers) and equitable principles of general applicability and except as rights to indemnification and contribution under the Transaction Documents may be limited under applicable law and by public policy.

3.12. The execution and delivery by the Company, and the performance by the Company of its obligations under the Transaction Documents will not conflict with or contravene in any material respect, cause a breach or violation of or default under, any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any Subsidiary that is material to the Company and the Subsidiaries, taken as a whole, for which a waiver or consent has not been obtained, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, or any Subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under the Transaction Documents, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Debentures and by Federal and state securities laws with respect to the obligations of the Company under the Registration Rights Agreement or as may be required by the National Association of Securities Dealers, Inc. or such the failure of which to obtain would not have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.13. There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects of the Company and the Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business from that set forth in the Memorandum. Except as disclosed in the Memorandum, since January 1, 2007, there have been no transactions entered into by the Company or any Subsidiary, other than those in the ordinary course of business, which are material with respect to the Company and the Subsidiaries, taken as a whole. Except as set forth in the Memorandum, since January 1, 2007, there has been no obligation, contingent or otherwise, directly or indirectly, incurred by the Company or any Subsidiary material to the Company and the Subsidiaries taken as a whole.

3.14. None of the Company nor any Subsidiary is in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company and the Subsidiaries taken as a whole to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their properties is bound, except for such defaults that would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.15. There are no legal or governmental proceedings, orders, judgments, writs, injunctions, decrees or demands pending or, to the Company's knowledge, threatened to which the Company or any Subsidiary is a party or to which any of the properties of the Company or any Subsidiary is subject other than proceedings, orders, judgments, writs, injunctions, decrees or demands accurately described in all material respects in the Memorandum and proceedings, orders, judgments, writs, injunctions, decrees or demands that would not have a material adverse effect on the Company and the Subsidiaries taken as a whole or on the power or ability of the Company to perform its obligations under the Transaction Documents or to consummate the transactions contemplated by the Memorandum.

3.16. Except as set forth in the Memorandum, to the Company's knowledge, the Company and each Subsidiary (a) is in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (b) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business, (c) is in compliance with all material terms and conditions of any such permit, license or approval, (d) is in compliance with any provisions of the employee Retirement Income Security Act of 1974, as amended, ("**ERISA**") or the rules and regulations promulgated thereunder and (e) is in compliance with any provisions of the Foreign Corrupt Practice Act or the rules and regulations promulgated thereunder, except, with respect to clauses (a) through (e), where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or noncompliance with ERISA or the Foreign Corrupt Practices Act or failure to comply with the terms and conditions of such permits, licenses or approvals, would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

3.17. Except as set forth in the Memorandum, there are no costs or liabilities to the Company or any Subsidiary associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.18. None of the Company nor any Subsidiary is, and giving effect to the offering and sale of the Debentures and the application of the proceeds thereof as described in the Memorandum will be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

3.19. None of the Company, any Subsidiary nor any of its affiliates (as defined in Rule 501(b) of Regulation D, each an "**Affiliate**") has directly, or through any agent (with respect to J Giordano, based on its representations), (a) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or will be integrated with the sale of the Debentures in a manner that would require the registration under the Securities Act of the Debentures or (b) offered, solicited offers to buy or sell the Debentures by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

3.20. Subject to compliance by the Purchasers with the representations and warranties set forth in Section 4, it is not necessary in connection with the offer, sale and delivery of the Debentures to the Purchasers in the manner contemplated by this Agreement to register the Debentures under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

3.21. Subject to the compliance by the Purchasers with the representations and warranties set forth in Section 4, the Debentures are eligible for resale pursuant to Rule 144A and will not be, at Closing, of the same class of securities listed on a national securities exchange registered under Section 6 of the Exchange Act, or quoted on the U.S. automated inter-dealer quotation system.

3.22. The books, records and accounts of the Company in all material respects accurately and fairly reflect, in reasonable detail, the transactions in, and dispositions of, the assets of, and the results of operations of, the Company. The Company maintains a system of accounting controls sufficient to provide reasonable assurances that (a) transactions are executed in accordance with management's general or specific authorization, (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (c) access to assets is permitted only in accordance with management's general or specific authorization and (d) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3.23. Except as described in the Memorandum, each of the Company and each Subsidiary owns or possesses, or has the right to use, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed or required by it in connection with the business currently conducted by it as described in the Memorandum, except such as the failure to so own or possess or have the right to use would not have, singly or in the aggregate, a material adverse affect on the Company and the Subsidiaries taken as a whole. To the Company's knowledge, there are no valid and enforceable United States patents that are infringed by the business currently conducted by the Company or any Subsidiary, or as currently proposed to be conducted by the Company or any Subsidiary, as described in the Memorandum and which infringement would have a material adverse effect on the Company and the Subsidiaries taken as a whole. The Company is not aware of any basis for a finding that the Company does not have valid title or license rights to the patents and patent applications referenced in the Memorandum as owned or licensed by the Company or any Subsidiary, and, to the Company's knowledge, none of the Company nor any Subsidiary is subject to any judgment, order, writ, injunction or decree of any court or any Federal, state, local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, nor has it entered into or is it a party to any contract, which restricts or impairs the use of any of the foregoing which would have a material adverse effect on the Company and the Subsidiaries taken as a whole. Neither the Company nor any Subsidiary has received any written notice of infringement of or conflict with asserted rights of any third party with respect to the business currently conducted by it as described in the Memorandum and which would have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.24. Other than with respect to Environmental Laws and ERISA (which are governed by Section 3.16 above), each of the Company and each Subsidiary has such permits, licenses, consents, exemptions, franchises, authorizations and other approvals (each, an "**Authorization**") of, and has made all filings with and notices to, all appropriate federal, state, local or foreign governmental or regulatory authorities and self regulatory organizations and all courts and other tribunals, as are necessary to own, lease, license and operate its respective properties and to conduct its business, except to the extent the failure to have any such Authorization or to make any such filing or notice would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries taken as a whole. Each such Authorization is valid and in full force and effect and the Company and each Subsidiary is in compliance with all the material terms and conditions thereof and with the rules and regulations of the authorities and governing bodies having jurisdiction with respect thereto, and no event has occurred (including, without limitation, the receipt of any notice from any authority or governing body) which allows or, after notice or lapse of time or both, would allow, revocation, suspension or termination of any such Authorization or results or, after notice or lapse of time or both, would result in any other impairment of the rights of the holder of any such Authorization except to the extent such failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.25. There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or liens granted or issued by the Company relating to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of the Company, except as otherwise disclosed in the Memorandum.

3.26. The financial statements included or incorporated by reference in the Memorandum as the same may have been amended prior to the date of the Memorandum, together with related schedules and notes, present fairly in all material respects the financial position, results of operations and changes in financial position of the Company and its consolidated subsidiaries on the basis stated therein at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the other financial and statistical information and data set forth in the Memorandum are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company. The financial information set forth under the captions "Summary Financial Data" and "Capitalization" in the Memorandum is derived from the accounting records of the Company and its subsidiaries, has been computed on a basis consistent with the audited financial statements in the Memorandum and fairly presents in all material respects, on the basis stated in the Memorandum, the information included therein. The Company's ratio of earnings to fixed charges set forth in the Memorandum has been calculated in compliance with Item 503(d) of Regulation S-K under the Securities Act.

3.27. There are no existing or, to the Company's knowledge, threatened labor disputes with the employees of the Company or any Subsidiary which would have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.28. The Company's and the Subsidiaries' manufacturing, distribution and marketing practices are in compliance with all applicable laws, rules, regulations, orders, licenses, judgments, writs, injunctions and decrees in each country in which the Company's and the Subsidiaries' products are marketed, except for such noncompliances that would not have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.29. Neither the Company nor any Subsidiary has received any written communication notifying the Company or such Subsidiary as to the termination or threatened termination or modification or threatened modification of any consulting, licensing, marketing, research and development, cooperative or any similar agreement described in the Memorandum.

3.30. The statements relating to legal matters, documents or proceedings included in the Memorandum under the captions "Description of Securities," "Plan of Distribution" and "Notice to Investors" and in "Item 3 - Legal Proceedings" of the Company's most recent annual report on Form 10-K and in "Item 1 – Legal Proceedings" of the Company's quarterly report on Form 10-Q included or incorporated by reference in the Memorandum fairly summarize in all material respects such matters, documents or proceedings.

3.31. Neither the Company nor any Subsidiary, nor to the Company's knowledge, any of its officers, directors or Affiliates has taken, directly or indirectly, any action designed to or which has constituted the stabilization or manipulation of the price of the common stock of the Company or any security convertible into or exchangeable for common stock of the Company to facilitate the sale or resale of any of the Debentures.

3.32. Each of the Company and each Subsidiary has filed all Federal, state, local and foreign tax returns which are required to be filed through the date hereof (except where the failure to so file would not have a material adverse effect on the Company and the Subsidiaries taken as a whole), which returns are true and correct in all material respects, or have received extensions thereof, and have paid all taxes shown on such returns and all assessments received by them to the extent that the same are material and have become due. All tax liabilities are adequately provided for on the books of the Company and the Subsidiaries. To the Company's knowledge, there are no tax audits or investigations pending, which if adversely determined, would have a material adverse effect on the Company and the Subsidiaries taken as a whole.

3.33. Each of the Company and each Subsidiary is insured against such losses and risks and in such amounts as are customary in the businesses in which it is engaged, including but not limited to, insurance covering product liability and real or personal property owned or leased against theft, damage, destruction, act of vandalism and all other risks customarily insured against in its respective industries. All policies of insurance and fidelity or surety bonds insuring the Company, any Subsidiary or the Company's or any Subsidiary's businesses, assets, employees, officers and directors are in full force and effect. The Company and each Subsidiary is in compliance with the terms of such policies and instruments in all material respects. The Company has no reason to believe that it and the Subsidiaries will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and the Subsidiaries taken as a whole.

Since January 1, 2005, neither the Company nor any Subsidiary has been denied any insurance coverage which it has sought or for which it has applied.

3.34. The Company and each Subsidiary has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances and defects except such as are described in the Memorandum or such as do not have a material adverse effect on the Company and its Subsidiaries as a whole. Any real property and buildings held under lease by the Company and each Subsidiary is held by it under valid, subsisting and enforceable leases with such exceptions as do not have a material adverse effect on the Company and its Subsidiaries as a whole.

3.35. There is no document, contract or other agreement of a character required to be filed with the SEC under the Exchange Act which is not filed as required by the Exchange Act or the rules and regulations of the SEC thereunder. Each description of a contract, document or other agreement in the Memorandum fairly reflects in all material respects the material terms of the underlying document, contract or agreement. Each material agreement described in the Memorandum or incorporated by reference is in full force and effect and is valid and enforceable by and against the Company in accordance with its terms.

3.36. The Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act. Since January 1, 2005, the Company has timely filed with the SEC all reports required to be filed under the Exchange Act and the Company is and, as of the time of the Closing will be, current in its reporting obligations under the Exchange Act. The Company has responded to all comments raised by the SEC with respect to the Company's reports, registration statements and other filings made with the SEC to the SEC's satisfaction, and no comments which could have an adverse effect on the Company's consolidated financial condition or results of operations (past or future) or could require a restatement of previously filed financial statements remained unresolved with the SEC.

3.37. There is and there has been no failure on the part of the Company and the Subsidiaries or any of the officers or directors of the Company or any Subsidiary to comply in all material respects with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

3.38. The Company has not distributed and, prior to the Closing, will not distribute any offering material in connection with the offering and sale of the Debentures other than the Memorandum.

3.39. Neither the Company nor any of its Affiliates has directly or indirectly, solicited any offer to buy, sell or offered to sell or otherwise negotiated in respect of, or will solicit an offer to buy, sell or offer to sell, or otherwise negotiate in respect of any security which might be integrated with the sale of the Debentures or the Conversion Shares in a manner that would require the Debentures to be registered under the Securities Act. Except as set forth in the Memorandum, there are no persons with registration rights or similar rights to have any securities registered by the Company under the Securities Act. No registration under the Securities Act of the Debentures or the Conversion Shares is required for the sale of the Debentures and Conversion Shares to the Purchasers under this Agreement and the

Memorandum, assuming the accuracy of the Purchasers' representations, warranties and agreements set forth in Section 4.

3.40. The Debentures and the Indenture will conform in all material respects to the respective statements relating thereto contained in the Memorandum and will be in substantially the respective forms last delivered to the Purchasers prior to the date of this Agreement.

3.41. The Company has established and maintains disclosure controls and procedures (as such term in defined in Rule 13a-14 and 15d-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, and such disclosure controls and procedures are reasonably effective to perform the functions for which they were established, subject to the limitation of any such control system; the Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (A) any significant deficiencies in the Company's ability to record, process, summarize, and report financial data; and (B) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls; any material weaknesses in internal controls have been identified for the Company's auditors; and since the date of the most recent evaluation of such disclosure controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

3.42. The Company acknowledges that it has engaged J Giordano as placement agent in connection with the Purchase. Neither the Company nor any of its agents (with respect to J Giordano, based on its representations) has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the Purchase.

3.43. No event, liability, development or circumstance has occurred or exists with respect to the Company that would be required to be disclosed by the Company under applicable securities laws which has not been publicly announced as of the date hereof. The Company confirms that neither it, nor any other person acting on its behalf (with respect to J Giordano, based on its representations), has provided any of the Purchasers or their agents or counsel with any information that constitutes material, nonpublic information. The Company understands and confirms that each of the Purchasers will rely on the foregoing representations of the Company in effecting transactions in securities of the Company. All disclosures provided to the Purchasers in the Memorandum, and all disclosures made by the Company or made on behalf of the Company but approved in advance by the Company, regarding the Company, its business and the transactions contemplated hereby, are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3.44. Subject to the compliance by each Purchaser with the representations and warranties set forth in Section 4, the Company has caused or will cause to be timely filed with

each applicable jurisdiction corresponding to the principal place of business of each Purchaser (as same has been provided by such Purchasers) all appropriate documentation required for the registration of the Purchase of the Debentures under applicable state law or required to secure an exemption from such registration requirements, except nothing contained herein will require the Company to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) to take action that would subject it to general service of process in any jurisdiction where it is not so subject or (iii) subject it to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then subject.

4. Representations and Warranties of the Purchasers. Each of the Purchasers, severally and not jointly, hereby represents and warrants to the Company as of the date hereof as to itself that:

4.1. Authorization. The Transaction Documents to which such Purchaser is a signatory constitute its valid and legally binding obligations, enforceable in accordance with their respective terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (c) to the extent the indemnification provisions contained in the Transaction Documents may be limited by applicable federal or state laws.

4.2. Purchase Entirely for Own Account. The Debentures acquired by such Purchaser will be acquired for investment for its own account. Such Purchaser has full power and authority to enter into this Agreement.

4.3. Disclosure of Information. It acknowledges that it has received and reviewed the Memorandum and the Disclosure Statement. It acknowledges that it has received all the information that it has requested relating to the Company and the purchase of the Debentures and further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Purchase. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of the Purchaser to rely thereon.

4.4. Restricted Securities. It understands that the Debentures and the Conversion Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering, and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, it represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act. The transfer restrictions and other provisions set forth in the Memorandum under the caption "Notice to Investors," including the legend required thereby, shall apply to the Debentures and the Conversion Shares.

4.5. QIB; Accredited Investor. It is a QIB and an institutional "accredited investor" within the meaning of Regulation D under the Securities Act; and it agrees with the Company that (a) it will not solicit offers for, or offer or sell, Debentures by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and (b) prior

to the registration of the Debentures under the Securities Act, it will solicit offers for such Debentures only from, and will offer such Debentures only to, persons that it reasonably believes to be QIBs. Each Purchaser will take reasonable steps to inform persons acquiring Debentures from it that the Debentures have not been registered under the Securities Act and are being sold to them without registration under the Securities Act in reliance on Rule 144A or in accordance with another exemption from registration under the Securities Act.

4.6. Release of Funds. It hereby acknowledges and agrees that the Purchase Price for the Debentures being purchased by it hereunder, has been previously (or prior to the Closing will be) wired by the Purchaser to the Escrow Agent, and that, upon the Escrow Agent's receipt of executed (by the Company and such Purchaser) copies of this Agreement and the Registration Rights Agreement, the Indenture executed by the Company and the Trustee, the deliverables set forth in Section 5 below and a joint disbursement instruction from the Company and J Giordano covering such Purchase Price funds ("**Disbursement Letter**"), the Escrow Agent will wire transfer such Purchase Price funds in accordance with the Disbursement Letter, provided, however, that if no Disbursement Letter is received by the Escrow Agent on or prior to July 6, 2007 with respect to such Purchaser's funds, such funds shall be returned without interest to the Purchaser.

4.7. Purchasers' Indemnification of the Company. It hereby indemnifies and holds the Company and its officers, directors and agents free from any liability (other than any indirect, consequential, special or punitive damages, or loss of profits) they may incur (including the costs of defending any legal action brought against any of the foregoing parties) as a result of any breach by such Purchaser of the representations of the Purchaser set forth in this Section 4.

4.8. J Giordano Fees. The Purchasers acknowledge that J Giordano is acting as placement agent in connection with the Purchase and will receive a fee from the Company for such services equal to 5.0% of the aggregate Purchase Price paid by the Purchasers for the Debentures. In addition, if within six (6) months following the Closing Date, the Company sells, directly or indirectly, securities to any Purchaser (other than securities issued in connection with a working capital loan or facility or project debt financing, an underwritten public offering or if the engagement letter between the Company and J Giordano is terminated by the Company due to the gross negligence or bad faith of J Giordano or material breach of this engagement letter by J Giordano), J Giordano will be entitled to receive the same compensation with respect to such sale of securities as it will receive in connection with the Purchase. The Company shall be solely responsible for the compensation of J Giordano referred to herein.

4.9. J Giordano Expenses. In the event the Purchase is not consummated and the engagement of J Giordano is subsequently terminated by the Company other than for failure to reasonably perform by J Giordano, the Company will pay all reasonable fees, expenses and disbursements, including legal, due diligence, travel and communications incurred by J Giordano within three (3) business days of receipt of an invoice from J Giordano.

5. Conditions to the Purchasers' Obligations. The obligations of each Purchaser to purchase and pay for the Debentures set forth opposite its name on the Schedule of Purchasers on the Closing Date are subject to the accuracy of the representations and warranties of the Company contained in this Agreement or in any certificate of any officer of the Company delivered pursuant to this Agreement and to the following further conditions:

5.1. Officer's Certificate. The Purchasers shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before such Closing Date.

5.2. Opinion of Counsel. The Purchasers shall have received on such Closing Date an opinion of Conner & Winters, LLP, counsel for the Company, dated such Closing Date, to the effect set forth in EXHIBIT B attached hereto. Such opinion shall be rendered to the Purchasers at the request of the Company and shall so state therein.

5.3. Good Standing Certificate. The Purchasers shall have received on the Closing Date a certificate, dated as of a date within a reasonably current date prior to such Closing, issued by the proper authority in Delaware to the effect that the Company is legally existing and in good standing.

5.4. Secretary's Certificate. The Purchasers shall have received on such Closing Date a certificate, dated as of such Closing Date, executed by the Secretary of the Company certifying the resolutions adopted by the Company's board of directors relating to the transactions contemplated by this Agreement.

5.5. Lock-Up Agreements. The "lock-up" agreements, each substantially in the form of EXHIBIT C attached hereto, between J Giordano and certain executive officers and directors of the Company relating to sales and certain other dispositions of shares of common stock or certain other securities, delivered to J Giordano on or before such Closing Date, shall be in full force and effect on such Closing Date.

5.6. Registration Rights Agreement. The Company shall have duly executed the Registration Rights Agreement in the form attached hereto as EXHIBIT D.

5.7. Indenture. The Company and the Trustee shall have each duly executed the Indenture.

5.8. DTC. The Debentures shall be eligible for clearance and settlement through the facilities of the Depository Trust Company.

5.9. Delivery of Debentures. The Company shall have executed and delivered to the Purchaser the Debentures (in such denominations as the Purchaser shall request) for the Debentures; provided, that Debentures eligible for services through DTC shall be issued, countersigned, registered and delivered in global certificate form through the facilities at DTC in the name of the Purchaser and in such denominations and account as the Purchaser shall specify.

6. Covenants of the Company. In further consideration of the agreements of the Purchasers contained in this Agreement, the Company covenants with each Purchaser as follows:

6.1. The Company hereby agrees that, without the prior written consent of J Giordano, it will not, during the period ending 90 days after the date of the Memorandum, (a)

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock of the Company or any securities convertible into or exercisable or exchangeable for common stock of the Company or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock of the Company, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply (1) to the sale of the Debentures under this Agreement, (2) to the issuance by the Company of any shares of common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof, (3) to the grant of any option or issuance of any stock or stock appreciation right under any plan outstanding on the date hereof; (4) in connection with any bona-fide merger or acquisition as approved by the Company's Board of Directors; *provided* that any issuance by the Company of shares of common stock is not to raise cash to fund such merger or acquisition; (5) in connection with any bona-fide strategic agreement, joint venture agreement, limited liability agreement or similar agreement entered into with any supplier, manufacturer, distributor or customer that is approved by the Company's Board of Directors, the primary purpose of which is not to raise cash or (6) the redemption of the Company's Series 2 $3.25 convertible, exchangeable Class C Preferred Stock; *provided, however,* that in the case of any dispositions pursuant to (4) or (5), the transferee, in each case, agrees to be bound by the terms of the previous sentence; or (6) grant a warrant to purchase the Company's common stock in connection with a bona fide lending transaction or a project or facility financing transaction.

6.2. Neither the Company nor any of its Affiliates has or will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which could be integrated with the sale of the Debentures or the Conversion Shares in a manner which would require the registration under the Securities Act of the Debentures.

6.3. The Company will not solicit any offer to buy or offer or sell the Debentures or the Conversion Shares by means of any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

6.4. While any of the Debentures or the Conversion Shares remain "restricted securities" within the meaning of the Securities Act, the Company will make available, upon request, to any seller of such Debentures the information specified in Rule 144A(d)(4) under the Securities Act, unless the Company is then subject to Section 13 or 15(d) of the Exchange Act.

6.5. The Company will use its commercially reasonable efforts to permit the Debentures to be designated PORTAL securities in accordance with the rules and regulations adopted by The Nasdaq Stock Market, Inc. relating to trading in The PORTAL^{SM} Market.

6.6. During the period of two years after the Closing Date, the Company will not, and will not permit any of its Affiliates under its control (as defined in Rule 144 under the Securities Act) to resell any of the Debentures or the Conversion Shares which constitute "restricted securities" under Rule 144 that have been reacquired by any of them.

6.7. Neither the Company nor any of its Affiliates will take any action prohibited by Regulation M under the Exchange Act in connection with the sale and distribution of the Debentures contemplated hereby.

6.8. Until the date on which the Purchasers shall have sold all the Conversion Shares held by them and none of the Debentures are outstanding, the Company shall timely file all reports required to be filed with the SEC pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would otherwise permit such termination.

6.9. The Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, the number of shares of Common Stock issuable as Conversion Shares.

6.10. The Company will take such actions as may be reasonably required or desirable to carry out the provisions of this Agreement and the other Transaction Documents.

6.11. The Company shall cause the Conversion Shares to be duly included for quotation on the American Stock Exchange ("**AMEX**") prior to the Closing Date, subject to notice of official issuance. The Company will ensure that such Conversion Shares remain included for quotation on the AMEX or any other national securities exchange following the Closing Date for so long as any shares of the Company's common stock remain registered under the Exchange Act.

6.12. The Company shall maintain such controls and other procedures, including without limitation those required by Section 302 of the Sarbanes-Oxley Act and the applicable regulations thereunder, that are reasonably designed to ensure that 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, including without limitation, controls and procedures reasonably designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, to ensure that material information relating to the Company, including its Subsidiaries, is made known to them by others within those entities.

6.13. The Company shall, by 8:30 a.m. Eastern time on the Trading Day (as such term is defined in Indenture) following the Closing Date, issue a press release with respect to the issuance of the Debenture and the closing of the transactions contemplated hereby and prior to the expiration of two Trading Days following the Closing Date, file a Current Report on Form 8-K, disclosing the material terms of the transactions contemplated hereby, and attaching as exhibits thereto this Agreement, the Registration Rights Agreement, and the Indenture. From and after the filing of the Form 8-K with the SEC, no Purchaser shall be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of their respective officers, directors, employees or agents, that is not disclosed in the Form 8-K.

The Company shall not, and shall cause its officers, directors, employees and agents, not to, provide any Purchaser with any material, nonpublic information regarding the Company or any of its subsidiaries from and after the filing of the Form 8-K with the SEC without the express written consent of such Purchaser. Without the prior written consent of any applicable Purchaser neither the Company nor any of its subsidiaries or affiliates shall disclose the name of such Purchaser in any public filing, public announcement, press release or similar public disclosure, unless such disclosure is required by law, regulation or the American Stock Exchange.

7. Indemnification.

7.1. The Company agrees to indemnify and hold harmless each Purchaser, each person, if any, who controls any Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each Affiliate of any Purchaser (individually, the "**Indemnified Person**" or collectively the "**Indemnified Person**") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (a) caused by any untrue statement or alleged untrue statement of a material fact contained in the Memorandum (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), (b) caused by any omission or alleged omission to state in the Memorandum a material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading or (c) that arise out of or are based upon any material breach of any representation, warranty, agreement obligation or covenant of the Company contained herein. The Company shall not be responsible hereunder to any Indemnified Person for any consequential damages or losses, claims or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of such Indemnified Person.

7.2. Promptly after receipt of notice of the commencement of any action in respect of which indemnity may be sought against the Company under this Section 7, the Indemnified Person will notify the Company in writing of the commencement thereof, and the Company will, subject the provisions hereinafter stated, assume the defense of such action (including the employment of counsel reasonably satisfactory to the Indemnified Person and the payment of expenses in connection with such defense) insofar as such action relates to an alleged liability in respect of which indemnity may be sought against the Company under this Section. After notice from the Company of its election to assume the defense of such claim or action, and provided it continues to meet its obligations hereunder, the Company shall no longer be liable to the Indemnified Person under this Section for any legal or other expenses subsequently incurred by the Indemnified Person in connection with the defense thereof other than reasonable costs incurred prior to the Company assuming the defense of such action; provided, however, that if in the reasonable good faith judgment of the Indemnified Person or Persons, because of a conflict of interest of the counsel employed by Company, to be represented by separate counsel, the Indemnified Person or Persons shall have the right to employ separate counsel to represent the Indemnified Persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Persons thereof against the Company, in which event the reasonable fees and expenses of one such separate counsel to represent all of the Indemnified Persons shall be borne by the Company.

8. Miscellaneous.

8.1. Survival of Warranties. All of the representations and warranties made herein shall survive the execution and delivery of this Agreement. The Purchasers are entitled to rely, and the parties hereby acknowledge that the Purchasers have so relied, upon the truth, accuracy and completeness of each of the representations and warranties of the Company contained herein, irrespective of any independent investigation made by Purchasers. The Company is entitled to rely, and the parties hereby acknowledge that the Company has so relied, upon the truth, accuracy and completeness of each of the representations and warranties of the Purchasers contained herein, irrespective of any independent investigation made by the Company.

8.2. Right of Placement Agent to Rely on Representations. J Giordano shall be entitled to rely upon the representations and warranties made by the Company and the Purchasers in this Agreement and shall be a third party beneficiary for such purpose.

8.3. Successors and Assigns. This Agreement is personal to each of the parties and may not be assigned without the written consent of the other parties; provided, however, that any of the Purchasers shall be permitted to assign its rights under this Agreement and the Transaction Documents to any Affiliate of such Purchaser.

8.4. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

8.5. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

8.6. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.7. Notices. Unless otherwise provided, any notice, authorization, request or demand required or permitted to be given under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or three (3) days following deposit with the United States Post Office, by registered or certified mail, postage prepaid, or two days after it is sent by an overnight delivery service, or when sent by facsimile with machine confirmation of delivery addressed as follows:

If to the Purchasers to:

The address set forth opposite their name on the Schedule of Purchasers.

If to Company:

LSB Industries, Inc.
16 South Pennsylvania Avenue
Oklahoma City, Oklahoma 73107
Fax: (405) 235-5067
Attn: David M. Shear, Senior Vice President and General Counsel
(email: dshear@lsb-okc.com)

In either case, with copies to:

Blank Rome LLP
405 Lexington Avenue, 23rd Floor
New York, New York 10174
Fax: (212) 885-5001
Attention: Elise M. Adams, Esq. (email: eadams@blankrome.com)

and

Conner & Winters, LLP
1700 One Leadership Square
211 North Robinson
Oklahoma City, Oklahoma 73102-7101
Fax: (405) 232-2695
Attention: Irwin H. Steinhorn, Esq. (e-mail: isteinhorn@cwlaw.com)

Any party may change its address for such communications by giving notice thereof to the other parties in conformity with this Section.

8.8. Certain Fees and Reimbursements. Each party represents that it neither is nor will be obligated for any finders' or brokers' fee or commission in connection with this transaction; provided, however, that the Company is obligated to pay certain compensation upon consummation of the transactions contemplated hereby to J Giordano.

8.9. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Purchasers holding Debentures evidencing, in the aggregate, an amount equal to not less than 50.1% of the aggregate principal amount of all Debentures then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities, and the Company.

8.10. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

8.11. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

IN WITNESS WHEREOF, the parties have executed this Purchase Agreement as of the date first above written.

LSB INDUSTRIES, INC.

By: _____

Name:
Title:

[Signature pages of Purchasers follow]

Purchaser signature page with respect to Purchase Agreement between LSB Industries, Inc. and the several Purchasers dated June 28, 2007.

PURCHASER:

By: _____

Name: _____

Title: _____

Address and phone number of Purchaser: _____

_____

_____

_____

Principal Contact at Purchaser: _____

Telephone Number of Principal Contact: _____

Email of Principal Contact: _____

Principal Amount of Debentures subscribed for by the Purchaser: $_____

SCHEDULE I

SCHEDULE OF PURCHASERS

Name and Address	Principal Amount of Debentures	Aggregate Purchase Price
Bancroft Fund Ltd.	$ 3,000,000	$ 3,000,000
Basso Fund Ltd.	$ 120,000	$ 120,000
Basso Holdings Ltd.	$ 2,130,000	$ 2,130,000
Basso Multi-Strategy Holding Fund Ltd.	$ 690,000	$ 690,000
Deutsche Bank AG, London Bank	$ 3,000,000	$ 3,000,000
Ellsworth Fund Ltd	$ 2,000,000	$ 2,000,000
Equitec Arbitrage LLC	$ 1,000,000	$ 1,000,000
Five Sticks	$ 60,000	$ 60,000
Highbridge International LLC	$ 10,200,000	$ 10,200,000
Highbridge Convertible Arbitrage Master Fund LP	$ 1,800,000	$ 1,800,000
Linden Capital LP	$ 1,000,000	$ 1,000,000
Morgan Stanley & Co. Incorporated	$ 7,000,000	$ 7,000,000
O'Connor Global Convertible Arbitrage Master Limited	$ 2,760,000	$ 2,760,000
O'Connor Global Convertible Arbitrage II Master Limited	$ 240,000	$ 240,000
Polygon Global Opportunities Master Fund	$ 6,000,000	$ 6,000,000
Portside Growth and Opportunity Fund	$ 8,500,000	$ 8,500,000
RCG Latitude Master Fund Ltd.	$ 2,100,000	$ 3,500,000
RCG PB, Ltd.	$ 1,225,000	$ 1,225,000
Rockmore Investment Master Fund Ltd.	$ 1,500,000	$ 1,500,000
Vicis Capital Master Fund	$ 4,500,000	$ 4,500,000
Wolverine Convertible Arbitrage Fund Trading Company	$ 1,000,000	$ 1,000,000
Xavex Convertible Arbitrage 5	$ 175,000	$ 175,000

SCHEDULE II

DISCLOSURE STATEMENT

This DISCLOSURE STATEMENT, dated the 28th day of June, 2007, has been prepared by LSB INDUSTRIES, INC. (the "Company"), in connection with the Purchase Agreement (the "Purchase Agreement") relating to the Company's 5.5% Convertible Senior Subordinated Debentures Due 2012, to be entered into by and among the Company and all of the Purchasers listed on Schedule 1 to such Purchase Agreement (the "Purchasers"). This Disclosure Statement is executed and delivered by the Company to each Purchaser pursuant to Section 3 of the Purchase Agreement to set forth exceptions to the representations and warranties contained in Section 3 to the Purchase Agreement. The section numbers set forth below correspond to the sections of the Purchase Agreement to which they apply. All capitalized terms in this Disclosure Statement will have the meanings set forth in the Purchase Agreement, unless the context requires otherwise.

Purchase Agreement Section Number	Disclosure
3.1	See the disclosures below with respect to Section 3.22 and 3.36
3.2	None.
3.3	1. A complete list of the subsidiaries of the Company (the "Subsidiaries") is attached as Exhibit "A" to the Disclosure Statement. 2. Pursuant to the Loan Agreement, dated September 15, 2004, as amended (the "Senior Secured Loan Agreement"), the Company's subsidiary, ThermaClime, has granted to Orix Capital Markets, LLC, as agent, a first priority security interest in the capital stock of the following Subsidiaries: 1. Northwest Financial Corporation 2. XpediAir, Inc. 3. International Environmental Corporation 4. The Climate Control Group, Inc. 5. ThermaClime Technologies, Inc. 6. ClimaCool Corp. 7. Trison Construction, Inc. 8. Koax Corp. 9. Climate Master, Inc. 10. ClimateCraft, Inc. 11. Cherokee Nitrogen Company 12. LSB Chemical Corp. 13. El Dorado Chemical Company 14. Chemex I Corp. 15. Chemex II Corp. 16. DSN Corporation

3. Pursuant to the terms of the Senior Secured Loan Agreement, the Company has granted to Orix a security interest in the capital stock of ThermaClime and Cherokee Nitrogen Holdings, Inc.

4. Pursuant to the Loan and Security Agreement, dated April 13, 2001, as amended (the "Working Capital Revolver Loan Agreement"), the Company's subsidiary, ThermaClime, has granted to Wells Fargo Foothill, Inc., as agent, a second lien on the capital stock of the entities listed under (2) above, excluding DSN Corporation, and a first lien on the capital stock of CEPOLK Holdings, Inc.

5. Pursuant to the terms of the Working Capital Revolver Loan Agreement, the Company has granted to Wells Fargo Foothill a second lien on the capital stock of ThermaClime.

6. Pursuant to the Working Capital Revolver Loan Agreement, ThermaClime and each of the entities listed under (2) above, have granted a security interest in all of their currently existing and after acquired accounts, books, certain equipment, general intangibles, inventory, investment property (excluding the capital stock of El Dorado Nitrogen Company and DSN Corporation) certain negotiable instruments, and certain real property and products and proceeds of the foregoing.

7. Pursuant to the Senior Secured Loan Agreement ThermaClime, Cherokee Nitrogen Holdings, Inc. and the entities listed in (2) above have granted a security interest in (a) the real property owned by Northwest Financial Corp. relating to the El Dorado Chemical Arkansas plant located in El Dorado, Arkansas, and the DSN strong nitric acid plant located in El Dorado, Arkansas, (b) the real property owned by Cherokee Nitrogen Holdings, Inc., relating to Cherokee Nitrogen Alabama plant located in Cherokee, Alabama, (c) all other property whether real, personal, tangible or intangible or mixed, or other assets owned, leased or operated by such entities, except the rolling stock, motor vehicles, catalysts, certain excluded equipment and the CEPOLK Limited Partnership Interest to the extent a lien is prohibited by law or contract attaching to such interest.

8. Summit Machine Tool Manufacturing Corp. ("Summit") granted a security interest in its personal property to Bank of the West under a revolving line of credit agreement. At March 31, 2007, Summit had drawn down approximately $80,000 from the line of credit.

9. In connection with certain improvements to the real property and plant utilized by El Dorado Nitrogen Company, Bayerische Landesbank, as agent for Bayerische Landesbank, Cayman Islands

Branch, and Banc of America Leasing & Capital, LLC, received a security interest from El Dorado Nitrogen L.P. and El Dorado Nitrogen Company covering payments, proceeds and interests in a certain Project and Supply Agreement.

10. Walter Mecozzi ("Mecozzi"), President of ClimateCraft Technologies, Inc. ("ClimateCraft Technologies"), a Subsidiary of the Company, owns 25 shares of Class B Non-Voting Common of ClimateCraft Technologies. Mecozzi was also granted an option to purchase certain shares of capital stock of ClimateCraft Technologies, pursuant to a stock option agreement entered into the Company and Mecozzi in 1999 as additional employment compensation to Mecozzi.

11. LSB Holdings, Inc. granted a security interest in its certificate of limited partnership interest in CEPOLK Limited Partnership ("CEPOLK") and all proceeds in connection therewith to Prudential Insurance Company of America ("Prudential"), which provided the financing for CEPOLK. The amount outstanding to Prudential is approximately $5,900,000.

Based on the foregoing, most of the assets of the chemical business and the climate control business are subject to liens securing either or both of the Senior Secured Loan Agreement or the Working Capital Revolver Loan Agreement.

The material terms of the Senior Secured Loan Agreement are discussed in the Company's 2006 Form 10-K, filed March 27, 2007, under Item 8 "Financial Statements and Supplementary Data," Note 11(A) "Long-Term Debt;" and in the Company's 1st Quarter Form 10-Q, filed on May 8, 2007, under Item 1 "Financial Statements," Note 10(A) "Long-Term Debt."

The material terms of the Working Capital Revolver Loan Agreement are summarized in the Company's 2006 Form 10-K, filed March 27, 2007, under Item 8 "Financial Statements and Supplementary Data," Note 11(B) "Long-Term Debt;" and in the Company's 1st Quarter Form 10-Q, filed on May 8, 2007, under Item 1 "Financial Statements," Note 10(B) "Long-Term Debt." See disclosures below with respect to Section 3.34.

3.4 See the information disclosed in the Company's 2006 Form 10-K, filed on March 27, 2007, under Item 8 "Financial Statements and Supplementary Data", Note 8 "Investment in Affiliate" with respect to the Company's 50% equity interest in CEPOLK Holdings, Inc., an energy conservation joint venture.

3.5 None.

3.6 None.

3.7 The Registration Rights Agreement attached as Exhibit "D" to the Purchase Agreement is subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally (including, without limitation, statutory or other laws regarding fraudulent preferential transfers) and equitable principles of general applicability.

3.8 None.

3.9 See the information disclosed in the Memorandum under the heading "DESCRIPTION OF SECURITIES – Registration Rights."

3.10 None.

3.11 None.

3.12 The issuance of Common Stock by the Company in payment of (a) the redemption price of the Debentures, (b) the Debenture Amount at Maturity (as defined in the Indenture), and (c) the Make-Whole Premium (as defined in the Indenture), are subject to one or more of the following conditions being satisfied on the respective dates thereof:

- the Company's Common Stock is listed in a national securities exchange or the NASDAQ Stock Market;
- in certain circumstances, the Trustee has received a certain Opinion of Counsel;
- the shares of Common Stock to be issued are freely tradeable; and
- the Common Stock to be issued has been approved for listing on such U.S. national securities exchange or the NASDAQ Stock Market on which the Common Stock may then be listed for trading.

3.13 For information relating to material transactions entered into by the Company since January 1, 2007, see the disclosures set forth in the following current reports filed by the Company during 2007.

1. Form 8-K, filed January 12, 2007 – *Press Release – Defendant's Appeal of Subsidiary's Favorable Jury Verdict of $9.8 Million and Preliminary Sales volume for Calendar Year 2006*
2. Form 8-K, filed January 29, 2007 – *Press Release – Board approval of Exchange Offer for its $3.25 Preferred Stock, Subject to certain conditions*
3. Form SC to I, filed February 9, 2007 – *Offer to Exchange Shares of Common Stock for Each Outstanding Share of $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2*
4. Form 8-K, filed February 9, 2007 – *Section 3, Item 3.02:*

Unregistered Sales of Equity Securities

5. Form 8-K, filed March 6, 2007 – *Press Release – Stockholder Approval of Amendments of $3.25 Preferred Stock*
6. Form 8-K, filed March 13, 2007 – *Press Release – Final Results of Exchange Offer for $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2*
7. Form 8-K, filed May 1, 2007 – *Press Release – Conversion of Final $1 Million of its 7% Convertible Debentures*

See the disclosures below with respect to 3.25 and 3.34.

3.14 None.

3.15 For convenience of reference, the disclosures contained under the heading "Legal Proceedings" in the reports referenced below are compiled in Exhibit "B" attached to this Disclosure Statement.

1. See the information disclosed in the Company's 2006 Form 10-K, filed on March 27, 2007, under the following headings:
   - Item 1 "Business Environmental Matters;"
   - Item 3 "Legal Proceedings;" and
   - Item 8 "Financial Statements and Supplementary Data," Note 13 "Commitments and Contingencies — Legal Matters."
2. See the information disclosed in the Company's 1st Quarter Form 10-Q, filed May 8, 2007, under the following headings:
   - Part II, Item 1 "Legal Proceedings" and
   - Part I, Item 1, Note 11 "Contingencies."
3. The Company intends to use a portion of the proceeds of the offering to redeem the Company's Series 2 Class C Preferred. The Series 2 Class C Preferred is a cumulative preferred. As a result, if the Company redeems the Series 2 Class C Preferred, the Company is obligated to pay, in cash, a redemption price for each share redeemed of $50.00 per share (or 9,700,000 in the aggregate) plus all accrued and unpaid dividends thereon. As of June 19, 2007, there is approximately $4,900,000 of accrued and unpaid dividends relating to the Series 2 Class C Preferred. If, after notice of redemption is given, a holder of the Series 2 Class C Preferred elects to convert his, her or its shares into the Company's common stock pursuant to its terms, the Certificate of Designation for the Series 2 Class C Preferred provides, and it is the Company's position, based on the Certificate of Designations for the Series 2 Class C Preferred, that the holder that so converts will not be entitled to receive payment of any accrued and unpaid dividends on the shares so converted. The Company has been

advised by an affiliate that is the Company's second largest stockholder, Jayhawk Capital Management, Inc. and other Jayhawk entities, through their manager, Kent McCarthy (the "Jayhawk Group"), that if the Company redeems the Series 2 Class C Preferred and the Jayhawk Group thereafter converts its holding of Series 2 Class C Preferred, the Jayhawk Group may bring legal proceedings against the Company for all accrued and unpaid dividends on the Series 2 Class C Preferred that the Jayhawk Group may convert after receiving a notice of redemption. As of June 19, 2007, there is approximately $4,300,000 of accrued and unpaid dividends on the Series 2 Class C Preferred held by the Jayhawk Group.

3.16 See the disclosures above with respect to Section 3.15.

3.17 See the disclosures above with respect to Section 3.15.

3.18 None.

3.19 None.

3.20 The Company has certain obligations to register the Debentures following the offering under the Registration Rights Agreement attached as Exhibit D to the Purchase Agreement.

3.21 None.

3.22 For information regarding the Company's evaluation of its disclosure controls and procedures that were in effect at December 31, 2004, and the identification that the Company's disclosure controls and procedures were not effective as of December 31, 2004, March 31, 2005, June 30, 2005 and September 30, 2005, resulting from incorrectly assessing the materiality of the change from the LIFO method to the FIFO method of accounting for inventory relative to net income, see the following:

- The information disclosed in the Company's 2004 Form 10-K/A (Amendment No. 1), filed on December 30, 2005, under "Explanatory Introduction Note" and Part I, Item 9A, "Controls and Procedures;"
- The information disclosed in the Company's 1st Quarter Form 10-Q/A, filed on December 30, 2005, under "Explanatory Introduction Note" and Part I, Item 4, "Controls and Procedures;"
- The information disclosed in the Company's 2nd Quarter Form 10-Q/A, filed on December 30, 2005, under "Explanatory Introduction Note" and Part I, Item 4, "Controls and Procedures."

- The information disclosed in the Company's 3rd Quarter Form 10-Q, filed on November 21, 2005, under "Explanatory Introduction Note" and Part I, Item 4, "Disclosure Controls and Procedures."

As stated in the "Explanatory Introductory Note" and Item 9A of the Company's Form 10-K/A for year ended December 31, 2004, and the "Explanatory Introductory Note" and Item 4 of the Company's Forms 10-Q/A for quarters ended March 31, 2005 and June 30, 2005 and the Company's Form 10-Q for quarter ended September 30, 2005, the Company made certain reclassification changes to the Company's consolidated financial statements.

Prior to filing the amended reports, the Company submitted drafts of each amended report to the SEC for review. The SEC provided the Company with additional comments, and the Company modified the draft amended reports accordingly. The amended reports were filed only after the Company had submitted the amended reports to the SEC for final review and approval.

On January 20, 2006, the SEC issued the Company a final report to the amended reports, as filed, stating that the SEC has no further comments at this time. Accordingly, there are no assurances that the SEC will not have further comments, which could require the Company to further amend one or more of the amended reports or another report previously filed with the SEC. See information disclosed regarding the SEC inquiry, Note 13 to Consolidated Financial Statement in the Company's Form 10-K for year ended December 31, 2006.

The Company reported in Item 9A of the above reports, that subsequent to October 31, 2005, the Company took certain steps to correct the disclosure controls and procedures. However, as also stated in the above referenced reports, the Company is not an accelerated filer. As a result of not being an accelerated filer, the Company has not issued a management's report on its internal controls over financial reporting, which report is required to be assessed by the Company's independent auditors. The Company is in the process of documenting and testing the Company's systems of internal controls to provide the basis of the above mentioned report. Although the Company is not aware of any material weakness to the Company's internal controls over financial reporting, except as provided above which resulted in the Company reporting that its disclosure controls and procedures were not effective as of December 31, 2004, March 31, 2005, June 30, 2005, and September 30, 2005, the Company or its independent auditors could discover reportable conditions or material weaknesses that would be required to be reported in future reports to the SEC.

3.23 None.

3.24 See the disclosures above with respect to Section 3.15.

3.25 See the disclosures above with respect to Section 3.3 for information regarding existing liens on the capital stock of certain Subsidiaries.

On June 19, 2006, the Company granted non-qualified stock options (the "Options") to two employees of a Subsidiary in its climate control business. The Options granted were for 200,000 shares of common stock of the Company and 250,000 shares of common stock of the Company, both at the option price of $8.01 per share. The Options were approved by the shareholders of the Company at its annual meeting of shareholders on June 14, 2007.

3.26 See the disclosures above with respect to Section 3.22.

3.27 None.

3.28 See the disclosures above with respect to Section 3.15.

3.29 None.

3.30 None.

3.31 None.

3.32 None.

3.33 See disclosure above with respect to Section 3.15. Insurance claims have been denied from time to time, but the Company is not aware of any denial of coverage.

3.34 Restricted cash in the amount of approximately $31,000 on deposit with National City Bank of Kentucky, as cash collateral for a performance bond on a sales contract.

Summit granted the City of Oklahoma City (the "City") a mortgage on the real property owned by Summit relating to the ClimateCraft manufacturing facility located in Oklahoma City, Oklahoma to secure a loan made by the City to ClimateCraft, Inc., a Subsidiary of the Company. At March 31, 2007, Summit had drawn down approximately $2,625,000.

Prime Financial Corporation ("Prime Financial") granted Bank of the West a mortgage lien on the real property owned by Prime Financial and leased to the Company located in Oklahoma City, Oklahoma to secure a loan made by Bank of the West to Prime. At March 31, 2007, the loan balance was approximately $1,600,000.

Prime Holdings Corporation ("Prime Holdings") granted GE Commercial Finance Business Property Corporation ("GE") a mortgage lien on the real property owned by Prime Holdings relating to the International Environmental Corporation manufacturing facility located in Oklahoma City, Oklahoma to secure a loan made by GE to Prime Holdings. At March 31, 2007, the loan balance was approximately $4,250,000.

Summit Machinery Company granted the Oklahoma Industries Authority ("OIA") a mortgage lien on the real property owned by Summit Machinery relating to the Company's office and warehouse facility located in Oklahoma City, Oklahoma to secure a loan made by OIA to Summit Machinery. At March 31, 2007, the loan balance was approximately $1,950,000.

The Company's Subsidiary, Prime Financial Corporation, has a line of credit with Quail Creek Bank, N.A. (Oklahoma City) to fund the purchase of certain production equipment that has been installed under leases with various Subsidiaries within the Company's climate control business. The line of credit is secured by such equipment and the leases. As of March 31, 2007, the balance owing under the line of credit was approximately $2.9 million.

In January 2007, the Company's Subsidiary Prime Financial Corporation borrowed $2.125 million from GE Commercial Finance Business Property Corporation in connection with the purchase of certain real estate constituting office-warehouse space that is leased to a Subsidiary within the Company's climate control business. The loan is secured by such real estate. As of March 31, 2007, the loan balance was approximately $2,125,000.

Certain equipment of the Company and certain of its Subsidiaries is subject to purchase money security interests or other liens under lease agreements.

See the disclosures above with respect to Section 3.3.

3.35 None.

3.36 1. See the "Explanatory Introduction Note" to the Company's 3rd Quarter Form 10Q, filed November 21, 2005, for information with respect to the SEC's comments to the Company's following reports (collectively, the "Reviewed Reports"): 2004 Form 10-K, filed March 28, 2005; 1st Quarter Form 10-Q, filed May 6, 2005; and 2nd Quarter Form 10-Q, filed August 5, 2005. As a result of the SEC comments, the Company amended the Reviewed Reports, and filed its 2004 Form 10-K/A (Amendment No. 1), 1st Quarter Form 10-Q/A (Amendment No. 1), and 2nd Quarter Form 10-Q/A (Amendment No. 1) on December 30, 2005 (collectively, the

"Amended Reports").

Prior to filing the Amended Reports, the Company submitted drafts of each Amended Report to the SEC for review. The SEC provided the Company with additional comments, and the Company modified the draft Amended Reports accordingly. The Amended Reports were filed only after the Company had submitted the Amended Reports to the SEC for final review and approval.

On January 20, 2006, the SEC issued the Company a final report to the Amended Reports, as filed, stating that the SEC has no further comments at this time. Accordingly, there are no assurances that the SEC will not have further comments, which could require the Company to further amend one or more of the Amended Reports or another report previously filed with the SEC. See information disclosed regarding the SEC inquiry, Note 13 to Consolidated Financial Statement in the Company's Form 10-K for year ended December 31, 2006.

2. The Company filed its Form 8-K (date of event May 12, 2005) on May 19, 2005, which was one day after the required filing date.

3. The Company filed its Form 8-K (date of event November 7, 2006) on November 14, 2006, which was one day after the required filing date.

3.37 See the disclosures above with respect to Sections 3.22 and 3.36.

3.38 The Company made a presentation in connection with the road show to be undertaken with respect to the Debentures. The Company makes no representation as to whether J Giordano distributed any materials in connection with the offering of the Debentures.

3.39 None.

3.40 None.

3.41 See the disclosures above with respect to Section 3.22.

3.42 None

3.43 None.

3.44 None.

EXHIBIT "A"
TO
DISCLOSURE STATEMENT

DIRECT AND INDIRECT
SUBSIDIARIES OF LSB INDUSTRIES, INC.

1. CEPOLK Holdings, Inc.
2. Chemex I Corp.
3. Chemex II Corp.
4. Cherokee Nitrogen Company
5. Cherokee Nitrogen Holdings, Inc.
6. ClimaCool Corp.
7. Climate Master, Inc.
8. ClimateCraft Technologies, Inc.
9. ClimateCraft, Inc.
10. DSN Corporation
11. El Dorado Acid, II, L.L.C.
12. El Dorado Acid, L.L.C.
13. El Dorado Chemical Company
14. El Dorado Nitric Company
15. El Dorado Nitrogen, L.P.
16. Hercules Energy Mfg. Corporation
17. International Environmental Corporation
18. Koax Corp.
19. LSB Chemical Corp.
20. LSB Holdings, Inc.
21. LSB-Europa Limited
22. Northwest Capital Corporation
23. Northwest Financial Corporation
24. Prime Financial Corporation
25. Prime Holdings Corporation
26. Pryor Plant Chemical Company
27. Summit Machine Tool Inc. Corp.
28. Summit Machine Tool Manufacturing Corp.
29. Summit Machinery Company
30. The Climate Control Group, Inc.
31. ThermaClime, Inc
32. ThermaClime Technologies, Inc.
33. Trison Construction, Inc.
34. XpediAir, Inc.

EXHIBIT "B"
TO
DISCLOSURE STATEMENT

COMPILATION OF "LITIGATION PROCEEDINGS"

The following is the disclosure contained under the heading Item 3 "Litigation Proceedings" in LSB Industries, Inc.'s 2006 Form 10-K, filed on March 27, 2007.

1. Environmental See "Business-Environmental Matters" for a discussion as to:

- claims by the KDHE regarding Slurry's former facility in Hallowell, Kansas and Chevron, the successor of the prior owner of the facility; and
- discussion as to a consent order between El Dorado and the ADEQ entered into during December 2006 to resolve certain ammonia emissions.

2. Chemical Business

Cherokee Nitrogen Company ("CNC"), a subsidiary within the Company's Chemical Business, has been sued for an undisclosed amount of monies based on a claim that CNC breached an agreement by overcharging the plaintiff, Nelson Brothers, LLC, ("Nelson") for ammonium nitrate as a result of inflated prices for natural gas used to manufacture the ammonium nitrate. CNC has filed a third-party complaint against Dynegy and a subsidiary ("Dynegy") asserting that Dynegy was the party responsible for fraudulently causing artificial natural gas prices to exist and seeking an undisclosed amount from Dynegy, including any amounts which may be recovered by Nelson. The suit is Nelson Brothers, LLC v. Cherokee Nitrogen v. Dynegy Marketing, and is pending in Alabama state court in Colbert County. Dynegy has filed a counterclaim against CNC for $600,000 allegedly owed on account, which has been recorded by CNC. Although there is no assurance, counsel for CNC has advised the Company that, at this time, they believe that CNC will recover monies from Dynegy and the likelihood of Dynegy recovering from CNC is remote. The Company's counsel also has advised the Company that they believe that the likelihood of Nelson recovering monies from CNC over and above any monies which may be recovered from Dynegy by CNC is remote.

CNC has filed suit against Meecorp Capital Markets, LLC ("Meecorp") and Lending Solutions, Inc. in Alabama State Court, in Etowah County, Alabama, for recovery of actual damages of $140,000 plus punitive damages, relating to a loan transaction. Meecorp counterclaimed for the balance of an alleged commitment fee of $100,000, an alleged equity kicker of $200,000 and $3,420,000 for loss of opportunity. CNC is vigorously pursuing this matter, and counsel for CNC has advised that they believe there is a good likelihood CNC will recover from the defendants and that the likelihood of Meecorp recovering from CNC is remote.

3. Other

Zeller Pension Plan

In February 2000, the Company's Board of Directors authorized management to proceed with the sale of the automotive products business, since the automotive products business was no longer a "core business" of the Company. In May 2000, the Company sold substantially all of its assets in its automotive products business. After the authorization by the board, but prior to the sale, the automotive products business purchased the assets and assumed certain liabilities of Zeller Corporation ("Zeller"). The liabilities of Zeller assumed by the automotive products business included Zeller's pension plan, which is not a multi-employer pension plan. In June 2003, the principal owner ("Owner") of the buyer of the automotive products business was contacted by a representative of the Pension Benefit Guaranty Corporation ("PBGC") regarding the plan. The Owner was informed by the PBGC of a possible under-funding of the plan and a possible takeover of the plan by the PBGC. The PBGC previously advised the Company that the PBGC may consider the Company to be potentially liable for the under-funding of the Zeller Plan in the event that the plan is taken over by the PBGC and alleged that the under-funding is approximately $600,000. However, the Company's ERISA counsel was verbally informed by a PBGC representative that he would probably recommend no further action by the PBGC with respect to the Company's involvement with the Zeller plan. There are no assurances that such recommendation, will be made or, if made, will be accepted by the PBGC.

MEI Drafts

On July 18, 2006, Masinexportimport Foreign Trade Company ("MEI") gave notice to the Company and a subsidiary of the Company alleging that it was owed $1,533,000 in connection with MEI's attempted collection of ten non-negotiable bank drafts payable to the order of MEI. The bank drafts were issued by Aerobit Ltd. ("Aerobit"), a non-U.S. company and at the time of issuance of the bank drafts was a subsidiary of the Company. Each of the bank drafts has a face value of $153,300, for an aggregate principal face value of $1,533,000. The bank drafts were issued in September 1992, and had a maturity date of December 31, 2001. Each bank draft was endorsed by LSB Corp., which, at the time of endorsement, was a subsidiary of the Company.

On October 22, 1990, a settlement agreement between the Company, its subsidiary Summit Machine Tool Manufacturing Corp. ("Summit"), and MEI (the "Settlement Agreement"), was entered into, and in connection with the Settlement Agreement, Summit issued to MEI obligations totaling $1,533,000. On May 16, 1992, the Settlement Agreement was rescinded by the Company, Summit, and MEI at the request of MEI, and replaced with an agreement purportedly substantially similar to the Settlement Agreement between MEI and Aerobit, pursuant to which MEI agreed to replace the original $1,533,000 of Summit's obligations with Aerobit bank drafts totaling $1,533,000, endorsed by LSB Corp. Aerobit previously advised the Company that MEI has not fulfilled the requirements under the bank drafts for payment thereof.

All of the Company's ownership interest in LSB Corp. was sold to an unrelated third party in September 2002. Further, all of the Company's interest in Aerobit was sold to a separate unrelated third party, in a transaction completed on or before November 2002. Accordingly,

neither Aerobit, which was the issuer of the bank drafts, nor LSB Corp., which was the endorser of the bank drafts, are currently subsidiaries of the Company.

Neither the Company nor any of its currently owned subsidiaries are makers or endorsers of the bank drafts in question. The Company intends to vigorously defend itself in connection with this matter. No liability has been established relating to these bank drafts as of December 31, 2006.

Securities and Exchange Commission Inquiry

The Securities and Exchange Commission ("SEC") made an informal inquiry to the Company by letter dated August 15, 2006. The inquiry relates to the restatement of the Company's consolidated financial statements for the year ending December 31, 2004 and accounting matters relating to the change in inventory accounting from LIFO to FIFO. The Company has responded to the inquiry. At the present time the informal inquiry is not a pending proceeding nor does it rise to the level of a government investigation. Until further communication and clarification with the SEC, if any, the Company is unable to determine:

- if the inquiry will ever rise to the level of an investigation or proceeding, or
- the materiality to the Company's financial position with respect to enforcement actions, if any, the SEC may have available to it.

The Company are also involved in various other claims and legal actions which in the opinion of management, after consultation with legal counsel, if determined adversely to us, would not have a material effect on the Company's business, financial condition or results of operations.

The following is the disclosure contained under the heading Part II, Item 1 "Legal Proceedings" in LSB Industries, Inc.'s first quarter Form 10-Q, filed on May 8, 2007.

There are no material legal proceedings or material developments in any such legal proceedings pending against the Company and/or the Company's subsidiaries not reported in Item 3 of the Company's Form 10-K for year ended December 31, 2006, except for the following material developments to such proceedings that occurred during the first quarter of 2007:

In connection with the lawsuit styled Nelson Brothers, LLC v. Cherokee Nitrogen Company v. Dynegy Marketing, pending in the Alabama State Court, Colbert County, Alabama, Cherokee Nitrogen Company ("CNC") and Nelson Brothers, LLC ("Nelson") have agreed in principle to settle their portion of the lawsuit by CNC agreeing to pay Nelson 25% of any net amount of proceeds that may be received (after costs incurred) by CNC from Dynegy as a result of obtaining a settlement or judgment in connection with the lawsuit. The settlement between CNC and Nelson is subject to the parties entering into a definitive settlement agreement.

EXHIBIT A

SUBSCRIPTION INSTRUCTIONS
(to be read in conjunction with the entire Purchase Agreement and the Private Placement Memorandum Relating to the Offering)

LSB Industries Inc.
5.5% Convertible Senior Subordinated Debentures due 2012

All subscribers for Debentures must complete and execute the documents in accordance with the instructions set forth below. Any questions you may have concerning these documents should be directed to Mark Behrman at J Giordano Securities Group, the placement agent in the offering, at (212) 209-7677.

A. Complete the following items:

1. Complete and execute two (2) copies of the Purchaser Signature Page to the Purchase Agreement including the principal amount of the Debentures for which the Purchaser is subscribing. The Signature Pages must be executed by an individual authorized to bind the Purchaser.

2. Execute two (2) copies of the Purchaser Signature Page to the Registration Rights Agreement. The Signature Page must be executed by an individual authorized to bind the Purchaser.

3. Provide the information requested by the Debenture Certificate Questionnaire included as Exhibit A-1 hereto.

4. Complete and execute the Form of Selling Security Holder Notice and Questionnaire included as Exhibit A-2 hereto. (This document may be submitted at a later date if desired.)

5. Provide the information requested by the Certificate for Corporate, Partnership, Limited Liability Company, Trust, Foundation and Joint Purchasers (Exhibit A-3 hereto), as applicable.

6. Make payment for the Debentures, for which the Purchaser is subscribing, pursuant to Section B below and return, via facsimile, the signed Signature Pages to the Purchase Agreement and Registration Rights Agreement, and the properly completed Exhibits A-1 through A-3 and other documents, to:

J Giordano Securities Group
425 Madison Avenue, Third Floor
New York, New York 10017
Facsimile: (646) 219-6776
Telephone: (212) 209-7677
Attn: Mr. Mark Behrman

7. After completing instruction number six (6) above, deliver the original signed Signature Pages to the Purchase Agreement and Registration Rights Agreement including the properly completed Exhibits A-1 through A-3 and other documents by overnight delivery to:

J Giordano Securities Group
425 Madison Avenue, Third Floor
New York, New York 10017
Attn: Mr. Mark Behrman

B. Payment

1. Funds for the purchase of Debentures should be wired to the Escrow Agent for arrival no later than June 27, 2007 as follows: Note: All wires must reference the subscriber's name.

The Bank of New York as follows:

Account Name: "Bank of New York A/A/F J Giordano Securities
Group, LSB Industries Inc., Senior Subordinated Convertible
Debentures Due 2012 Escrow Account:
Bank: The Bank of New York
Account Name: LSB Subscription Escrow
ABA Routing #: 021000 018
GLA: 111-565
Trust #: 312502

2. If you wish to pay by check, deliver a check in the applicable amount, payable to Bank of New York A/A/F J Giordano Securities Group, LSB Industries Inc. Senior Subordinated Convertible Debentures Due 2012 Escrow Account as Escrow Agent together with the original Signature Pages and other documents. Please note that you will not be deemed to have completed the subscription unless and until the check clears. Cashiers checks and Money Orders must be in amounts greater than $10,000.

N.B.: Completion and delivery of the Signature Pages and related material and payment of the subscription price does not constitute a sale of the Debentures subscribed for. Your subscription is subject to acceptance by the Company and the other terms and conditions of the Purchase Agreement. If your subscription or any portion thereof is not accepted, all cash proceeds (or the portion of the cash proceeds related to the portion of your subscription which is not accepted) will be returned as soon as practicable, without interest or deduction. In the event all or a portion of your subscription is accepted and there is a Closing (as defined in the Purchase Agreement), the Debentures purchased by you will be delivered promptly along with a fully executed version of the Purchase Agreement and Registration Rights Agreements.

Exhibit A-1

LSB INDUSTRIES INC.
DEBENTURE CERTIFICATE QUESTIONNAIRE

1. The name and address and Tax Identification Number of the Purchaser: _____

2. The name and address of the Beneficial Owner if different from Purchaser: _____

3. The Debentures will be evidenced by one or more global debentures. Therefore, please provide the name of the DTC participant and account number and other information for such Debentures to be credited to the Purchaser's account: _____

4. The relationship between the Purchaser/Beneficial Owner of the Debentures and the Registered Holder: _____

5. The mailing address, telephone and facsimile number and the Tax Identification Number of the Beneficial Owner: _____

6. Attach to this Questionnaire a properly completed IRS Form W-9 or W-8, as applicable: _____

NOTE: UNDER THE PROVISIONS OF THE PATRIOT ACT, YOU MUST FURNISH THE PURCHASER'S EIN NUMBER IN ORDER FOR THE ESCROW AGENT TO ACCEPT YOUR PAYMENT.

Exhibit A-2

LSB INDUSTRIES, INC.
FORM OF SELLING SECURITYHOLDER NOTICE AND QUESTIONNAIRE
5.5% CONVERTIBLE SENIOR SUBORDINATED DEBENTURES DUE 2012

The undersigned beneficial owner of 5.5% Convertible Senior Subordinated Debentures due 2012 (the "Debentures") of LSB Industries, Inc. ("LSB") or common stock issued upon the conversion of the Debentures, $.10 par value (the "Common Stock" and, together with the Debentures, the "Registrable Securities"), of LSB understands that LSB has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 or S-3 or another appropriate form (collectively, the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement, dated as of June 25, 2007 (the "Registration Rights Agreement"), between LSB and the purchasers referred to therein. A copy of the Registration Rights Agreement is available from LSB upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Registration Rights Agreement.

In order to sell or otherwise dispose of any Registrable Securities pursuant to the Shelf Registration Statement, a beneficial owner of Registrable Securities will be required to be named as a selling securityholder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions described below). Beneficial owners that do not complete this Notice and Questionnaire and deliver it to LSB as provided below will not be named as selling securityholders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Shelf Registration Statement. Beneficial owners must complete and deliver this Notice and Questionnaire at least 10 business days prior to effectiveness of the Initial Shelf Registration Statement with the SEC so that such beneficial owners can be named as selling securityholders in the related prospectus at the time of effectiveness. If following the effectiveness of the shelf registration statement we are required by law to file a post-effective amendment to the Shelf Registration Statement or prospectus supplement during the period ending as of the earlier of the date that registrable securities are no longer outstanding or July 1, 2010), and we have received a completed questionnaire from a holder of registrable securities who was not included as a selling security holder in the Shelf Registration Statement, which questionnaire is received by us within 10 Business Days prior to the filing of such post-effective amendment with the SEC, together with any other information we may reasonably request, we will include such holder of registrable securities in such post-effective amendment or prospectus or supplement to the Shelf Registration Statement as is necessary to permit you to deliver your prospectus to purchasers of registrable securities, subject to our right to suspend the use of the prospectus as described above. LSB has agreed to pay additional interest as liquidated damages pursuant to the Registration Rights Agreement under certain circumstances set forth therein.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner of Registrable Securities hereby gives notice to LSB of the undersigned's intention to sell or otherwise dispose of Registrable Securities beneficially owned by the undersigned and listed below in Item 3 (unless otherwise specified under such Item 3) pursuant to the Shelf Registration Statement. The undersigned, by signing and returning this Notice and Questionnaire, understands that the undersigned will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement as if the undersigned were an original party thereto.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless LSB and LSB's directors, officers and each person, if any, who controls LSB within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against certain losses arising in connection with, among other things, statements concerning the undersigned made in the Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire, as more fully described in the Registration Rights Agreement.

QUESTIONNAIRE

Please respond to every item, even if your response is "none." If you need more space for any response, please attach additional sheets of paper. Please be sure to write your name and the number of the item being responded to on each such additional sheet of paper and sign each such additional sheet of paper and attach it to this Notice and Questionnaire. Please note that you may be asked to answer additional questions depending on your responses to the following questions.

If you have any questions about the contents of this Notice and Questionnaire or as to who should complete this Notice and Questionnaire, please contact LSB's Corporate Secretary, David M. Shear, Esq. at (405) 235-4546.

COMPLETED NOTICE AND QUESTIONNAIRES SHOULD BE RETURNED TO LSB IN THE FOLLOWING MANNER:

COPY BY FACSIMILE TO:

Corporate Secretary

Fax: (405) 236-1209

WITH THE ORIGINAL COPY TO FOLLOW BY MAIL TO:

LSB Industries, Inc.
16 South Pennsylvania Avenue
Oklahoma City, OK 73101
Attention: Corporate Secretary

The undersigned hereby provides the following information to LSB and represents and warrants that such information is accurate and complete:

1. Your Identity and Background as the Beneficial Owner of the Registrable Securities.

(a) Your full legal name:

(b) Your business address (including street address) (or residence if no business address), telephone number and facsimile number:

Address: _____

_____

Telephone No.: _____

Fax No.: _____

E-mail Address: _____

(c) Are you a broker-dealer registered pursuant to Section 15 of the Exchange Act?

☐ Yes

☐ No

(d) If your response to Item 1(c) above is no, are you an "affiliate" of a broker-dealer registered pursuant to Section 15 of the Exchange Act?

☐ Yes

☐ No

(e) Full legal name of person through which you hold the Registrable Securities (i.e., name of your broker or the DTC participant, if applicable, through which your Registrable Securities are held):

Name of broker: _____

DTC No.: _____

Contact person: _____

Telephone No.: _____

2. Your Relationship with LSB.

(a) Have you or any of your affiliates, officers, directors or principal equity holders (owners of 5% or more of the equity securities of the undersigned) held any position or office or have you had any other material relationship with LSB (or its predecessors or affiliates) within the past three years?

☐ Yes

☐ No

(b) If your response to Item 2(a) above is yes, please state the nature and duration of your relationship with LSB (or its predecessors or affiliates):

3. Your Interest in the Registrable Securities.

(a) State the type of Registrable Securities (Debentures or Common Stock) and the principal amount or number of such Registrable Securities beneficially owned by you. Check any of the following that applies to you.

☐ I own Debentures:

Principal amount and CUSIP No. of the Debentures beneficially owned:

_____

CUSIP No(s): _____

☐ I own shares of Common Stock that were issued upon conversion of the Debentures:

Number of shares and CUSIP No. of the Common Stock beneficially owned: _____

_____

CUSIP No(s): _____

(b) Other than as set forth in your response to Item 3(a) above, do you beneficially own any other securities of LSB?

☐ Yes

☐ No

(c) If your answer to Item 3(b) above is yes, state the type, the aggregate amount and CUSIP No. of such other securities of LSB beneficially owned by you:

Type: _____

Aggregate amount: _____

CUSIP No.: _____

(d) Did you acquire the securities listed in Item 3(a) above in the ordinary course of business?

☐ Yes

☐ No

(e) At the time of your purchase of the securities listed in Item 3(a) above, did you have any agreements or understandings, directly or indirectly, with any person to distribute the securities?

☐ Yes

☐ No

(f) If your response to Item 3(e) above is yes, please describe such agreements or understandings:

4. Nature of Your Beneficial Ownership.

(a) If the name of the beneficial owner of the Registrable Securities set forth in your response to Item 1(a) above is that of a general or limited partnership, state the names of the general partners of such partnership:

_____

_____

_____

(b) With respect to each general partner listed in Item 4(a) above who is not a natural person, and is not publicly held, name each shareholder (or holder of partnership interests, if applicable) of such general partner. If any of these named shareholders are not natural persons or publicly held entities, please provide the same information. This process should be repeated until you reach natural persons or a publicly held entity.

_____

_____

_____

(c) Name your controlling shareholder(s) (the "Controlling Entity"). If the Controlling Entity is not a natural person and is not a publicly held entity, name each shareholder of such Controlling Entity. If any of these named shareholders are not natural persons or publicly held entities, please provide the same information. This process should be repeated until you reach natural persons or a publicly held entity.

_____

_____

_____

(A)(i) Full legal name of Controlling Entity(ies) or natural person(s) who have sole or shared voting or dispositive power over the Registrable Securities:

_____

(ii) Business address (including street address) (or residence if no business address), telephone number and facsimile number of such person(s):

Address: _____

Telephone: _____

Fax: _____

E-mail Address: _____

(iii) Name of shareholders:

_____

(B)(i) Full legal name of Controlling Entity(ies):

_____

(ii) Business address (including street address) (or residence if no business address), telephone number and facsimile number of such person(s):

Address: _____

Telephone: _____

Fax: _____

E-mail Address: _____

(iii) Name of shareholders:

_____

If you need more space for this response, please attach additional sheets of paper. Please be sure to indicate your name and the number of the item being responded to on each such additional sheet of paper, and to sign each such additional sheet of paper before attaching it to this Notice and Questionnaire. Please note that you may be asked to answer additional questions depending on your responses to the following questions.

5. Plan of Distribution.

Except as set forth below, the undersigned (including the undersigned's donees or pledgees) intends to distribute the Registrable Securities listed above in Item 3 pursuant to the Shelf Registration Statement only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters, broker-dealers or agents. If the Registrable Securities are sold through underwriters, broker-dealers or agents, the undersigned will be responsible for underwriting discounts or commissions or agents' commissions. Such Registrable

Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. Such sales may be effected in transactions (which may involve block transactions) (i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities in the course of hedging positions they assume. The undersigned may also sell Registrable Securities short and deliver Registrable Securities to close out short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: In no event will such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of LSB.

The undersigned acknowledges the undersigned's obligation to comply with the prospectus delivery and other provisions of the Securities Act, provisions of the Exchange Act and the rules and regulations thereunder, particularly Regulation M (or any successor rules or regulations), in connection with any offering or sale of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither the undersigned nor any person acting on the undersigned's behalf will engage in any transaction in violation of such provisions.

If the undersigned transfers all or any portion of the Registrable Securities listed in Item (3) above after the date of this Notice and Questionnaire, the undersigned agrees to notify the transferee(s) at the time of the transfer of such transferee(s) rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

The undersigned hereby acknowledges the undersigned's obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons as set forth therein. Pursuant to the Registration Rights Agreement, LSB has agreed under certain circumstances to indemnify the undersigned against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the undersigned agrees to promptly notify LSB of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while a Shelf Registration Statement remains effective.

All notices to the undersigned hereunder and pursuant to the Registration Rights Agreement shall be made in writing to the undersigned at the address set forth in Item 1(b) of this Notice and Questionnaire.

By signing below, the undersigned acknowledges that the undersigned is the beneficial owner of the Registrable Securities set forth herein, represents that the information provided

herein is accurate, consents to the disclosure of the information contained in this Notice and Questionnaire and the inclusion of such information in the Shelf Registration Statement and the related prospectus. The undersigned understands that LSB will rely on such information in connection with the preparation or amendment of the Shelf Registration Statement and the related prospectus and any filing of a new Shelf Registration Statement.

Once this Notice and Questionnaire is executed by the undersigned and received by LSB, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of LSB and the undersigned beneficial owner. This Notice and Questionnaire shall be governed in all respects by the laws of the State of New York.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by a duly authorized agent of the undersigned.

NAME OF BENEFICIAL OWNER:

_____

(Please Print Full Legal Name)

Signature: _____

(Please Print Name and Title If Signed on Behalf of an Entity)

Date: _____

Exhibit A-3

CERTIFICATE FOR ENTITY INVESTORS – COMPLETE ALL INFORMATION

Name of Entity: _____

Address of Principal Office: _____

Telephone: _____ Fax: _____

E-mail address: _____

Taxpayer Identification Number: _____

Check type of Entity:

☐ Employee Benefit Plan Trust	☐ Limited Partnership	☐ General Partnership	☐ Individual Retirement Account
☐ Limited Liability Company	☐ Trust	☐ Corporation	Other (Please indicate): _____

Date of Formation or incorporation: _____ State of Formation or incorporation: _____

Describe the business of the Entity: _____

List the names and positions of the executive officers, managing members, partners or trustees authorized to act with respect to investments by the Entity generally and specify who has the authority to act with respect to this investment.

Name	**Position**	**Authority for this investment**

INVESTOR:

_____
Signature of Authorized Signatory

Name: _____
Title: _____
Date: _____

EXHIBIT B

FORM OF LEGAL OPINION

June __, 2007

To the Purchasers Listed
on Schedule A attached hereto

J Giordano Securities Group
1234 Summer Street
Stamford, Connecticut 06905

Re: Private Placement of $60 million of 5.5% Convertible Senior Subordinated Debentures Due 2012 of LSB Industries, Inc.

Ladies and Gentlemen:

We have acted as special counsel to LSB Industries Inc., a Delaware corporation (the "Company"), in connection with the issuance and sale of $60 million principle amount of 5.5% Convertible Senior Subordinated Notes, Due 2012, of the Company (the "Debentures") pursuant to the Purchase Agreement (the "Purchase Agreement"), dated as of June __, 2007. between the Company and each Purchaser. This opinion is being furnished to you at the request of the Company pursuant to Section 5.2 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to such terms in the Purchase Agreement.

In connection with rendering the opinions set forth herein, we have examined each of the Purchase Agreement, the Registration Rights Agreement, and the Indenture, annexed to the Memorandum, as defined below, and the Debenture, attached as an exhibit to the Indenture (collectively, the "Transaction Documents"); the Subscription Agreement; the Disclosure Statement, attached as an exhibit to the Purchase Agreement ("Disclosure Statement"); the Confidential Offering Memorandum, dated as of June 25, 2007 (the "Memorandum"); the documents incorporated by reference in the Memorandum ("Incorporated Documents"); Certificate of Incorporation, as amended to date, and By-laws, as amended to date, of the Company and each subsidiary listed on Schedule B attached hereto; the resolutions of the Company's Board of Directors taken in connection with the sale and issuance of the Debentures; minute books of the Company and the Subsidiaries; and such other documents, instruments, records of the Company and the Subsidiaries and certificates of public officials and officers of the Company, and we have made such investigations of law, as we have deemed necessary or appropriate for the purpose of rendering the opinion expressed herein. We have reviewed the

good standing certificates of the Company and its Subsidiaries for the jurisdictions set forth on Schedule B attached hereto.

In conducting such examination, we have assumed the following: (i) the genuineness of all signatures (other than the signatures on behalf of the Company), the legal capacity of natural persons, the authenticity and accuracy of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the authenticity of the originals of such latter documents; (ii) that the Transaction Documents have been duly and validly authorized, executed and delivered by the party or parties thereto other than the Company; and (iii) that each of the Transaction Documents constitutes the valid and binding agreement of the party or parties thereto other than the Company, enforceable against such party or parties in accordance with the terms of such agreement. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company, including those contained in the Purchase Agreement, and public officials.

In connection with this opinion, we have relied upon, among other things, the representations of the Purchasers as set forth in the Purchase Agreement, the other Transaction Documents and the Subscription Agreement.

Based upon the foregoing, and in reliance thereon, and subject to the assumptions, qualifications, limitations and exceptions set forth in this opinion, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has all necessary corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Memorandum.

2. The Company has the requisite corporate power and authority to enter into, deliver and perform its obligations under the Purchase Agreement and the other Transaction Documents and to issue and sell the Debentures and the Conversion Shares (the “Securities”).

3. Each Subsidiary of the Company listed on Schedule A has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation as set forth on such schedule and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Memorandum.

4. To our knowledge, all of the outstanding shares of the Company’s capital stock have been duly authorized and validly issued and are fully paid and nonassessable. To our knowledge, all of the issued and outstanding capital stock of each Subsidiary of the Company has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien encumbrance or claim except as set forth in the Purchase Agreement and/or the Disclosure Statement referred to therein.

5. The Debentures have been duly authorized by the Company and, when executed and authenticated in accordance with the provisions of the Indenture, assuming due authentication thereof by the Trustee, and delivered to and paid for by the Purchasers in

accordance with the terms of the Purchase Agreement, will be valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

6. The Incorporated Documents, as amended or supplemented, on the respective dates that they were filed with the SEC, complied in all material respects with the requirements as to form under the Exchange Act and the related rules and regulations in effect at the respective dates of their filing with the SEC.

7. The Conversion Shares have been duly authorized and reserved and, when issued upon conversion of the Debentures in accordance with the terms of the Debentures and the Indenture, will be validly issued, fully paid and non-assessable, and the issuance of the Conversion Shares will not be subject to any preemptive rights arising by operation of law or under the Company's Certificate of Incorporation or Bylaws or similar rights under any other agreements of the Company.

8. All necessary corporate action has been duly and validly taken by the Company to authorize the execution, delivery and performance of the Purchase Agreement and the issuance and sale of the Debentures and, upon conversion thereof, the issuance of the Conversion Shares. The Purchase Agreement has been duly and validly authorized, executed and delivered by the Company and the Purchase Agreement constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

9. Neither the execution and delivery by the Company of, nor the performance by the Company of its obligations under the Transaction Documents will (a) to our knowledge, give rise to a right to terminate or accelerate the due date of any payment due under, or result in the breach of any term or provision of, or constitute a default (or any event which with notice or lapse of time, or both, would constitute a default) under, or require consent or waiver under, or result in the execution or imposition of any lien, charge, claim, security interest or encumbrance upon any properties or assets of the Company or any of its Subsidiaries pursuant to the terms of any material indenture, mortgage, deed of trust, note or other agreement or instrument known to us to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of the material assets or properties or businesses of the Company or any of its Subsidiaries are bound, (b) to our knowledge, violate any existing obligations of the Company or any of its Subsidiaries under the terms of any judgment, decree, or order of any court or arbitrator or governmental agency or body, which names the Company or any of its Subsidiaries and is specifically directed to them or their properties, (c) to our knowledge, violate any applicable statute, rule or regulation or (d) violate any provision of the certificate of incorporation or by-laws of the Company or any of its Subsidiaries.

10. No consent, approval, authorization, license, registration, or qualification or order of any federal or state court or governmental agency or regulatory body is required for the due authorization, execution, delivery or performance by the Company of its obligations under the Transaction Documents or the Securities, other than (a) filing of a Form D with the SEC and related filings with the appropriate state securities' agencies, and (b) the filing of Registration Statement(s) pursuant to the Registration Rights Agreement and the order of the SEC declaring such Registration Statement(s) effective, and (c) and approval to list the Conversion Shares on the American Stock Exchange.

11. To our knowledge, other than as disclosed in the Memorandum, the Disclosure Statement or the Incorporated Documents, there is no litigation or governmental proceeding or investigation, before any court or before or by any public body or board pending or threatened in writing against, or involving the assets, properties or businesses of, the Company or any of its Subsidiaries which would have a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries taken as a whole.

12. Each of the Transaction Documents has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable against the Company in accordance with its terms.

13. The Company, including after giving effect to the sale of the Debentures, is not an "investment company" or an entity controlled by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

14. The statements in the Memorandum under the caption "Description of the Debentures" insofar as such statements constitute a summary of documents referred to therein fairly summarize in all material respects such documents.

15. The capital stock of the Company conforms in all material respects to the description thereof contained in the Memorandum under the caption "Description of Securities."

16. The statements in the Memorandum under the caption "Certain United States Federal Income Tax Considerations," insofar as such statements constitute a summary of the United States federal tax laws referred to therein, fairly summarize the matters referred to therein in all material respects.

17. Assuming (i) each Purchaser is a "QIB" within the meaning of Rule 144A of the Act and (ii) the accuracy of the representations and warranties and compliance with the agreements of each Purchaser in the Purchase Agreement, it is not necessary in connection with the offer, sale and delivery by the Company of the Debentures to the Purchasers under the Purchase Agreement or in connection with the initial resale of the Debentures by such Purchasers to other QIBs in accordance with the Purchase Agreement and the Memorandum (a) to register the Debentures or such initial resale under the Act (except as required under the Registration Rights Agreement), or (b) to qualify the Indenture under the Trust Indenture Act of 1939, as amended; provided, however, it being understood that no opinion is expressed as to any subsequent resale of any of the Debentures or the Conversion Shares.

Although we have not undertaken, except as otherwise indicated in this opinion, to determine independently, and do not assume any responsibility for, the accuracy, completeness, or fairness of the statements contained in the Memorandum, including our review of the exhibits thereto, in the course of preparation of the Memorandum and our participation in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and with representatives and counsel of J. Giordano at which the contents of the Memorandum were discussed, nothing has come to our attention that causes us to believe that the Memorandum, as of the date of the Memorandum, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be

stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We have expressed the foregoing opinions subject to the following exceptions, qualifications and limitations:

1. The opinions expressed herein are limited to the laws of the State of Oklahoma, the General Corporation Law of the State of Delaware and the applicable federal laws of the United States, and we express no opinion as to any other laws or the laws of any other jurisdiction. We call your attention to the fact that we are not licensed in the State of Delaware. For purposes of this opinion, we have assumed that the laws of the State of New York are the same as the laws of the State of Oklahoma.

2. With regard to the opinions expressed herein, we express no opinion:

   2.1. With respect to the financial statements and schedules, internal controls over financial reporting, the disclosure controls and procedures, and other financial and statistical data included or incorporated by reference in the Memorandum;

   2.2. As to any state securities or blue sky laws, rules or regulations;

   2.3. As to the enforceability of provisions in any of the Transaction Documents relating to submission to jurisdiction or waiver of rights to trial by jury; and

   2.4. As to any other matters not covered by the opinions set forth above in this letter.

3. The validity, enforceability and effectiveness of the provisions of the Purchase Agreement and the other Transaction Documents are limited by, and subject to (a) applicable bankruptcy, fraudulent conveyance or fraudulent transaction laws, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally now or hereafter in effect; or (b) applicable laws or principles of equity which may effect the exercise of certain rights and remedies and which may restrict the enforcement of certain remedies or the availability of certain equitable remedies.

4. The phrase "to our knowledge" or words of similar import as used herein means actual knowledge on the part of those attorneys in this firm who have been involved in the transactions contemplated by the Purchase Agreement.

5. Although we express no opinion as to such, with respect to any of the Transaction Documents' choice of law provision applicable to the construction of contracts, Oklahoma follows the Restatement (Second) Conflict of Laws §§ 187 and 188. See *Dean Witter Reynolds, Inc. v. Shear*, 796 P.2d 296 (Okla. 1990). Section 187(2)(b) of such Restatement provides in pertinent part that:

> [t]he law of the state chosen by the parties… will be applied, even if the particular issue is one which the parties could not have resolved by an explicit provision, unless application of the law of the chosen state would be contrary to a fundamental policy of a state which has a materially greater interest than the chosen state in the determination of the particular issue and which, under the rule of § 188, would be the state of the applicable law in the absence of an effective choice of law by the parties. (Emphasis added).

6. Provisions contained in any of the Transaction Documents which purport to indemnify any party against or release any party from, liability for any acts are unenforceable to the extent such acts are determined to be unlawful, negligent, reckless, or constitute willful misconduct.

7. Those provisions of any of the Transaction Documents purporting to exculpate any party from any violation of usury laws by the *ipso facto* reduction of interest in excess of the maximum rate, and/or the application of such excess interest to principal or return thereof to the Company are unenforceable based on *Oklahoma Preferred Finance & Loan Corporation v. Morrow*, 497 P.2d 221 (1972).

8. As to enforceability of that portion of any of the Transaction Documents that provide if any provisions of the Transaction Documents are determined to be illegal, invalid or unenforceable, the remaining provisions remain in full force and effect where any such provision is an essential part of the Transaction Documents, and the parties would not have entered into the documents absent that provision.

We have directed this letter solely to you. You may not use, circulate, quote or refer to this letter in connection with any transaction other than the transactions contemplated by the Purchase Agreement. No other person may rely on this letter in any manner or for any purpose without the undersigned's written authorization. We undertake no obligation to update or supplement this letter in response to subsequent changes in the law or future events affecting the transactions contemplated by the Purchase Agreement.

Very truly yours,

CONNER & WINTERS, LLP

EXHIBIT C

LOCKUP AGREEMENT

June __, 2007

To: The Purchasers referenced below

and

J Giordano Securities Group
425 Madison Avenue
New York, New York 10017

Re: LSB Industries, Inc. Private Placement

Gentlemen:

The undersigned, an officer and/or director and holder of common stock, $.10 par value per share ("Common Stock") or rights to acquire Common Stock, of LSB Industries, Inc. (the "Company") understands that the Company intends to sell $60 million (subject to increase prior to the Closing upon the mutual agreement of the Company and J Giordano) principal amount of convertible senior subordinated debentures due 2012 (the "Debentures") to purchasers (the "Purchasers") pursuant to a Purchase Agreement to be entered into on or before July 15, 2007 (the "Purchase Agreement") and that J Giordano Securities Group ("J Giordano") is acting as placement agent with respect to the Debentures.

In order to induce the Company and the Purchasers to enter into the Purchase Agreement, the undersigned agrees, for the benefit of the Company, the Purchasers and J Giordano ("you"), that should the sale of the Debentures pursuant to the Purchase Agreement be effected, the undersigned will not, without the prior written consent of J Giordano, directly or indirectly, (i) make any offer, sale, pledge, assignment, transfer, encumbrance, contract to sell, grant of an option to purchase or other disposition of any Common Stock or any securities convertible into or exchangeable for Common Stock beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by the undersigned or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the ownership of the Common Stock or such other securities (whether any such transactions described in clause (i) or (ii) is to be settled by the delivery of the Common Stock or such other securities, in cash or otherwise) for a period of 45 days subsequent to the date of the Memorandum, as such term is defined in the Purchase Agreement, other than Common Stock transferred as a gift or gifts or disposition by will or laws of descent or distribution (provided that any donee or beneficiary thereof agrees in writing to be bound by the terms hereof).

The undersigned confirms that he or she understands that you and the Company will rely upon this agreement in proceeding with the sale of the Debentures pursuant to the Purchase Agreement. This agreement shall be binding on the undersigned and his or her respective successors, heirs, personal representatives and assigns. The undersigned agrees and consents to

the entry of stop transfer instructions with the Company's transfer agent against the transfer of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock held by the undersigned except in compliance with this agreement.

Very truly yours,

[Name and Title]

EXHIBIT D

FORM OF REGISTRATION RIGHTS AGREEMENT

See Annex B to the Offering Memorandum.

Exhibit 99.1

COMPANY CONTACT:
Tony M. Shelby, Chief Financial Officer
(405) 235-4546

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FOR IMMEDIATE RELEASE

LSB INDUSTRIES, INC. ANNOUNCES COMPLETION OF A $60 MILLION CONVERTIBLE DEBENTURES PRIVATE PLACEMENT OFFERING

Oklahoma City, Oklahoma . . . . June 28, 2007 . . . . LSB Industries, Inc. (AMEX: "LXU") today announced the pricing and closing of the sale of a $60 million aggregate principal amount of its 5.5% Convertible Senior Subordinated Debentures due 2012 ("Debentures") in a private placement to qualified institutional buyers pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. The Debentures will bear interest at a rate of 5.5% per annum. The Debentures are convertible, in whole or in part, into shares of LSB common stock prior to their maturity on July 1, 2012, at a conversion rate of $27.47 per share, or 36.4 shares per $1,000 Debenture, subject to adjustment under certain conditions.

The Debentures may be redeemable by LSB beginning July 2, 2010, under certain conditions. The redemption price is payable at LSB's option in cash or, subject to certain conditions, in shares of LSB's common stock. At maturity, LSB may elect to pay up to one-half of the principal amount of the Debentures, plus accrued and unpaid interest due thereon at maturity, in shares of LSB common stock under certain conditions.

LSB intends to use the net proceeds of the offering to redeem its outstanding shares of $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2; repayment of certain outstanding mortgages and equipment loans; pay accrued and unpaid dividends on its outstanding shares of Series B 12% Cumulative Convertible Preferred Stock and Series D 6% Cumulative Convertible Class C Preferred Stock; and the balance to initially reduce outstanding borrowings under the existing revolving working credit facility, for certain discretionary capital expenditures and general working capital purposes. This press release is not, and does not constitute, a redemption notice under the terms of the $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2.

(more)

The Debentures and the common stock issuable upon conversion of the Debentures have not been registered under the Securities Act of 1933, as amended (the “Act”), or applicable state securities laws and, unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Act and applicable state securities laws. The investors have certain registration rights covering the Debentures and the shares of common stock issuable upon conversion of the Debentures. This press release shall not constitute an offer to sell or solicitation of an offer to buy Debentures and is issued pursuant to Rule 135c under the Act.

LSB is a manufacturing, marketing, and engineering company with activities on a worldwide basis. LSB’s principal business activities consist of the manufacture and sale of commercial and residential climate control products, the manufacture and sale of chemical products for the mining, agricultural and industrial markets, and the provision of specialized engineering services and other activities.

Exhibit 99.2

LSB INDUSTRIES

AMEX: LXU

"Our Climate Control products heat and cool most of the luxury hotel casinos in Las Vegas"

JUNE 2007

Company Highlights

- **Both of LSB's core businesses are leaders in their respective product lines with dominant market share and technological leadership**
- **History of top and bottom line growth – strong EBITDA growth**
- **Climate Control Business:**
  - **strong margins in core products**
  - **generating exceptional growth and backlogs**
- **Chemical Business:**
  - **improving sales and margins**
  - **shift to industrial markets and non-seasonal cost-plus sales agreements**
  - **field of competitors narrowing**
- **Premier customer lists and recurring business**
- **Improving debt-to-equity ratio and net worth**
- **Strong demand projected in LSB's key markets**
- **Significant positive cash flow from operations enhanced by NOLs**

LSB Industries Overview

Two Core Businesses:

Climate Control Business

- ***Technology and market share leader in certain "niches"*** of the heating ventilation and air conditioning ("HVAC") industry

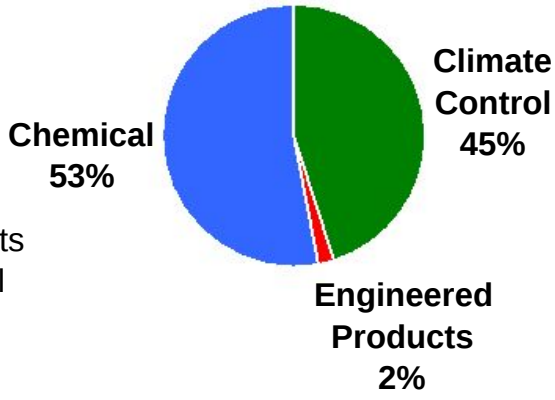
Chemical Business

- ***Leading merchant marketer of nitric acid in the U.S.*** and producer of chemical products for the industrial acids, mining and agricultural markets

Plus….Engineered Products and Services

- **Precision machine tools** and turn-key industrial and chemical facilities

2006 Sales By Business Segment

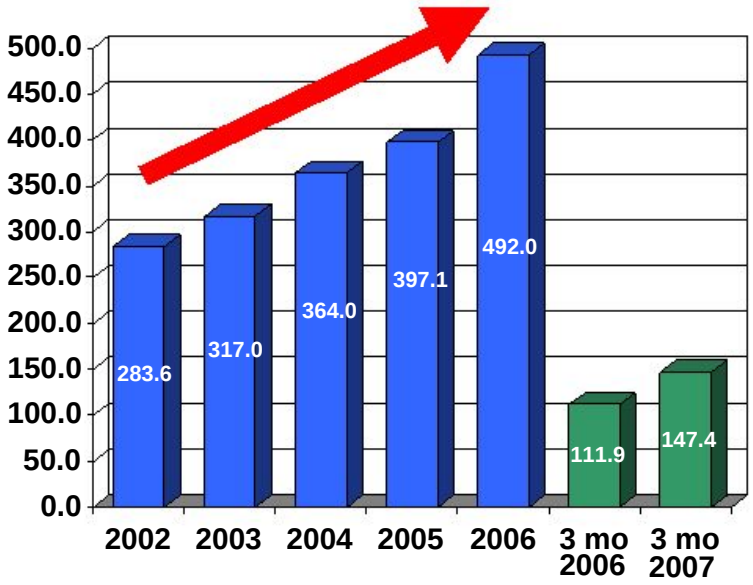


LSB Industries, Inc. is headquartered in Oklahoma City with six HVAC manufacturing facilities in Oklahoma City, chemical plants in Texas, Arkansas and Alabama, and engineered products distribution center in Oklahoma City. Approximately 1,700 total employees.

Company Overview - Background

Consistent Revenue Growth

($ in Millions)



- ***2006 sales = $492 million***
  Up 24% from 2005
- ***2007 first 3 mos. = $147.4 million***
  Up 32% from first 3 mos. of 2006

History of Major Events

Year	Event
1961	Company Founded by Jack Golsen
1969	IPO
1970's	Developed high-rise hydronic fan coils
1980's	Entered water source heat pump (WSHP) market
	Developed high-rise WSHP's
	Completed commercial WSHP product line
1984	Acquired Chemical Business from Monsanto
1985	Acquired ClimateMaster and merged with LSB's WSHP business
1990's	Developed residential GEOTHERMAL WSHP product line
1999	Entered Multi-year agreement with BAYER CORP to build, own, operate Baytown nitric acid plant
2000	Engineered and launched CUSTOM AIR HANDLER business
	Acquired Cherokee, Alabama chemical plant
2001	Entered Multi-year supply agreement with ORICA
2003	Introduced 3-tier commercial WSHP product line
	Introduced modular chillers
2004	Introduced ultra-high efficiency TRANQUILITY 27™ geothermal WSHP's
2006	Early payment of balance of $105.0 million Senior Notes (due in 2007)
2006-07	Converted $17.0 million of debentures to common stock
2006-07	Exchanged 410,355 shares Class C Preferred stock (and $9.7 million dividends in arrears) for common stock

CLIMATE CONTROL BUSINESS

Business Overview – Climate Control

- ***Strong growth in both revenues and income with operating leverage:***

  Calendar Year Ended 12-31-06

  - Sales = $221.2 million, + 41% over 2005
  - Operating Income = $25.4 million, + 80% over 2005
  - EBITDA = $28.1 million, +69% over 2005

  Three Months Ended 3-31-07

  - Sales = $71.3 million, + 51% over 2006
  - Operating Income = $8.5 mil, + 53% over 2006
  - EBITDA = $9.2 million, + 48% over 2006

- ***Backlog of $70.7 million at 3/31/07.***
- ***Strong gross margins in core products (approximately 30% in 2006)*** Geothermal heat pumps, water source heat pumps, and hydronic fan coils
- ***Dominant market share positions in core products*** – considered to be the "leading specialist" in these products
- ***Huge installed base*** (over 3 million units) – hundreds of prestige buildings and customer base including the elite of construction and real estate development
- ***Leader in geothermal technology*** which is a rapidly growing, ultra-high efficiency, environmentally responsible form of renewable energy
- ***Serves diversified markets with complementary cyclicality*** – excellent outlook for those markets, including both new construction and retrofit

Business Overview – Climate Control

Huge Installed Base with Hundreds of Premier Developments


Allure Condominiums, Las Vegas


Bellagio, Las Vegas


Statue of Liberty


MGM Grand, Las Vegas


Trump Tower, NYC


World Financial Center, NYC


Chicago Hilton and Towers


Wynn Resort, Las Vegas


Disney's Grand Floridian, Orlando


Atlantis, Bahamas


Rowes Warf, Boston


Maxwell Place Condos, Hoboken NJ

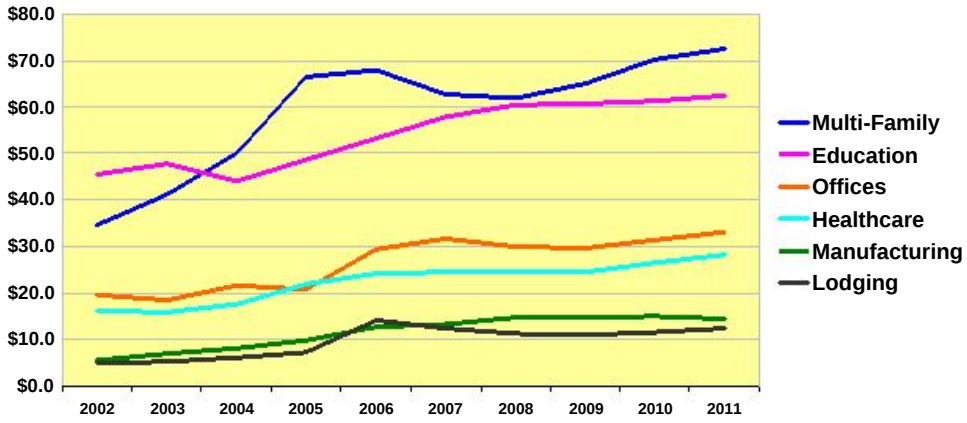

Peninsula, Hong Kong


Ritz Carlton, Pasadena


Rockefeller Center, NYC

Industry Trends

- **Construction Market Building Contract Activity** (Dollars in Billions)
  Source: McGraw-Hill Construction Market Forecasting Service (1st Quarter 2007 Edition)



These construction sectors comprised approximately 72% of Climate Control Business sales during 2006.

- **HVAC Industry has enjoyed continuous growth**
  - Growth from $7.8 billion in 1994 to $12.1 billion in 2004
  - Estimated to grow to approximately $16.4 billion by 2014
  - Source: Freedonia Group, Inc. 2005 HVAC Industry Study

Business Overview – Climate Control

Broad Product Offering

Core Products 88% of 2006 Sales

ClimateMaster Water Source Heat Pumps and Geothermal Heat Pumps

International Environmental Hydronic Fan Coils

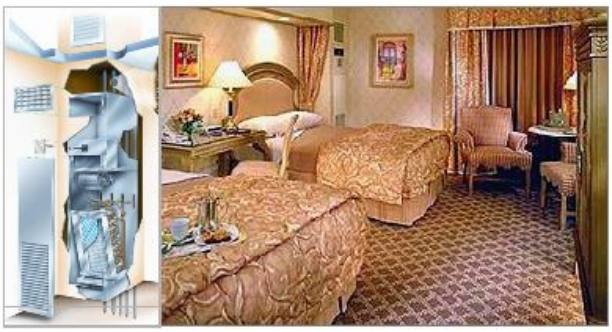
New Products 12% of 2006 Sales

ClimateCraft Large Custom Air Handlers

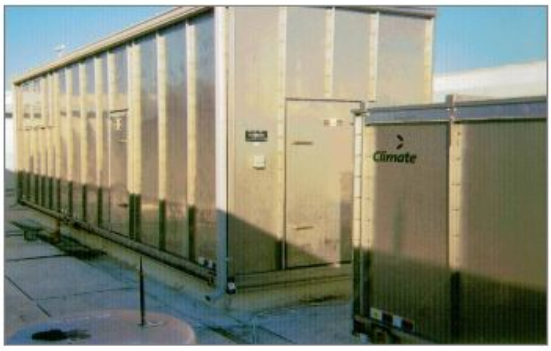
ClimaCool Modular Chillers

Typical Installed Units

High-Efficiency Commercial Geothermal Heat Pump – Above Ceiling Installation



High Rise Fan Coils and Water Source Heat Pumps - Integrated Commercial HVAC Systems



Custom Air Handler

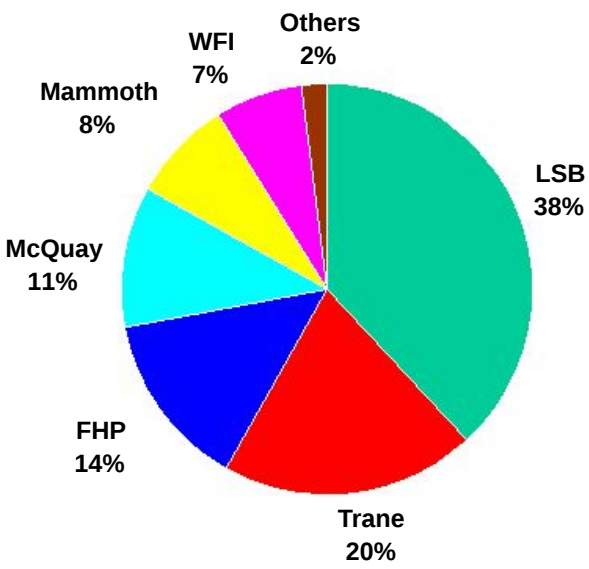
Modular Chillers

ClimateMaster, Inc.

Geothermal and Water Source Heat Pumps

2006 Sales = $134 million, up 58% over 2005, 61% of CCB Sales

Leading Market Share



(1) LSB share According to Air Conditioning and Refrigeration Institute as of December 2006. Market shares of competitors are estimates.

- **What are water source heat pumps?**
  - Highly efficient compressorized cooling and heating units which are connected to a central system with cooling tower and small boiler
  - They have the ability to move heat from zone to zone, reducing overall energy usage and costs
- **Used in commercial and residential buildings**
- **Market share leader with 38% (1)**
  - Recognized as the industry leader
  - Broadest product offering in the industry
- **Developed high-rise water source heat pump**
- **Developed ultra-high efficiency, award winning TRANQUILITY 27™ GEOTHERMAL WSHP**
- **Extensive distribution network**
- **Requirements contract to private brand for Carrier™**

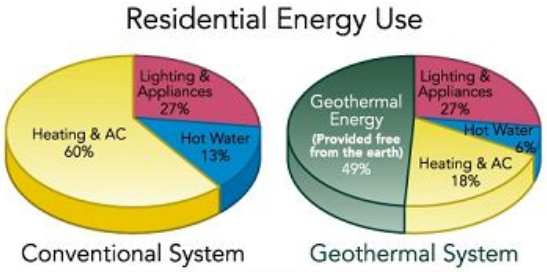
What is a Geothermal System and How Does it Work?

Typical Residential Geothermal System

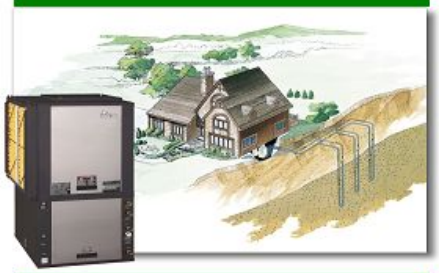
Geothermal Loop Installation

- A Geothermal system is an ***ALTERNATIVE FORM OF RENEWABLE ENERGY.***
- The Earth absorbs approximately 50% of all solar energy and remains at nearly a constant temperature (50°-70°F) year round.
- A ClimateMaster geothermal system uses an underground sealed loop filled with water and a geothermal heat pump to exchange energy between the house or building and the earth.
- In winter, water in the loop absorbs energy from the earth and carries it to the geothermal heat pump where it is converted (compressed) to a higher temperature and sent as warm air into the house or building.
- In summer the system reverses, transferring heat from the house or building into the earth.
- Geothermal systems work year round in both individual residences and large commercial buildings, providing both conditioned air and potable hot water.

Geothermal Benefits



Residential



Commercial

Environmentally responsible Geothermal Heat Pumps transfer energy to or from the earth, minimizing both energy usage and greenhouse gas emissions.

- **Energy Cost Reduction –** Geothermal is the most energy efficient HVAC technology available – up to **60%** more than conventional systems.
- **Geothermal is considered a form of alternative renewable energy**
- **ClimateMaster's Ultra-high efficiency Tranquility 27™ products use non-ozone depleting EarthPure™ refrigerants**
- **"Free" Domestic Hot Water -** Provided as a bi-product of a geothermal system
- **Noise free operation –** No noisy condensing unit.
- **Extremely long lived as compared to** conventional systems (50 year loops)

Geothermal Economics – Geothermal vs. Conventional Systems

(3 Ton system – 1800 sq. ft. house)

Geothermal as compared to a Basic Conventional AC & Gas Furnace System:

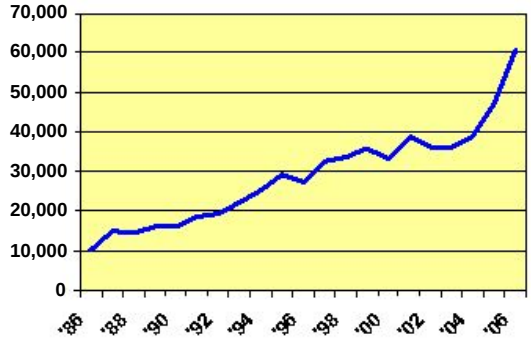
- **$1,308 annual cost operating (energy) savings with a 4.3 year simple payback**
- **$900 annual positive cash flow after financing cost – pre tax**
- **$34,900 system lifetime savings (25 years)**

	Geothermal System Vertical Loops 27 EER - R410A	Basic Conventional AC Gas Furn System 13 SEER - R22 82% AFUE	Hi Efficiency Conventional AC Gas Furn System 16 SEER - R410A 93% AFUE	Basic Conventional HP System 13 SEER - R22	Hi Efficiency Conventional HP System 16 SEER - R410A
Installed Cost:					
All equipment except loops	10,450	9,550	12,350	9,700	11,850
Loops and pump	4,700	-	-	-	-
Total Installed Costs	15,150	9,550	12,350	9,700	11,850
Geothermal Initial Cost Premium		**5,600**	**2,800**	**5,450**	**3,300**
Annual Operating Costs	668	1,976	1,772	1,396	1,273
Geothermal Annual Savings		**1,308**	**1,104**	**728**	**605**
Simple Payback - Years		**4.3**	**2.5**	**7.5**	**5.5**
Life Cycle Cost (25 Years) *	16,700	51,600	48,100	38,550	37,625
Geothermal Lifetime Savings		**34,900**	**31,400**	**21,850**	**20,925**
Annual Cash Flow:					
Loan pmt for GEO premium (6% - 30 Yr)		(408)	(204)	(396)	(240)
Annual Energy Cost Savings		1,308	1,104	728	605
Cash Flow Savings - Pretax		**900**	**900**	**332**	**365**

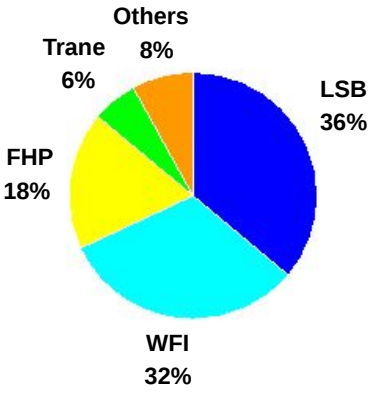
* Life cycle costs for conventional systems include operating costs plus replacement costs for condensing units and coils.

The Geothermal Market – A Growth Opportunity

Industry Shipments (units) *



Market Share*



Market Drivers

- ***Huge Market Potential*** - Over ***7 million units* per year*** U.S. residential HVAC market.
- ***High Energy Costs*** – Long-term high energy costs will continue to drive geothermal demand.
- ***Environmental Concerns*** **-** Geothermal systems are "GREEN" – there is a market trend to use environmentally responsible products.
- ***Diverse Applications*** **-** Geothermal heat pumps are sold into most commercial and residential construction, renovation and replacement markets, in all climates.
- ***Government Initiatives*** **-** U.S. Energy Act and some state incentives promote the use of energy efficient products.

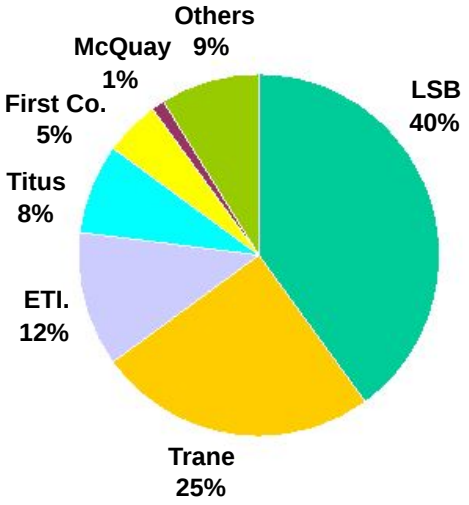
**Source: Air Conditioning and Refrigeration Institute reported shipments of central A/C units, air-source heat pumps, and geothermal heat pumps through December 2006. Market share of LSB per A.R.I, December 2006. Competitors' market shares are estimates.*

International Environmental Corp.

Hydronic Fan Coils

2006 Sales = $61 million, up 11% over 2005, 27% of CCB Sales.

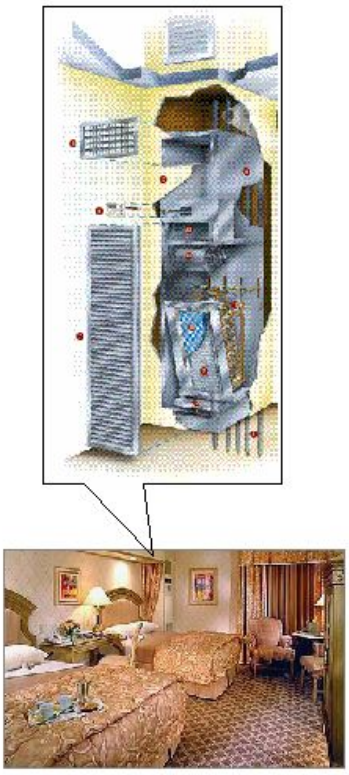
Leading Market Share



(1) LSB share according to Air Conditioning and Refrigeration Institute as of December 2006. Market shares of competitors are estimates.

- **What are fan coils?**
  - Small air handling units including cooling/heating, coils, blowers, valves and controls
- **Typically used in large commercial buildings**
  - Connected to a central system with a chiller and boiler
- **Market share leader with 40% (1)**
  - Widely considered the leader within the HVAC industry
  - Superior customer service
  - Broadest product offerings in the hydronic fan coil market
- **Originated high-rise fan coils**
  - Became the industry standard
- **Extensive distribution network**
- **Requirements contract to private brand for Carrier™**

Worldwide Leader for Hi-Rise Fan Coils and WSHP's



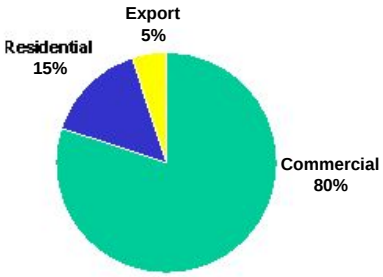
Typical hotel room with high-rise unit installed behind wall in corner.

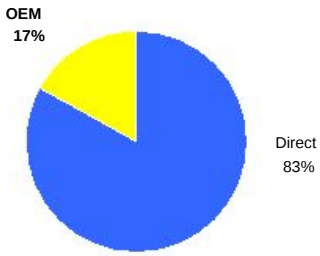
- **LSB pioneered Hi-Rise systems**
  - Ours have become the standard of the HVAC industry
- **Premier Commercial Fan Coil and Water Source Heat Pump Products**
  - e.g. over 70,000 units sold in Las Vegas
- **Integrated System with Easy Installation – Reduces Total Cost**
  - Built-in Pipe System, Ducts & Controls
  - Cabinet Becomes Part of Structure
  - Eliminates several jobsite trades and reduces overall installed cost
- **Ease of Maintenance**
  - Easy Access to Filter and All Internal Components
  - WSHP's have slide-out chassis
- **Extremely Quiet**
- **Multiple Configurations**

Business Overview – Climate Control

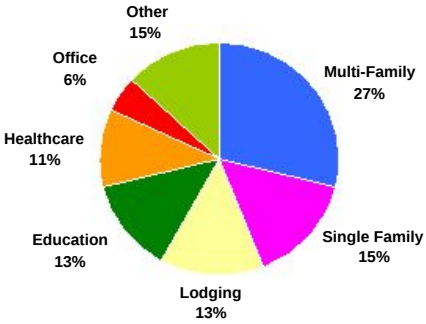
Distribution Channels

- 210 Commercial Representative Firms with 320 locations
- 1,200 Commercial Sales Engineers (Approx.)
- 120 Residential Distributors
- 2,000+ Residential Dealer-Contractors

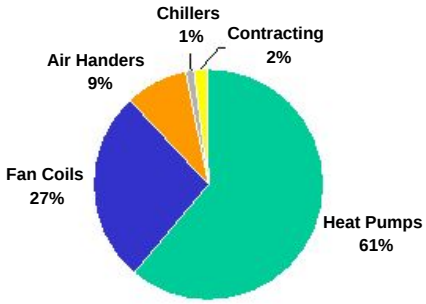




Diversified Customer Base



Product Sales Mix



Data is for Calendar Year 2006.

Key Strategies:

- Maintain leadership position in geothermal, water source heat pumps and fan coils as niche product specialist
- Continued focus on geothermal and water source heat pump growth
- Grow custom air handler business
- Continue to introduce new products
- Continue cost reduction initiatives while expanding production capacity
- Seek out acquisitions which add complementary products and/or additional niche markets

Growth Opportunities

Geothermal Water Source Heat Pumps

- Huge residential market potential
- Ultra-high energy efficiency and environmentally responsible technology
- Stimulated by long-term high energy prices and environmental concerns

Commercial Water Source Heat Pumps

- Strong commercial construction outlook
- Energy efficient technology

Custom Air Handlers

- Recent entry in $500 million market – strong growth potential
- Excellent product offering

Trison Construction – Large Scale Geothermal Installations

- Leader in military privatization projects
- Growing backlog and huge potential project list

Chillers

- Recent entry - potential synergy with fan coils
- Planning to add air-cooled products to expand offering

Business Strategy – Climate Control

Key Cost Reduction Initiatives:

Tube-in-fin Air Coils for ClimateMaster (heat pumps)

- Bringing production in-house during first half of 2007
- Doubling production capacity

Tube-in-fin Air Coils for ClimateCraft (air handlers)

- Bring production in-house

Reduced Motor Costs for International Environmental (fan coils)

- Phasing-in during first half of 2007

Manufacturing Expansion Initiatives:

ClimateMaster Expansion and Reconfiguration

- New 46,000 sq. ft. building, assembly lines, fabrication equipment, automated testing systems
- New 100,000 sq. ft. distribution center
- Phasing in during first half of 2007

ClimateCraft Capacity Increase

- Doubled assembly floor space during 2006, added fabrication equipment

CHEMICAL BUSINESS

Business Overview – Chemical

- ***Improving financial performance with positive cash flow***

  Calendar Year Ended 12-31-06

  - Sales = $260.6 million, +11.6% over 2005
  - Operating Income = $10.2 million, +32.4% over 2005
  - EBITDA = $19.3 million, +15.9% over 2005

  Three Months Ended 3-31-07

  - Sales = $73.7 million, + 18% over 2006
  - Operating Income = $7.7 million, + 426% over 2006
  - EBITDA = $ 10.1 million, + 255% over 2006

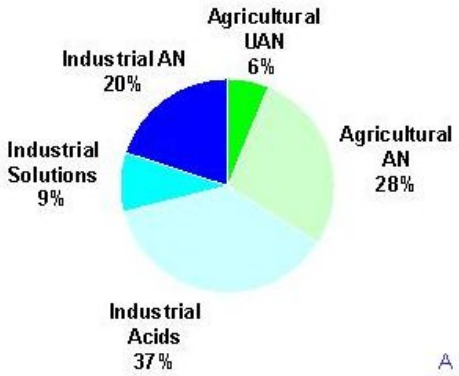
- ***65% of production sold pursuant to formula "cost-plus" sales agreements to major industrial and chemical companies***
- ***35% of production to agricultural market, especially vibrant in Q1 2007***
- ***U.S. leading merchant marketer of blended and concentrated nitric acids***
- ***Major supplier of industrial grade ammonium nitrate and nitrate solutions to the surface mining industry***
- ***Industry consolidation with improved supply vs. demand relationship***

  LSB is one of two remaining U.S. producers of high density agricultural grade ammonium nitrate

Business Overview – Chemical

Products

Segment	Products	Competitors
Industrial Acids 37%	• **Nitric Acid** (56% to 89% concentration) • **Mixed Acids** • **Concentrated Nitric Acid** (98% concentration) • **Sulfuric Acid**	• Terra Industries, Inc., PCS • Dyno Nobel America • Dyno Nobel America • Cytec, Chemtrade Logistics
Industrial AN 29%	• **Ammonium Nitrate** low density prills (AN) and **AN Solutions** • **Specialty E2 Ammonium Nitrate** • **Anhydrous Ammonia**	• Terra Industries, Inc., PC • None • Various
Agrochemical 34%	• **Ammonium Nitrate** High Density Prills (AN) • **Urea Ammonia Nitrate Solutions** (UAN)	• Terra Industries, Inc., Imports • Terra Industries, Inc., PCS, CF Industries, Koch, Imports



Largest Seller of Concentrated and Mixed Nitric Acids in North America

Business Overview – Chemical

INDUSTRIAL PRODUCTS:	USES:
Concentrated Nitric Acid Aqueous solution up to 99% concentration	Production of specialty fibers, nitrocellulose, gaskets, crop chemicals, mining products, metal treatment, and nitric acid commercial blends.
Nitric Acid Commercial Blends Aqueous solution up to 89% concentration	Treatment of metal surfaces for semi-conductor industry, manufacture of nylon and polyurethane intermediates, potassium nitrate and other nitrate chemical compounds, and manufacture of ammonium nitrate.
Sulfuric Acid 98% and 93% concentrations, standard and low-iron grades	Pulp and Paper manufacturing, Alum, water treatment, metals processing, Vanadium processing and other misc. uses.
Mixed Acids Blends of concentrated nitric acid and sulfuric acid/oleum.	Diesel Fuel additives, arsenal, herbicides and pharmaceutical grade nitroglycerine.
Ammonium Nitrate Solutions 54% and 83% concentrations	Specialty emulsions for mining applications, and other misc. uses.
Specialty E2 High Density Ammonium Nitrate High purity solid pellets with excellent water solubility	Horticultural greenhouse chemicals, printer inks, propellants, conductivity enhancement and medical cold packs.
Low Density Ammonium Nitrate Prills (solids) Solid pellets with good porosity and flowability	Blasting, surface mining, quarries and construction.
Anhydrous Ammonia Commercial grade and high purity refrigeration/ metallurgical grade ammonia	Power plant scrubber systems, water treatment, refrigerants, metals processing, and a wide variety of other industrial applications.

AGROCHEMICAL PRODUCTS	USES:
E2 Ammonium Nitrate Prill (Solid) High Nitrogen Content Fertilizer	Crops, pastures, forage areas, the primary nitrogen component in nitrogen/ phosphorus/potassium (NPK) fertilizer blends.
(UAN) Urea Ammonium Nitrate Solutions Manufactured blends of urea and ammonium nitrate solutions	High nitrogen content fertilizer-corn and other crops with high nitrogen demand. Uses requiring longer nitrogen release-cotton, small grains, vegetables, and orchards.
Fertilizer Blends and Special Chemicals Custom blends of diammonium phosphate, potash, sulfates, and micronutrients with ammonium nitrate	Special customer needs, soil testing and field application of products for farmers and agri-businesses.

Business Overview – Chemical

Facilities

El Dorado Nitrogen

- Located on Bayer MaterialScience complex in Baytown, TX
- 465,000 ton/year nitric acid plant
- Long term contract with Bayer through mid-2009 with renewal provisions
- Primary feedstock is anhydrous ammonia

El Dorado Chemical

- Located on 100 acres of a 1,300 acre tract in El Dorado, Arkansas
- 3 regular nitric acid plants, 1 concentrated nitric acid plant, 3 ammonium nitrate prilling plants, 1 sulfuric acid plant and 1 mixed acid plant
- Primary feedstock is anhydrous ammonia
- Located adjacent to an ammonia pipeline with delivery of imported ammonia from the U.S. Gulf Coast

Cherokee Nitrogen

- Located on 200 acres of a 1,500 acre tract, adjacent to the Tennessee River in Cherokee, AL
- 1 ammonia plant – converts natural gas to anhydrous ammonia, 2 nitric acid plants, 1 urea plant and 1 ammonium nitrate prilling plant
- Primary feedstock is natural gas

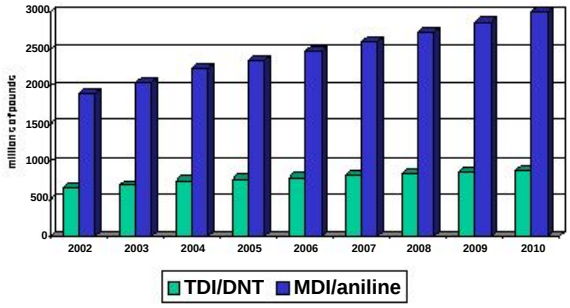
Major Customers

- Afton Chemical Canada
- Air Products & Chemicals
- Bayer Material Science LLC
- E.I. Dupont De Nemours
- Georgia-Pacific Corp.
- International Paper Co.
- Koch Industries, Inc.
- Orica USA, Inc.

Industry Trends – Industrial & Agrochemicals

Polyurethane Market Demand

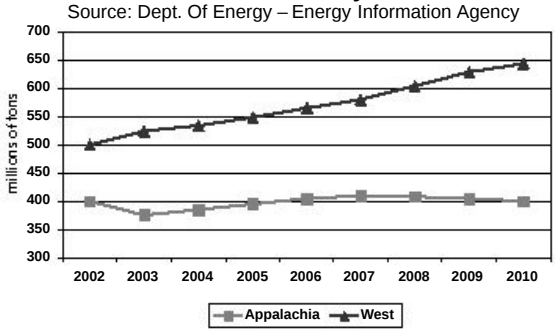
Source: Chemical Marketing Reporter



Polyurethane – Baytown provides nitric acid used to produce polyurethane intermediates. TDI is used for flexible foams. MDI is used for construction and auto industries.

Coal Production Projections

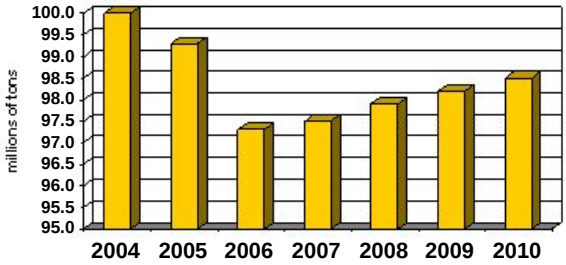
Source: Dept. Of Energy – Energy Information Agency



Coal – Ammonia Nitrate (AN) and AN solution used for surface mining. Ammonia used for NOX abatement at coal-fired power plants.

US Pulp & Paperboard Capacity

Source: American Forest & Paper Assoc.



Paper Products – Sulfuric acid is used for paper bleaching and water treatment.

Agricultural Market Factors

- **Ethanol Industry demand growing**
- **Long-term population growth & dietary improvements**
- **Favorable global grain supply/demand balance**
- **Seed technology improvements**
- **Reduction in arable land requires higher yield/acre**
- **Strong US farm commodity prices**
- **FTC regulatory import protection for AN**

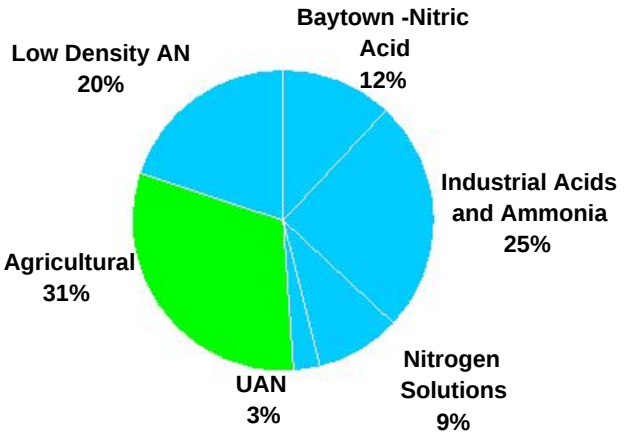
Agriculture – Prilled Ammonia Nitrate (AN) and Urea Ammonium Nitrate (UAN) are used to fertilize food crops and pastureland.

Key Strategies:

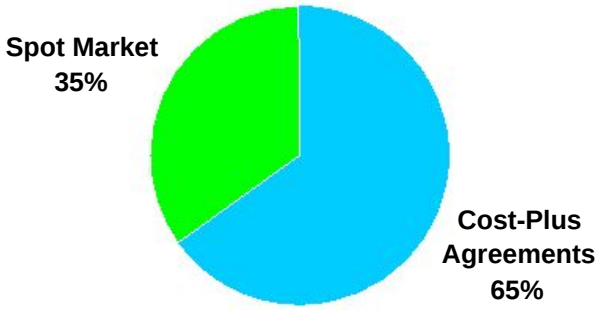
- Continue to develop large multi-year cost-plus supply agreements with customer/partners
- Increase penetration in industrial markets and reduce seasonal business
- Maximize plant run rates to increase absorption of fixed costs
- Increase capacity and sales volume through de-bottlenecking and process optimization
- Continue cost reduction initiatives
- Develop proprietary nitrogen products in cooperation with customer/partners

Convert to Cost-Plus Supply Agreements as opposed to "Spot Market" Sales

Sales by Market and/or Key Customers



Cost-Plus Sales vs. Spot Market Sales



Data is for Calendar Year 2006.

65% of our sales are NON-SEASONAL and priced pursuant to COST-PLUS agreements.

Growth Opportunities

Expansion of Baytown capacity

- Maximize output to support growth and third party sales

Additional capacity utilization at El Dorado

- Convert emissions to marketable products
- Process optimization – increase yield rate
- De-bottlenecking

Develop proprietary nitrogen products in cooperation with customer/partners

Expand sales into new market areas

Profit Improvement Opportunities

Cost Reduction Initiatives:

- Improved Energy Management Systems (installed 2006)
- Upgraded Preventive / Predictive Maintenance Program (2006 - 2007 implementation)
- Process Yield Improvements (ongoing)

Increased Sales and Capacity Initiatives:

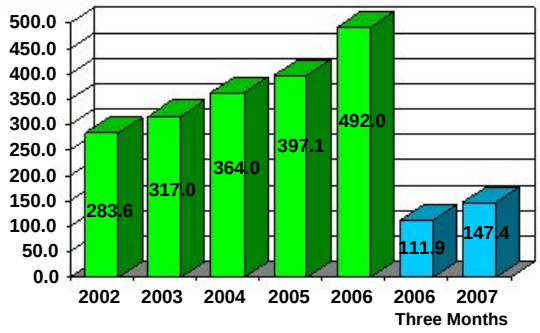
- Conversion of Emissions to Marketable Products (2006 - 2008 implementation)
- Process De-bottlenecking (2007 implementation)
- Plant Reliability Improvements – increased up time (ongoing)
- Expansion of Baytown Capacity (installed in Q4 2006)
- Expand Sales Into New Market Areas (planned for 2007 & 2008)
- New Proprietary Nitrogen Products (under development)

FINANCIAL OVERVIEW

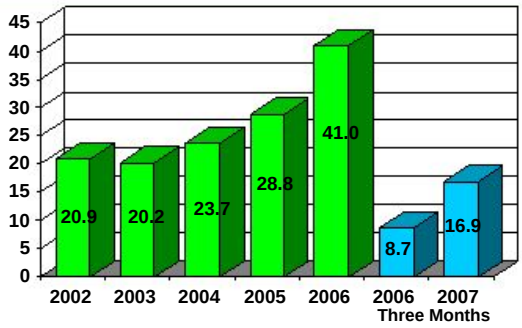
Improving Financial Performance

($ in Millions, Years Ended December 31, Three months ended March 31)

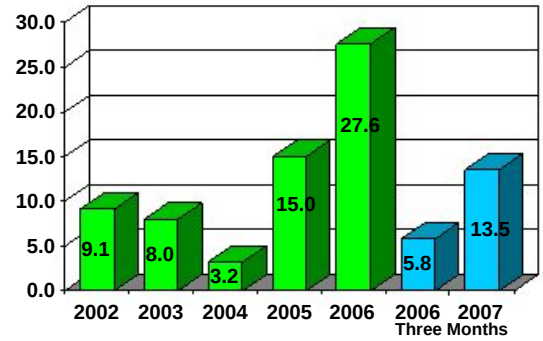
Sales



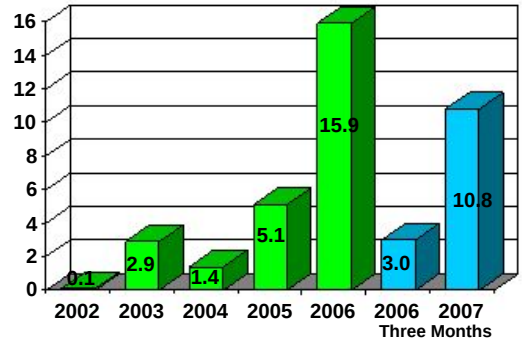
EBITDA



Operating Income



Net Income



Three month results ended March 31, 2006 & 2007 are unaudited.

Statement of Operations

($ in millions)

	Fiscal Year Ended December 31,					Three Months Ended March 31, (Note)	
	2002	2003	2004	2005	2006	2006	2007
Revenue	$283.6	$317.0	$364.0	$399.1	$492.0	$111.9	$147.4
Operating Income	9.1	8.0	3.2	15.0	27.6	5.8	13.5
Net Income	0.1	2.9	1.4	5.1	15.9	3.0	10.8
EBITDA	**$ 20.9**	**$ 20.2**	**$ 23.7**	**$ 28.8**	**$ 41.0**	**$ 8.7**	**$ 16.9**

Note: The results of operations for the three months ended March 31, 2006 and 2007 are unaudited . The FASB issued FSP No. AUG AIR-1 which mandates that, effective January 1, 2007, we adopt a change in our method of accounting for Major Maintenance projects from the accrue in advance method, which we have consistently used in our Chemical Business, to a preferred method. The adoption of the provisions of the FSP is to be considered a change in accounting principle with retrospective application. The retrospective application of the FSB resulted in increasing the operating income, net income and EBITDA $ 422,000 for the three months ended March 31, 2006.

Condensed Consolidated Balance Sheets

($ in thousands)

	12/31/2006	3/31/2007
Assets		*(unaudited)*
Current assets	$132,495	$147,838
Property, plant, equipment, net	76,404	76,781
Other assets	11,028	10,305
Total Assets	**$219,927**	**$234,924**
Liabilities and Stockholders' Equity		
Total current liabilities	$85,241	$77,472
Long-term debt	86,113	93,886
Other noncurrent liabilities	5,929	6,256
Total Liabilities	**177,283**	**177,614**
Stockholders' Equity	42,644	57,310
Total Liabilities and Stockholders' Equity	**$219,927**	**$234,924**

Capitalization (Long-Term Debt and Stockholders' Equity)

March 31, 2007

($ in millions)

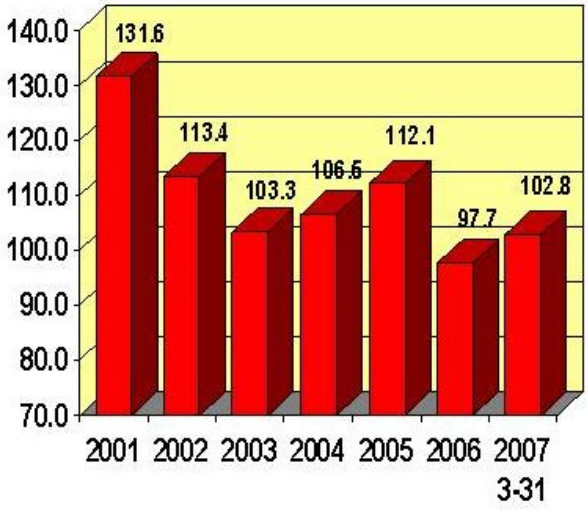
(unaudited)

Long Term Debt:	
Working Capital Revolver Loan	$34.5
Senior Secured Loan Due 2009	50.0
7% Convertible Senior Subordinated Notes Due 2011	1.0
Other	17.3
Total Long Term Debt (including current portion)	**102.8**
Total Stockholders' Equity	**57.3**
Total Capitalization (as defined)	**$160.1**

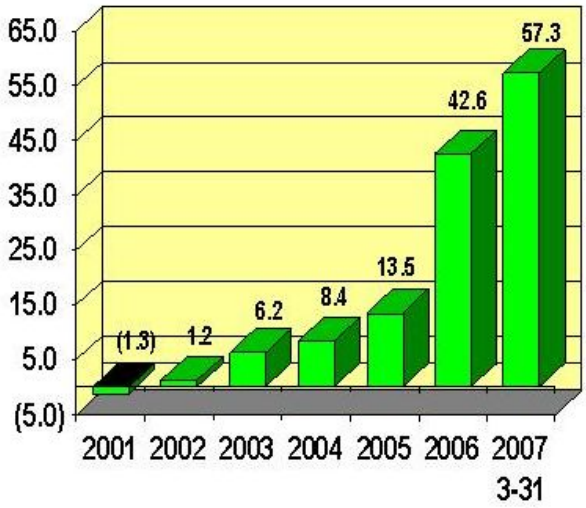
Improved Debt-to-Equity Ratio

Long Term Debt

($1,000,000's)



Stockholders' Equity



Note: Balances as of 3-31-07 are unaudited.

Summary Operating Results by Business Segment

($ in millions)

	Calendar Year Ended 12/31		Three Months Ended 3/31	
	2005	2006	2006	2007
Climate Control Business			(unaudited)	
Sales	156.9	221.2	47.4	71.3
Gross Profit	48.1	65.5	14.8	20.7
Gross Profit %	30.7%	29.6%	31.2%	29.0%
Segment Operating Income	14.1	25.4	5.6	8.5
EBITDA	16.6	28.1	6.2	9.2
Chemical Business				
Sales	233.4	260.7	62.5	73.7
Gross Profit	16.4	22.4	4.7	10.5
Gross Profit %	7.0%	8.6%	7.5%	14.2%
Segment Operating Income	7.7	10.2	1.8	7.7
EBITDA	16.7	19.3	3.9	10.1

EBITDA Reconciliation

($ in millions)

	Calendar Years Ended December 31,					Three Months Ended March 31	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
Net income	**$ 0.1**	**$ 2.9**	**$ 1.4**	**$ 5.1**	**$15.9**	**$ 3.0**	**$10.8**
Interest expense	8.2	6.1	7.4	11.4	11.9	2.9	2.6
Income taxes	0.1	-	-	0.1	0.9	-	0.3
EBIT	**8.4**	**9.0**	**8.8**	**16.6**	**28.7**	**5.9**	**13.7**
Depreciation and amortization	9.9	10.7	10.7	11.3	11.7	2.7	3.1
Discontinued operations	3.5	-	2.1(1)	0.6	0.3	0.1	-
Non-cash provisions	(0.9)	0.5	1.2(2)	0.2	0.3	-	-
Other	-	-	0.9	-	-	-	0.1
EBITDA	**$20.9**	**$20.2**	**$23.7**	**$28.8**	**$41.0**	**$ 8.7**	**$16.9**

Notes: (1) Provision for losses related to MultiClima option; $2.1 million.
(2) -a Cumulative effect of change in accounting related to MultiClima, $536,000.
(2) -b Provision for impairment of certain assets; $737,000.

EBITDA Reconciliation – Segment Information

($ in millions)

	Year ended December 31,		Three months ended March 31,	
	2005	2006	2006	2007
Climate Control Business				
Operating income	$ 14.1	$ 25.4	$ 5.6	$ 8.5
Plus:				
Non-operating income	-	-	-	-
Equity in earnings of affiliate	0.7	0.8	0.2	0.2
Depreciation and amortization	1.8	1.9	0.5	0.5
	2.5	2.7	0.7	0.7
EBITDA	$ 16.6	$ 28.1	$ 6.2	$ 9.2
Chemical Business				
Operating income	$ 7.7	$ 10.2	$ 1.8	$ 7.7
Plus:				
Non-operating income	0.4	0.3	-	-
Depreciation and amortization	8.6	8.8	2.1	2.3
	9.0	9.1	2.1	2.3
EBITDA	$ 16.7	$ 19.3	$ 3.9	$ 10.0

Note: Results for three months ended March 31, 2006 and 2007 are unaudited.

Company Highlights

- **Both of LSB's core businesses are leaders in their respective industries with dominant market share and technological leadership**
- **History of top and bottom line growth – strong EBITDA growth**
- **Climate Control Business:**
  - **strong margins in core products**
  - **generating exceptional growth and backlogs**
- **Chemical Business:**
  - **improving sales and margins**
  - **shift to industrial markets and non-seasonal cost-plus sales agreements**
  - **field of competitors narrowing**
- **Premier customer lists and recurring business**
- **Improving debt-to-equity ratio and net worth**
- **Strong demand projected in LSB's key markets**
- **Significant positive cash flow from operations enhanced by NOLs**

Forward Looking Statements

Certain statements contained within this presentation may be deemed "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements in this presentation 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 LSB to differ materially from such statements. The words "expect", "project", "will", and similar expressions identify Forward-Looking Statements. Forward-Looking Statements contained in the presentation relate to, among other things,

- strong demand projected in LSB'skey markets,
- expectations for long-term profitable growth,
- the ability to use our net operating losses,
- excellent outlook for the Climate Control Business's diversified markets,
- rapid growth in geothermal technology,
- estimated growth of the HVAC industry,
- the market potential for geothermal and market drivers for the geothermal market,
- the key strategies of our Climate Control Business,
- growth opportunities for the Climate Control Business,
- key cost reduction initiatives in both businesses,
- industry trends affecting the Chemical Business,
- the Chemical Business's key strategies,
- the strategy to convert to cost-plus supply contracts,
- growth opportunities in the Chemical Business,
- profit improvement opportunities for the Chemical Business,
- dominant market share for certain LSB products,
- leader in geothermal technology,
- markets have complementary cyclicalities,
- expectations regarding Climate Control life cycle costs,
- growing backlog of orders for Climate Control products,
- potential synergy between air handlers and fan coils,
- plan to add air-cooled products to expand offering, and
- improved supply-demand relationship in Chemical Business.

While LSB believes the expectations reflected in such Forward-Looking Statements are reasonable, LSB 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 presentation, including, but not limited to, a decline in general economic conditions, increased competitive pressures, material increases in equipment, maintenance, operating or labor costs not presently anticipated by LSB, the loss of any significant customer or supplier, changes in operating strategy or development plans, an inability to fund the working capital and expansion of our businesses, inability to obtain necessary raw materials, weather conditions, and other factors described under "Special Note Regarding Forward-Looking Statements" contained in LSB's 2006 Form 10-K and LSB's Form 10-Q for the quarter ended 3-31-07. 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.

Building Blocks for Better Living

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AMEX ticker symbol LXU

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