

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See attachment](#)

Blank lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ [See attachment](#)

Blank lines for providing information on resulting loss recognition.

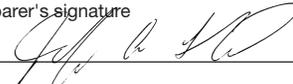
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment](#)

Blank lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶  Date ▶ 11.10.21

Print your name ▶ Kristy Carver Title ▶ SVP, Treasurer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Jeffery A. Hickl		11/09/2021		P00856015
	Firm's name ▶ Deloitte Tax LLP	Firm's EIN ▶ 86-1065772		Phone no. 713-982-2000	
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LSB Industries, Inc.
EIN: 73-1015226
Attachment to Form 8937

PLEASE CONSULT YOUR TAX ADVISOR

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”),¹ and includes a general summary regarding the application of certain U.S. federal income tax laws and U.S. Department of Treasury regulations (“Treasury Regulations”) related to the effects of the Exchange Transaction and Stock Dividend (each defined below) on certain securities. The information contained herein does not constitute tax advice and does not purport to be complete or describe the tax consequences that may apply to particular persons or categories of persons. You are encouraged to consult your own tax advisor regarding the applicability and effect of all United States (“U.S.”) federal, state, local and foreign tax laws. In particular, all non-U.S. shareholders of LSB Industries, Inc. should confirm the tax treatment of the Exchange Transaction and Stock Dividend to them in each of their relevant, non-U.S. jurisdictions.

Line 9 - Enter the classification of the security (such as stock) and include any description about the class of security affected.

Exchange Transaction (defined below)

Common stock, Series E-1 Cumulative Redeemable Class C Preferred Stock (“E-1 Preferred”), and Series F-1 Cumulative Redeemable Class C Preferred Stock (“F-1 Preferred”).

Stock Dividend (defined below)

Common stock, Series B 12% Cumulative Convertible Preferred Stock (“Series B Preferred”), and Series D 6% Cumulative Convertible Preferred Stock (“Series D Preferred”).

Line 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action

Exchange Transaction

On July 19, 2021, LSB Industries, Inc. (“LSB” or the “Company”) entered into a Securities Exchange Agreement (the “Exchange Agreement”) with LSB Funding LLC (the “Holder”), whereby the Holder agreed to exchange all of the shares of the E-1 Preferred and F-1 Preferred, respectively, for shares of LSB common stock.

On September 27, 2021, under the terms of the Exchange Agreement, the Company and the Holder undertook the following steps (collectively, the “Exchange Transaction”):

¹ Unless otherwise specified herein, “section” references are to the Code.

- The Holder exchanged all the outstanding shares of E-1 Preferred for an equivalent value of LSB common shares, based upon an exchange price of \$6.16 per share of common stock (the “**E-1 Exchange**”).
- The Holder exchanged the sole outstanding F-1 Preferred share for no consideration (the “**F-1 Exchange**”).

Stock Dividend

In connection with, and conditioned upon the consummation of, the Exchange Transaction, the Company and its board of directors declared a special dividend to holders of record as of September 24, 2021, to be effected in the form of a stock dividend of 0.3 shares of LSB common stock (“**New Stock**”) for each outstanding share of LSB common stock (“**Old Stock**”) (the “**Stock Dividend**”).

The Stock Dividend was made on October 8, 2021 to the Company’s common shareholders. As a result, pursuant to the anti-dilution terms of the Series B and Series D Preferred, (i) the conversion ratio of the Series B Preferred increased to 43.3333 to 1 from 33.3333 to 1 and (ii) the conversion ratio of the Series D Preferred increased to 0.325 to 1 from 0.25 to 1 (collectively, the “**Conversion Ratio Adjustments**”).

Line 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. shareholder as an adjustment per share or as a percentage of old basis.

Exchange Transaction

As the E-1 Preferred is intended to be treated as common stock for U.S. federal income tax purposes, the Company expects the E-1 Exchange to qualify as a reorganization within the meaning of section 368(a)(1)(E) of existing “common stock” for new common stock. The Company also expects the F-1 Exchange to result in no material U.S. federal income tax consequences, and as such, the F-1 Exchange is not discussed further.

Under section 354(a), the Holder should recognize no gain or loss as a result of the exchange of E-1 Preferred for LSB common stock. Under section 358(a), such Holder’s aggregate tax basis in the shares of LSB common stock received should equal the aggregate tax basis of the shares of E-1 Preferred surrendered in exchange therefor.

Stock Dividend

The Stock Dividend is intended to be treated as a non-taxable transaction for U.S. federal income tax purposes, pursuant to section 305(a). Accordingly, pursuant to section 307(a), the tax basis of the New Stock and the Old Stock with respect to which the Stock Dividend occurred should be determined by allocating the basis in the Old Stock among the New Stock and the Old Stock on a pro-rata basis (*i.e.*, the adjusted tax basis in each share of Old Stock and New Stock held after the Stock Dividend may be calculated by multiplying the adjusted tax basis in the share of Old Stock held prior to the Stock Dividend by 0.76923077). See illustration on Line 16. The

Stock Dividend does not change the aggregate tax basis of each shareholder's investment in LSB common stock.

In addition, the Conversion Ratio Adjustments are intended to be treated as non-taxable transactions under section 305(a). Thus, the aggregate tax basis of the Series B and Series D Preferred should remain unchanged.

Line 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

Exchange Transaction

As described in Line 15 above, under section 358(a), the Holder's aggregate tax basis in the shares of LSB common stock received should equal the aggregate tax basis of the E-1 Preferred surrendered in exchange therefor. To the extent the E-1 Preferred was acquired at different times or for different prices, the Holder should allocate the tax basis in such shares to the LSB common stock received in a manner that reflects, to the greatest extent possible, "blocks" of E-1 Preferred that were acquired on the same date and at the same price.

To the extent this is not possible, the basis of the E-1 Preferred must be allocated to the LSB common stock in a manner that minimizes the disparity in the holding periods of the E-1 Preferred whose basis is allocated to any particular share of LSB common stock. This may result in some shares of LSB common stock having split basis and holding period segments.

Stock Dividend

The basis adjustment described on Line 15 may be illustrated by the following hypothetical example. Before the Stock Dividend, assume a shareholder held 100 common shares of Old Stock purchased on Date 1 for \$65 per share (aggregate adjusted tax basis of \$6,500). In the Stock Dividend, the shareholder would have received 30 common shares of New Stock, resulting in the shareholder holding a total of 130 shares of LSB common stock immediately following the Stock Dividend. The aggregate adjusted tax basis of the 130 shares remains \$6,500, but the basis per share is now \$50 (*i.e.*, \$6,500/130 or \$65 x 0.76923077). Note that where multiple blocks of Old Stock were acquired at different times or for different prices, the basis allocation should be done based on such blocks.

Line 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Exchange Transaction: Sections 354(a), 358(a), and 368(a).

Stock Dividend: Sections 305(a) and 307(a).

Line 18 – Can any resulting loss be recognized?

Exchange Transaction: No loss may be recognized as a result of the Exchange Transaction.

Stock Dividend: No loss may be recognized as a result of the Stock Dividend.

Line 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year

Exchange Transaction: The tax effects of the Exchange Transaction should be reported by the Holder in the tax year that includes September 27, 2021.

Stock Dividend: The tax effects of the Stock Dividend should be reported by a shareholder in the tax year that includes October 8, 2021.

The information contained herein does not constitute tax advice and is intended to provide only a general summary and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the transactions described herein. Moreover, the discussion set forth above does not address tax consequences that may vary with, or are dependent on, individual circumstances. Shareholders are urged to consult with their own tax advisors with respect to the tax consequences of the transactions described herein as applicable to their particular circumstances.