

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

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**FORM S-8**

**REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

**LSB INDUSTRIES, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

**73-1015226**

*(State of Incorporation) (I.R.S. Employer Identification No.)*

**16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107**

*(Address of principal executive offices) (Zip Code)*

**Non-Qualified Stock Option Agreement - 2006 (Dan Ellis)**

**Non-Qualified Stock Option Agreement - 2006 (John Bailey)**

*(Full Title of Plans)*

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**Heidi L. Brown, Esquire  
Vice President and Managing Counsel  
LSB INDUSTRIES, INC.**

16 South Pennsylvania  
Post Office Box 754  
Oklahoma City, Oklahoma 73101  
*(Name and address of agent for service)*

(405) 235-4546  
*(Telephone number, including area code of  
agent for service)*

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Copy to:  
**Irwin H. Steinhorn, Esquire  
CONNER & WINTERS, LLP**  
One Leadership Square, Suite 1700  
211 North Robinson  
Oklahoma City, Oklahoma 73102

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**CALCULATION OF REGISTRATION FEE**

<b>Title of securities to be registered</b>	<b>Amount to be registered<sup>(1)(2)</sup></b>	<b>Proposed maximum offering price per share<sup>(3)</sup></b>	<b>Proposed maximum aggregate offering price<sup>(3)</sup></b>	<b>Amount of registration fee<sup>(3)</sup></b>
Common Stock	450,000	\$8.01	\$3,604,500	\$110.66

(1) The 450,000 shares are comprised of the following shares:

- 250,000 shares issuable under the Nonqualified Stock Option Agreement – 2006 (Dan Ellis) (the “Ellis Plan”); and
- 200,000 shares issuable under the Nonqualified Stock Option Agreement – 2006 (John Bailey) (the “Bailey Plan”).

(2) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended (the “Securities Act”), this Registration Statement also covers any additional shares of Common Stock which become issuable under the Ellis Plan and the Bailey Plan by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without receipt of consideration which results in an increase in the number of shares of the outstanding common stock of LSB Industries, Inc. (the “Company”, “Registrant”, “We”, or “Our”).

(3) Computed in accordance with Rule 457(h) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee on the basis the \$8.01 per share exercise price of the options granted under the Ellis Plan and the Bailey Plan.

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LSB INDUSTRIES, INC.  
REGISTRATION STATEMENT ON FORM S-8

PART I  
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

We will provide documents containing the information specified in Part I of Form S-8 to Dan Ellis and John Bailey as specified by Rule 428(b)(1) under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to the instructions to Form S-8 and Rule 424 under the Securities Act, we are not required to file these documents either as part of this Registration Statement or as prospectuses or prospectus supplements.

PART II  
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we can disclose important information to you by referring you to another document we have filed separately with the Securities and Exchange Commission, or the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus. We incorporate by reference the documents listed below that we previously filed with the SEC:

1. Our 2006 Annual Report on Form 10-K, for the fiscal year ended December 31, 2006 ("2006 10-K");
2. Our Amendment No. 1 to 2006 Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2006 ("2006 10-K/A");
3. Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007;
4. Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007;
5. Our Current Reports on Form 8-K filed on January 12, January 29, February 9, March 6, March 13, March 26, May 1, May 7, June 29, July 16, August 9, August 20, and August 30, 2007;
6. Our Proxy Statement, filed on February 6, 2007, relating to the Special Meeting of Stockholders held March 6, 2007; and
7. Our Proxy Statement, filed on April 30, 2007, relating to the Annual Meeting of Stockholders held June 14, 2007.
8. The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A, dated August 16, 1994, including any amendment or report filed for the purpose of updating such description.

All reports and other documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of filing of such documents.

Any document, and any statement contained in a document, incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein, or in any other subsequently filed document that also is incorporated or deemed to be incorporated by reference herein, modifies or supersedes such document or statement. Any such document or statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement. Subject to the foregoing, all information appearing in this Registration Statement is qualified in its entirety by the information appearing in the documents incorporated by reference.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Registrant is incorporated under the laws of the State of Delaware. Section 145 of the General Corporation Law of the State of Delaware (the "DGCL") provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such person as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and

reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred. The Registrant's certificate of incorporation and bylaws provide for the indemnification of directors and officers of the Registrant to the fullest extent permitted by the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability (i) for any transaction from which the director derives an improper personal benefit, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) for improper payment of dividends or redemptions of shares, or (iv) for any breach of a director's duty of loyalty to the company or its stockholders. The Registrant's certificate of incorporation includes such a provision. Reasonable expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by the Registrant upon delivery to the Registrant of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Registrant.

The indemnification discussed in this Item 6 is not exclusive of any other rights the party seeking indemnification may possess. The Company carries officer and director liability insurance with respect to certain matters, including matters arising under the Securities Act.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

- 3(i).1 Restated Certificate of Incorporation, filed September 2, 1987 (previously filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).2 Certificate of Designations, filed February 21, 1989 (previously filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).3 Certificate of Elimination, filed May 13, 1993 (previously filed as Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).

- 3(i).4 Certificate of Designations, filed May 21, 1993 (previously filed as Exhibit 3.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).5 Certificate of Amendment, filed September 3, 1993 (previously filed as Exhibit 3.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein)..
- 3(i).6 Certificate of Change of Registered Agent, filed November 24, 1998 (previously filed as Exhibit 3.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).7 Certificate of Designations, filed February 5, 1999 (previously filed as Exhibit 3.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).8 Certificate of Elimination, filed April 16, 1999 (previously filed as Exhibit 3.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).9 Certificate of Designations, filed November 15, 2001 (previously filed as Exhibit 3.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).10 Certificate of Amendment to Certificate of Designations of the \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, filed March 6, 2007 (previously filed as Exhibit 3.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 3(i).11 Bylaws, as amended, which the Company hereby incorporates by reference from Exhibit 3(ii) to the Company's Form 10-Q for the quarter ended June 30, 1998. See SEC file number 001-07677.
- 4.1 Specimen Certificate for the Company's Non-cumulative Preferred Stock, having a par value of \$100 per share which the Company incorporates by reference from Exhibit 4.1 to the Company's Form 10-K for the fiscal year ended December 31, 2005.
- 4.2 Specimen Certificate for the Company's Series B Preferred Stock, having a par value of \$100 per share, which the Company hereby incorporates by reference from Exhibit 4.27 to the Company's Registration Statement No. 33-9848.
- 4.3 Specimen Certificate for the Company's Series 2 Preferred, which the Company hereby incorporates by reference from Exhibit 4.5 to the Company's Registration Statement No. 33-61640.

- 4.4 Specimen of Certificate of Series D 6% Cumulative, Convertible Class C Preferred Stock which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 10-Q for the fiscal quarter ended September 30, 2001.
- 4.5 Specimen Certificate for the Company's Common Stock, which the Company incorporates by reference from Exhibit 4.4 to the Company's Registration Statement No. 33-61640.
- 4.6 Renewed Rights Agreement, dated January 6, 1999 between the Company and Bank One, N.A., which the Company hereby incorporates by reference from Exhibit No. 1 to the Company's Form 8-A Registration Statement, dated January 27, 1999.
- 4.7 Loan and Security Agreement, dated April 13, 2001 by and among LSB Industries, Inc., ThermaClime and each of its Subsidiaries that are Signatories, the Lenders that are Signatories and Foothill Capital Corporation, which the Company hereby incorporates by reference from Exhibit 10.51 to ThermaClime, Inc.'s amendment No. 1 to Form 10-K for the fiscal year ended December 31, 2000. See SEC file number 001-07677.
- 4.8 Second Amendment to Loan and Security Agreement, dated May 24, 2002 by and among the Company, LSB, certain subsidiaries of the Company, Foothill Capital Corporation and Congress Financial Corporation (Southwest), which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 8-K, dated May 24, 2002. Omitted are exhibits and schedules attached thereto. The Agreement contains a list of such exhibits and schedules, which the Company agrees to file with the Commission supplementally upon the Commission's request.
- 4.9 Third Amendment, dated as of November 18, 2002 to the Loan and Security Agreement dated as of April 13, 2001 as amended by the First Amendment dated as of August 3, 2001 and the second Amendment dated as of May 24, 2002 by and among LSB Industries, Inc., ThermaClime, Inc., and certain subsidiaries of ThermaClime, Congress Financial Corporation (Southwest) and Foothill Capital Corporation which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 10-Q for the fiscal quarter ended September 30, 2002.
- 4.10 Fourth Amendment, dated as of March 3, 2003 to the Loan and Security Agreement dated as of April 13, 2001 as amended by the First, Second, and Third Amendments, by and among LSB Industries, Inc., ThermaClime, Inc., and certain subsidiaries of ThermaClime, Inc., Congress Financial Corporation (Southwest) and Foothill Capital Corporation, which the Company hereby incorporates by reference from Exhibit 4.18 to the Company's Form 10-K for the fiscal year ended December 31, 2002.
- 4.11 Fifth Amendment, dated as of December 31, 2003 to the Loan and Security Agreement dated as of April 13, 2001 as amended by the First, Second, Third and Fourth Amendments, by and among LSB Industries, Inc., ThermaClime, Inc., and certain subsidiaries of ThermaClime, Inc., Congress Financial Corporation (Southwest) and Wells Fargo Foothill, Inc., which the Company hereby incorporates by reference from Exhibit 4.15 to the Company's Form 10-K for the fiscal year ended December 31, 2004.

- 4.12 Waiver and Consent, dated March 25, 2004 to the Loan and Security Agreement, dated as of April 13, 2001 (as amended to date), by and among LSB Industries, Inc., ThermaClime, Inc., and certain subsidiaries of ThermaClime, Inc. and Wells Fargo Foothill, Inc. which the Company hereby incorporates by reference from Exhibit 4.16 to the Company's Form 10-K for the fiscal year ended December 31, 2004.
- 4.13 Sixth Amendment, dated as of June 29, 2004 to the Loan and Security Agreement dated as of April 13, 2001 as amended, by and among LSB Industries, Inc., ThermaClime, Inc. and certain subsidiaries of ThermaClime, Inc., Congress Financial Corporation (Southwest) and Wells Fargo Foothill, Inc., which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 10-Q for the fiscal quarter ended September 30, 2004.
- 4.14 Seventh Amendment, dated as of September 15, 2004 to the Loan and Security Agreement dated as of April 13, 2001 as amended, by and among LSB Industries, Inc., ThermaClime, Inc. and certain subsidiaries of ThermaClime, Inc., Congress Financial Corporation (Southwest) and Wells Fargo Foothill, Inc., which the Company hereby incorporates by reference from Exhibit 4.2 to the Company's Form 10-Q for the fiscal quarter ended September 30, 2004.
- 4.15 Eighth Amendment to Loan and Security Agreement, dated February 28, 2005, between LSB Industries, Inc., ThermaClime, Inc., the subsidiaries of ThermaClime, Inc. that are signatories thereto, and Wells Fargo Foothill, Inc., as arranger and administrative agent for various lenders, which the Company hereby incorporates by reference from Exhibit 10.1 to the Company's Form 8-K, dated February 28, 2005.
- 4.16 Ninth amendment to Loan and Security Agreement, dated February 22, 2006, between LSB Industries, Inc., ThermaClime, Inc., the subsidiaries of ThermaClime, Inc. that are signatories thereto, and Wells Fargo Foothill, Inc., as arranger and administrative agent for various lenders which the Company hereby incorporates by reference from Exhibit 4.20 to the Company's Form 10-K for the year ended December 31, 2005.
- 4.17 Wells Fargo Foothill consent, dated May 5, 2006 to the redemption of the Senior Notes by ThermaClime which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 10-Q for the fiscal quarter ended June 30, 2006.
- 4.18 Tenth amendment to Loan and Security Agreement, dated March 21, 2007, between LSB Industries, Inc., ThermaClime, Inc., the subsidiaries of ThermaClime, Inc. that are signatories thereto, and Wells Fargo Foothill, Inc., as arranger and administrative agent for various lenders (previously filed as Exhibit 4.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 27, 2007, and incorporated by reference herein).
- 4.19 Loan Agreement, dated September 15, 2004 between ThermaClime, Inc. and certain subsidiaries of ThermaClime, Inc., Cherokee Nitrogen Holdings, Inc., Orix Capital Markets, L.L.C. and LSB Industries, Inc. ("Loan Agreement") which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 8-K, dated



September 16, 2004. The Loan Agreement lists numerous Exhibits and Schedules that are attached thereto, which will be provided to the Commission upon the commission's request.

- 4.20 First Amendment, dated February 18, 2005 to Loan Agreement, dated as of September 15, 2004, among ThermaClime, Inc., and certain subsidiaries of ThermaClime, Cherokee Nitrogen Holdings, Inc., and Orix Capital Markets, L.L.C. which the Company hereby incorporates by reference from Exhibit 4.21 to the Company's Form 10-K for the year ended December 31, 2004.
- 4.21 Waiver and Consent, dated as of January 1, 2006 to the Loan Agreement dated as of September 15, 2004 among ThermaClime, Inc., and certain subsidiaries of ThermaClime, Inc., Cherokee Nitrogen Holdings, Inc., Orix Capital Markets, L.L.C. and LSB Industries, Inc. which the Company hereby incorporates by reference from Exhibit 4.23 to the Company's Form 10-K for the year ended December 31, 2005.
- 4.22 Consent of Orix Capital Markets, LLC and the Lenders of the Senior Credit Agreement, dated May 12, 2006, to the interest rate of a loan between LSB and ThermaClime and the utilization of the loan proceeds by ThermaClime and the waiver of related covenants which the Company hereby incorporates by reference from Exhibit 4.2 to the Company's Form 10-Q for the fiscal quarter ended June 30, 2006.
- 4.23 Indenture, dated June 28, 2007, by and among the Company and UMB Bank, which the Company hereby incorporates by reference from Exhibit 4.2 to the Company's Form 8-K, dated June 28, 2007, and filed with the Commission on June 29, 2007.
- 4.24 Certificate of 5.5% Senior Subordinated Convertible Debentures which the Company hereby incorporates by reference from Exhibit 4.1 to the Company's Form 8-K, dated June 28, 2007, and filed with the Commission on June 29, 2007.
- 4.25 Registration Rights Agreement, dated June 28, 2007, by and among the Company and the Purchasers set fourth in the signature pages which the Company hereby incorporates by reference from Exhibit 4.3 to the Company's Form 8-K, dated June 28, 2007, and filed with the Commission on June 29, 2007.
- 4.26 Registration Rights Agreement, dated March 25, 2003 among LSB Industries, Inc., Kent C. McCarthy, Jayhawk Capital management, L.L.C., Jayhawk Investments, L.P. and Jayhawk Institutional Partners, L.P., which the Company hereby incorporates by reference from Exhibit 10.49 to the Company's Form 10-K for the fiscal year ended December 31, 2002.
- 4.27 Registration Rights Agreement, dated March 3, 2006, by and among the Company and the Purchasers set fourth in the signature pages which the Company hereby incorporates by reference from Exhibit 99.3 to the Company's Form 8-K, dated March 14, 2006
- 4.28 Redemption Notice, dated July 12, 2007, for the Company's \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, which the Company hereby incorporates

by reference from Exhibit 99.1 to the Company's Form 8-K, dated July 11, 2007, and filed with the Commission on July 16, 2007.

- 5.1 Opinion of Conner & Winters, LLP
- 23.1 Consent of Ernst & Young, LLP
- 23.2 Consent of Conner & Winters, LLP (contained in Exhibit 5.1)
- 24.1 Power of Attorney, included in the signature page of the Registration Statement.
- 99.1 Nonqualified Stock Option Agreement, dated June 19, 2006, between LSB Industries, Inc. and Dan Ellis.
- 99.2 Nonqualified Stock Option Agreement, dated June 19, 2006, between LSB Industries, Inc. and John Bailey.

Item 9. Undertakings.

A. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (A)(1)(i) and (A)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto, duly authorized, in the City of Oklahoma City, Oklahoma on September 10, 2007.

Dated: September 10, 2007

LSB INDUSTRIES, INC.  
By: /s/ Jack E. Golsen  
Jack E. Golsen  
Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Jack E. Golsen and Tony M. Shelby, and each of them as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes, shall do or cause to be done by virtue hereof.

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

Dated: September 10, 2007	By: <u>/s/ Jack E. Golsen</u> Jack E. Golsen Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Dated: September 10, 2007	By: <u>/s/ Barry H. Golsen</u> Barry H. Golsen Vice Chairman of the Board of Directors and President
Dated: September 10, 2007	By: <u>/s/ Tony M. Shelby</u> Tony M. Shelby Executive Vice President of Finance and Chief Financial Officer (Principal Financial Officer)
Dated: September 10, 2007	By: <u>/s/ David R. Goss</u> David R. Goss Executive Vice President of Operations and Director
Dated: September 10, 2007	By: <u>/s/ Jim D. Jones</u> Jim D. Jones Senior Vice President, Corporate Controller and Treasurer (Principal Accounting Officer)

Dated: September 10, 2007

/s/ Horace G. Rhodes  
Horace G. Rhodes, Director

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Dated: September 10, 2007

/s/ Raymond B. Ackerman  
Raymond B. Ackerman, Director

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Dated: September 10, 2007

/s/ Bernard G. Ille  
Bernard G. Ille, Director

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Dated: September 10, 2007

/s/ Robert C. Brown, M.D.  
Robert C. Brown, M.D., Director

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Dated: September 10, 2007

/s/ Charles A. Burtch  
Charles A. Burtch, Director

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Dated: September 10, 2007

/s/ Donald W. Munson  
Donald W. Munson, Director

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Dated: September 10, 2007

/s/ John A. Shelley  
John A. Shelley, Director

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Dated: September 10, 2007

/s/ Robert A. Butkin  
Robert A. Butkin, Director

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Dated: September 10, 2007

/s/ Ronald V. Perry  
Ronald V. Perry, Director

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# CONNER & WINTERS

## ATTORNEYS & COUNSELORS AT LAW

**OKLAHOMA CITY**  
John W. Ingraham  
Irwin H. Steinhorn  
John W. Funk  
Jared D. Giddens  
Robin F. Fields  
Kiran A. Phansalkar  
Victor F. Albert  
Mitchell D. Blackburn  
Mark H. Bennett  
Bryan J. Wells  
Laura McCasland  
Holbrook  
J. Dillon Curran  
C. Brad Williams  
Justin L. Pybas

Peter B. Bradford

### TULSA

Henry G. Will  
Joseph J. McCain, Jr.  
Lynnwood R. Moore, Jr.  
Robert A. Curry  
Steven W. McGrath  
D. Richard Funk  
Randolph L. Jones, Jr.  
J. Ronald Petrikin  
Larry B. Lipe  
James E. Green, Jr.  
Martin R. Wing  
John W. Ingraham  
Andrew R. Turner  
Gary L. Betow  
Gentra Abbey Sorem  
R. Kevin Redwine  
Tony W. Haynie  
Bruce W. Freeman  
David R. Cordell  
C. Raymond Patton, Jr.  
Paul E. Braden  
Robert J. Melgaard  
P. Scott Hathaway  
Lawrence A. Hall  
Timothy T. Trump  
Mark E. Dreyer  
Teresa Meinders  
Burkett  
Nancy E. Vaughn  
Mark D. Berman  
Katherine G. Coyle  
Beverly K. Smith  
Melodie Freeman-Burney  
R. Richard Love III  
Robert D. James  
Stephen R. Ward  
Jeffrey R. Schoborg  
Anne B. Sublett  
J. Ryan Sacra  
Jason S. Taylor  
Katy Day Inhofe  
Julia Forrester-Sellers

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Allison McGrath  
Gardner  
Elizabeth G. Zeiders

William G. von Glahn  
Bob F. McCoy  
Lynn P. Mattson

James R. Ryan  
Russell H. Harbaugh, Jr.  
David O. Cordell

### NORTHWEST ARKANSAS

John R. Elrod  
Greg S. Scharlau  
Terri Dill Chadick  
Vicki Bronson  
Todd P. Lewis  
P. Joshua Wisley  
Kerri E. Kobbeman

Charles E. Scharlau

### WASHINGTON, D.C.

G. Daniel Miller  
Donn C.  
Meindertsma  
Rabeha S.  
Kamaluddin

Henry Rose  
Erica L. Summers

### HOUSTON, TEXAS

Gregory D. Renberg

### JACKSON, WYOMING

Randolph L. Jones, Jr.

### SANTA FE, NEW MEXICO

Douglas M. Rather

Benjamin C. Conner  
1879-1963

John M. Winters, Jr.  
1901-1989

<sup>1</sup>Not Admitted in  
Oklahoma

<sup>2</sup>Not Admitted in Arkansas

<sup>3</sup>Admitted only in  
California; admission in the  
District of Columbia  
pending; supervision by  
Donn C. Meindertsma, a  
member of the District of  
Columbia Bar

September 10, 2007

LSB Industries, Inc.  
16 South Pennsylvania  
P.O. Box 754  
Oklahoma City, Oklahoma 73101

Re: *LSB Industries, Inc.; Form S-8 Registration Statement; Non-Qualified  
Stock Option Agreements – 2006; Our File No. 07033-0001*

Ladies and Gentlemen:

We are delivering this opinion to you in connection with the preparation and filing with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Act”), of the Registration Statement on Form S-8 (the “Registration Statement”) of LSB Industries, Inc., a Delaware corporation (the “Company”), for the registration of 450,000 shares of the Company’s common stock, \$0.10 par value (the “Common Stock”), to be issued by the Company pursuant to the Non-Qualified Stock Option Agreement, dated June 19, 2006, granted to Dan Ellis (250,000 shares) and the Non-Qualified Stock Option Agreement, dated June 19, 2006, granted to John Bailey (200,000 shares) (collectively, the “Non-Qualified Agreements”).

In connection with this opinion, the undersigned has examined and relied upon such corporate records, certificates, other documents and questions of law, as we have considered necessary or appropriate for the purposes of this opinion, including, but not limited to, the following:

(a) Company’s Amended and Restated Certificate of Incorporation, as amended;

(b) Company’s Bylaws, as amended;

- (c) the Non-Qualified Agreements;
- (d) Minutes of the Compensation and Option Committee of the Company, dated June 19, 2006;
- (e) Certificate of Good Standing of the Company issued by the Secretary of State of Delaware on September 7, 2007;
- (f) Consent of Ernst & Young, LLP, dated September 7, 2007;
- (g) Form S-8 Registration Statement; and
- (h) Summary Information regarding the Non-Qualified Agreements.

In our examination, we have assumed the genuineness of all signatures, the legal capacity of all persons, the authenticity of all documents submitted as originals, the conformity with the original documents of all documents submitted as certified or photostatic copies, and the authenticity of the originals of such copies. We have further assumed that any shares of the Company's Common Stock to be issued under the Non-Qualified Agreements will have been issued pursuant to the terms of the Non-Qualified Agreements and will have been registered in accordance with the Act, absent the application of an exemption from registration, prior to the issuance of such shares. We have been advised by the Company that each Non-Qualified Agreement was issued to an employee of the Company or one of its subsidiaries while the recipient was duly employed by the Company or one of its subsidiaries, and in issuing this letter, we have relied upon such representation.

In reliance upon and based on such examination and review, we are of the opinion that, when the Registration Statement becomes effective pursuant to the rules and regulations of the Commission, the 450,000 shares of Common Stock which may be issued pursuant to the Non-Qualified Agreements will constitute, when purchased and issued pursuant to the terms of the Non-Qualified Agreements, duly authorized, validly issued, fully paid and nonassessable shares of Common Stock of the Company.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement.

Very truly yours,

CONNER & WINTERS, LLP

/s/ Conner & Winters, LLP



Consent of Independent  
Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to the Non-Qualified Stock Option Agreement – 2006 (Dan Ellis) and the Non-Qualified Stock Option Agreement – 2006 (John Bailey) of LSB Industries, Inc. of our report dated March 23, 2007, except for Notes 2, 3, 10, 13 and 21 and the financial statements schedules listed in the Index at Item 15(a)(2) as to which the date is July 16, 2007, with respect to the consolidated financial statements and schedules of LSB Industries, Inc. included in its amended Annual Report (Form 10-K/A) for the year ended December 31, 2006, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Oklahoma City, Oklahoma  
September 7, 2007

NON-QUALIFIED STOCK OPTION AGREEMENT - 2006

This Non-Qualified Stock Option Agreement ("Option Agreement") is effective the 19th day of June, 2006, between LSB Industries, Inc., a Delaware corporation, hereinafter called the "Company", and Dan Ellis, hereinafter called "Optionee";

W I T N E S S E T H:

In consideration of the mutual covenants and conditions, the parties agree as follows:

1. Recitations. The Optionee is presently an executive officer of a Subsidiary (as defined in paragraph 16 below) and the Company considers it desirable and in its best interest that Optionee be given an inducement to acquire an initial or additional proprietary interest in the Company as an added incentive to advance the interest of the of the Company, in the form of this option to purchase certain shares of the Company's common stock, par value \$.10 per share (ACommon Stock@). The Compensation and Option Committee of the Board of Directors of the Company (the "Committee") has adopted and granted this option on this 19th day of June, 2006 (the "Date of Grant").

2. Grant of Option and Option Price. Subject to the terms and conditions hereof, the Company hereby grants to Optionee as of the close of business on the 19th day of June, 2006, the right, privilege and option to purchase two hundred fifty thousand (250,000) shares ("Total Option Shares") of the Company's Common Stock, par value \$.10, at an option price of \$8.01 a share (the AExercise Price), such Exercise Price being one hundred percent (100%) of the Fair Market Value of the Common Stock as determined as the closing price on the 19th day of June, 2006. Such option is hereinafter referred to as the AOption@ and the shares of Common Stock purchasable upon the exercise of the Option are hereinafter sometimes referred to as the AOption Shares@.

3. Obligations. This Option Agreement shall not impose upon the Company or any Subsidiary any obligation to retain Optionee as an employee at his present salary or position or to employ Optionee in any other position with or for the Company or any Subsidiary. If Optionee is no longer employed by the Company or a Subsidiary for any reason, the option granted herein shall immediately terminate, except as may be otherwise expressly provided in Section 4 and 6 hereof.

4. Time of Exercise of Option.

(a) As an Employee. If this option has not been terminated pursuant to Section 6 hereof, subject to the terms and conditions contained herein, the option herein granted may be exercised by Optionee as hereinafter provided. Unless waived by the Board of Directors or a Committee thereof (referred to herein as the "Committee"), the Optionee, while in the employment of the Company or a Subsidiary, may exercise the

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option as follows: at any time after one (1) year of continuous employment of the Optionee as an employee following June 19, 2006 for and on behalf of the Company or any Subsidiary, the Option may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 2 hereof; and for each following year thereafter of continuous employment by the Optionee as an employee of the Company or a Subsidiary, the Option may be exercised by the Optionee as to an additional ten percent (10%) of the total number of shares set forth in Section 2 hereof until the Total Option Shares have been exercisable.

(b) As a Former Employee. Except as provided in paragraph 6(c), the Option granted herein may not be exercised after the Optionee is no longer an employee of the Company or any Subsidiary, except that if the Optionee ceases to be an employee on account of physical or mental disability as defined in Section 22(e)(3) of the Internal Revenue Code (AFormer Employee@), he may exercise the Option within twelve (12) months after the date on which he ceased to be an employee, for the number of Option Shares for which he could have exercised at the time he ceased to be an employee. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

(c) In Case of Death. If the Optionee dies prior to the termination of this Option, the Option may be exercised within one (1) year after the death of the Optionee by the personal representative of this estate, or by a person who acquired the right to exercise the Option by bequest, inheritance, or by reason of the death of the Optionee, provided that:

(i) the Optionee died while an employee of the Company or a Subsidiary; or

(ii) the Optionee ceased to be an employee of the Company or a Subsidiary on account of physical or mental disability and died within three (3) months after the date on which he ceased to be such employee.

The Option may be exercised only as to the number of shares for which the Optionee could have exercised at the time the Optionee died. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

(d) Acceleration and Continuous Employment. The Board of Directors of the Company or the Committee shall have the sole and absolute discretion to accelerate the time when Optionee will become entitled to exercise this Option pursuant to the terms hereof. The Board of Directors shall decide, in its sole and absolute discretion, to what extent leaves of absence for government or military service, illness, temporary disability or other reasons, shall not interrupt continuous employment as an employee for and on behalf of the Company or a Subsidiary, which decision shall be binding for the purpose of this Option Agreement.

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5. Method of Exercise and Payment of Exercise Price.

(a) Subject to the terms and conditions hereof, the Option granted under this Option Agreement may be exercised by written notice directed to the Company at its principal place of business setting forth the exact number of shares under this Option that the Optionee is purchasing, which may not exceed the number of shares that the Optionee is eligible to purchase under this Option Agreement at the time of such purchase, and enclosing with such written notice a certified or cashier's check or cash, or the equivalent thereof acceptable to the Company, in payment of the full exercise price for the number of shares specified in such written notice and shall comply with such other reasonable requirements as the Board of Directors of the Company may establish. Subject to the terms and conditions of this Option Agreement, the Company shall make delivery of such shares within a reasonable period of time after the giving of such notice; provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

(b) The Optionee understands that, on the exercise of this Option (or at the time a sale of the stock acquired by such exercise at a profit would not longer subject Optionee to suit under Section 16(b) of the Securities Exchange Act of 1934, as amended) the excess of the fair market value of the Common Stock over the option price is taxable remuneration to him subject to federal income tax withholding by the Company. To facilitate withholding by the Company, if required, Optionee hereby agrees that the exercisability of this Option is conditional on Optionee agreeing to such arrangements and taking such actions as the Company determines are appropriate to insure that the amount required to be withheld will be available for payment in money by the Company as required withholding.

6. Termination of Option. Except as set forth below in paragraph 6(c) hereof, this Option Agreement and the Option granted herein, to the extent not theretofore exercised, shall immediately terminate and become null and void upon the earlier of the following to occur:

(a) At such time as the Option is no longer exercisable pursuant to the terms of Section 4 hereof; or

(b) Termination of the Optionee for cause as an employee for the Company or any Subsidiary; or

(c) Termination of the Optionee (including voluntary termination by the Optionee if the Optionee is not in violation or in breach of any of the provisions of paragraph 7 hereof at the time of such voluntary termination) as an employee for the Company or any Subsidiary for any reason other than for cause, provided that the Option may be exercised within six (6) months after such termination of the Optionee for any reason other than for cause. The Option may be exercised only as to the number of shares

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for which the Optionee could have exercised on the date the Optionee terminated employment with the Company. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

(d) Ninety (90) days following the tenth anniversary of the Date of Grant; or

(e) Upon the Optionee's surrender to the Company for cancellation of this Agreement and the Option granted herein.

7. Forfeiture in the Event of Competition and/or Solicitation or other Detrimental Acts. In consideration for the Option granted herein and the Optionee's continued employment with the Company or a Subsidiary, the sufficiency of which is hereby acknowledged and agreed by the Optionee, the Optionee hereby agrees and covenants as follows:

(a) Optionee expressly agrees and covenants that during the Restricted Period (as defined below), other than clause (iii) below that must occur during the period Optionee is an employee of the Company or a Subsidiary of the Company, Optionee shall not, without the prior consent of the Company, directly or indirectly:

i) own or have any financial interest in a Competitive Business (as defined below), except that nothing in this clause shall prevent Optionee from owning one percent or less of the outstanding securities of any entity whose securities are traded on a U.S. national securities exchange (including NASDAQ) or an equivalent foreign exchange;

ii) be actively connected with a Competitive Business by managing, operating, controlling, being an employee or consultant (or accepting an offer to be an employee or consultant) or otherwise advising or assisting a Competitive Business in such a way that such connection might result in an increase in value or worth of any product, technology or service, that competes with any product, technology or service upon which Optionee worked or about which Optionee became familiar as a result of Optionee's employment with the Company.

iii) take any action that might divert any opportunity from the Company or any Subsidiary which has employed the Optionee or for whom the Optionee is, or has served as, an executive officer (the "Related Parties") that is within the scope of the present or future operations or business of the Company or the Related Parties;

iv) employ, solicit for employment, advise or recommend to any other person that they employ or solicit for employment or form an association with any person who is employed by the Company or Subsidiary or who has been employed by the Company or Subsidiary within eighteen (18) months of the date Optionee's employment with the Company or Subsidiary ceased for any reason whatsoever;

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v) contact or solicit any customer, sales representatives, distributors or dealers of the Company or Subsidiary to which Optionee was employed by to attempt to divert or take away from such Company or Subsidiary the business of such customer, sales representatives, distributors or dealers;

vi) solicit the sale of goods, services or a combination of goods and services that are competitive with the Company's or any Subsidiary's goods or services from established customers of the Company or a Subsidiary; or

vii) engage in any activity that violates any policies adopted by the Board of Directors of the Company resulting in harm to the Company or a Subsidiary.

(b) Forfeiture. If the Company determines that Optionee has violated any provisions of paragraph 7(a) above during the Restricted Period, then Optionee agrees and covenants that:

i) any portion of the Option (whether or not vested) that has not been exercised as of the date of such determination shall be immediately rescinded;

ii) Optionee shall automatically forfeit any rights he may have with respect to the Option as of the date of such determination; and

iii) if Optionee has exercised all or any part of the Option within the twelve-(12) month period immediately preceding a violation of paragraph 7(a) above (or following the date of any such violation), upon the Company's demand, Optionee shall immediately deliver to the Company a certificate or certificates for shares of the Company's Common Stock (along with a duly executed assignment of each certificate) with a fair market value (determined on the date of such demand) equal to the gain realized by Optionee's upon such exercise. Such "gain" is the amount of the fair market value of the shares of the Company's Common Stock received upon such exercise, minus the exercise price applicable to such exercise. If Optionee does not own the number of shares of the Company's Common Stock representing the amount of such gain that are required to be delivered to the Company pursuant to this paragraph 7(b)(iii), then the Optionee will immediately (a) deliver to the Company all shares of the Company's Common Stock owned by Optionee directly or through any entity controlled by Optionee, and (b) the dollar amount (in currently available funds) equal to the amount of such gain, minus the fair market value of the shares tendered to the Company.

(c) Definitions. For purposes of this paragraph 7, the following definitions shall apply:

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i) The Company and its Subsidiaries directly advertises and solicits business from customers wherever they may be found and its business is thus worldwide in scope. Therefore, “Competitive Business” means any person or entity that engages or participates in any business activity that competes with the business or products of the Company or the Company’s air conditioning-heating Subsidiaries (including, but not limited to, ClimateMaster, Inc.) or their successors or assigns in any geographic area in which the Company or its air conditioning-heating Subsidiaries engages in business, including, without limitation, any state in the United States in which the Company or its air conditioning-heating Subsidiaries sell or offer to sell its products from time to time.

ii) “Restricted Period” means the period during which Optionee is employed by the Company and eighteen (18) months following the date that Optionee ceases to be employed by the Company for any reason whatsoever.

(d) Severability. Optionee acknowledges and agrees that the period, scope and geographic areas of restriction imposed upon Optionee by the provisions of paragraph 7 are fair and reasonable and are reasonably required for the protection of the Company and its Subsidiaries. In the event that any part of this Agreement, including, without limitation, any provision of paragraph 7, is held to be unenforceable or invalid, the remaining parts of paragraph 7, and this Agreement shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part of this Agreement. If any one of the provisions in paragraph 7 is held to be excessively broad as to period, scope and geographic areas, any such provision shall be construed by limiting it to the extent necessary to be enforceable under applicable law.

(e) Additional Remedies. Optionee acknowledges that breach by him of this Agreement would cause irreparable harm to the Company and one or more of its Subsidiaries, and that in the event of such breach, the Company shall have, in addition to monetary damages and other remedies at law, the right to an injunction, specific performance and other equitable relief to prevent violations of Optionee’s obligations hereunder.

8. Restrictions.

(a) The Option will not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Optionee, only by Optionee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way, will not be assignable by operation of law and will not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, will be null and void and without effect.

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(b) Optionee shall have no right as a stockholder with respect to any shares covered by this Option Agreement until the date of issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. Third Party Transfers of Option Shares. Optionee may transfer any or all of the Option Shares acquired upon the exercise of the Option to a third party pursuant to the terms and conditions of this paragraph 9.

(a) Transfer Notice. If Optionee desires to make a bona fide transfer of any Option Shares acquired upon the exercise of the Option (“Offered Shares”) to any person or entity other than the Company immediately prior to the transfer (a “third party”), the Optionee will give the Company five (5) business days prior written notice (a “Transfer Notice”) of such proposed transfer specifying: (a) the name and address of the third party; (b) the number of shares of stock proposed to be transferred; (c) if not equal to the bid price listed or quoted on any exchange or quotation system on which the Common Stock is listed or quoted, the price per share to be paid for the Offered Shares; and (d) the terms and conditions of the proposed transfer.

(b) Company’s Option. At any time within five (5) business days after receipt of the Transfer Notice, the Company will have the exclusive right to elect to purchase all, or any portion, of the Offered Shares, at the Purchase Price (as defined below) and on the terms pursuant to this paragraph 9.

(c) Election to Purchase. The right of the Company to purchase the Offered Shares is exercisable by delivery of written notice (a “Response Notice”) to the Optionee prior to the expiration of the designated period. If the Company elects to purchase the Offered Shares, or any portion thereof, closing of the purchase of those Offered Shares the Company elects to purchase will occur within thirty (30) days from the date of the Response Notice (the “Closing”), and at the Closing the Optionee shall deliver to the Company those Offered Shares so purchased by the Company, together with an assignment duly executed by the Optionee (with such signature guaranteed by a national bank or investment banking firm), assigning those Offered Shares so purchased by the Company to the Company, all in a manner and on terms satisfactory to the Company, subject to the provisions of paragraph 7(e) hereof.

(d) Transfer of Offered Shares. Subject to the provisions of paragraph 7 of this Agreement, if the Company waives in writing the right to purchase the Offered Shares, the Optionee will have the right for a period of ninety (90) days after such waiver to transfer the Offered Shares on the terms specified in the Transfer Notice. If such transfer is not consummated within such ninety (90) day period then no such transfer will be made, unless the Optionee delivers to the Company a new Transfer Notice and complies with this paragraph 9 as if such transfer were a new proposed transfer.

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(e) Purchase Price. The Purchase Price for the shares of stock subject to a transfer, pursuant to this paragraph 9, will be the average of the closing price of the Company's common shares on the American Stock Exchange or such other national exchange as may be applicable for the five (5) trading days preceding the date of the Transfer Notice. If the Company elects to purchase any of the Offered Shares pursuant to the terms hereof, the Company may, at its sole option, elect to pay the Purchase Price as follows.

i) at the Closing, the Company shall pay to the Optionee that portion of the Purchase Price equal to the amount of (a) federal income taxes, if any, paid by the Optionee prior to the Closing as a result of exercising this Option Agreement relating to that portion of the Offered Shares that the Company elects to purchase and (b) that portion of the Exercise Price paid by the Optionee to the Company pursuant to the terms hereof for those Offered Shares that the Company has elected to purchase; and

ii) the balance of the Purchase Price, if any, pursuant to the terms of a promissory note payable in equal installments over a twelve (12) month period, plus interest at annual interest rate equal to the New York prime rate of interest, or in such other manner as the Company and the Optionee shall agree in writing; except that if the Optionee has not paid prior to the Closing the amount of federal income taxes as a result of exercising this Option Agreement as to those Offered Shares that the Company has purchased pursuant to this paragraph 9, then the Company shall prepay that portion of the Purchase Price to the Optionee equal to amount of federal income tax that the Optionee is required to pay as a result of exercising this Option Agreement relating to the Offered Shares so purchased by the Company when the Optionee is required to pay such tax.

(f) Notwithstanding the foregoing, Optionee may transfer any or all of the Optionee's stock obtained as a result of the exercise of all or a portion of this same non-qualified option to Optionee's spouse, children or grandchildren (the "Family Transferees"), provided that such Family Transferees will be subject to all the provisions of this Option Agreement, and that the Family Transferee recipient (or such Family Transferee's legal guardian) of such transferred shares shall sign an acknowledgement of and agreement to such Option Agreement and its provisions or such transfer shall be deemed null and void.

10. Option to Purchase Stock. Upon the occurrence of any one or more of the Call Events set forth in paragraph 10(a) below, the Company will have the right, but not the obligation, to purchase the shares that Optionee has obtained as a result of the exercise of all or a portion of the same non-qualified option on the same terms and conditions as if such Optionee had made an offer to sell such stock pursuant to paragraph 9 of this Agreement (except that the exercise period shall be extended to allow the Company to purchase the subject shares within thirty (30) days after the applicable event occurs), but at the Purchase Price determined as of the date of the Call Event in accordance with paragraph 10(a), below.

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(a) Call Events. For purposes of this Agreement, the term Call Events means any one or more of the following events or conditions:

- i) the Optionee or Family Transferee as defined in paragraph 9(f) above dies or;
- ii) the termination by the Company of the Optionee's employment with the Company For Cause (as defined in paragraph 10(e) of this Agreement).

(b) Notice. Within thirty (30) days of an occurrence of a Call Event, the Optionee, Family Transferee, or the Optionee's or Family Transferee's personal representative, executor, or other legal representative, as appropriate, will give written notice of such Call Event to the Company specifying: (a) the date of the Call Event; (b) a reasonably detailed description of the Call Event; and (c) the number of shares of stock affected. This notice will be deemed to be the Transfer Notice for purposes of paragraph 9 and the number of shares of stock affected will be the Offered Shares. If the Company has not received this notice on or before the expiration of the thirty (30) day period, any person with knowledge of the Call Event may give the Company notice of the Call Event, and such notice will be deemed to be the Transfer Notice.

(c) Purchase Price. For purposes of this paragraph 10, the Purchase Price for the Offered Shares will be the average of the closing price of the Company's common shares on the American Stock Exchange or such other national securities exchange as may be applicable for the five (5) trading days preceding the date of the Call Event.

(d) For Cause. For purposes of this Agreement, the term "For Cause" means (i) the material failure by the Optionee to reasonably perform Optionee's duties or obligations under the Non-Competition and Employment Agreement, dated September 18, 1995 between the Optionee and a Subsidiary of the Company, as may be amended, modified or supplemented from time to time, which nonperformance has not been cured within thirty (30) days after written notice thereof has been given by the Company to the Optionee (or such greater amount of time, if such nonperformance can not be cured within thirty (30) days, sufficient to reasonably permit the Optionee to diligently and vigorously cure such breach); (ii) Optionee's breach or failure to perform any of the material terms of this Agreement and such breach or failure has not been cured within thirty (30) days after Optionee receives notice from the Company of such breach or failure; (iii) the reckless or willful engaging by the Optionee in misconduct which is materially injurious to the Company and/or its Subsidiaries, monetarily or otherwise; (iv) conviction of a crime under the laws of the United States or of any state within the United States involving a felony, moral turpitude or dishonesty; (v) addition to, or continued misuse of, alcohol or any drug materially affecting the mental processes of Optionee; (vi) failure of Optionee to make good faith efforts to return to employment of the Company or its Subsidiaries, whichever is applicable, after the sufferance of a disability; or (vii) material breach of any of Optionee's fiduciary duties to the Company and/or its Subsidiaries, as determined in good faith by the Company.

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(e) Without Cause. For purposes of this Agreement, the term “Without Cause” means any event or condition which is not included in the definition of the term “For Cause.”

11. Stock Dividends, Reorganizations. If and to the extent that the number of issued shares of common stock of the Company shall be increased or reduced resulting from a subdivision or consolidation of shares or the payment of a stock dividend or any other increase or decrease in the number of such shares of common stock of the Company effected without receipt of consideration by the Company, the number of shares of common stock subject to this option not yet exercised and the option price therefor shall be proportionately adjusted.

If the Company is reorganized or consolidated or merged with another corporation, in which the Company is the non-surviving corporation, Optionee shall be entitled to receive options covering shares of such reorganized, consolidated or merged company in the same proportion as optioned under this Option Agreement to Optionee prior to such reorganization, consolidation or merger, at an equivalent price, and subject to the same terms and conditions as contained herein. For purposes of the preceding sentence, the excess of the aggregate fair market value of the shares subject to this option immediately after the reorganization, consolidation or merger over the aggregate option price of such shares shall not be more than the excess of the aggregate fair market value of all shares subject to this option immediately before such reorganization, consolidation or merger over the aggregate option price of such shares, and the new option or assumption of this option shall not give Optionee additional benefits which he did not have under this option.

To the extent that the foregoing adjustments and determinations relate to the shares of common stock of the Company and/or fair market values of such shares, such adjustments and determinations shall be made by the Board of Directors or the Committee, whose determination in that respect shall be final, binding and conclusive.

Except as hereinabove expressly provided in this Section 11, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, consolidation or reorganization or spin-off of assets or stock of another corporation, and any issue by the Company of share of stock of any class, or securities convertible into shares of stock of any class, shall not affect and no adjustment by reason thereof shall be made with respect to the number or price of shares subject to this option.

The grant of this option shall not affect in any way the right of power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

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12. Data Privacy. By entering into this Option Agreement, Optionee (a) authorizes the Company and any agent of the Company administering the Option or providing recordkeeping services, to disclose to the Company or any of its subsidiaries such information and data as the Company or any such subsidiary shall request in order to facilitate the grant of the Option and the administration of the the Option under the terms of this Option Agreement; (b) waives any data privacy rights Optionee may have with respect to such information; and (c) authorizes the Company to store and transmit such information in electronic form.

13. Compliance with Law and Approval of Regulatory Bodies.

(a) Notwithstanding anything in this Option Agreement to the contrary, no shares will be issued, or, in the case of treasury shares transferred, upon exercise of the Option granted hereunder, except in compliance with all applicable Federal and State laws, rules and regulations (including, but not limited to the Federal and State securities laws, rules and regulations) and in compliance with rules of stock exchanges on which the Company's shares of common stock may be listed. Notwithstanding anything in this Option Agreement to the contrary, no shares will be issued, or, in the case of treasury shares transferred, upon exercise of the option granted hereunder, until the Company has obtain such consent or approval from any and all regulatory bodies, Federal or State, and such stock exchanges having jurisdiction over such matters as the Board of Directors of the Company may deem advisable.

(b) If the national securities exchange or NASDAQ on which the Company's Common Stock is listed for trading requires that the issuance of this Option Agreement or the shares of Common Stock issuable upon exercise of this Option Agreement be approved by the shareholders of the Company, then the Optionee may not exercise any portion of this Option Agreement until this Option Agreement has been approved by the shareholders of the Company. The Company agrees to use reasonable efforts to submit this Option Agreement for approval by its shareholders on or before the Company's 2007 annual meeting of shareholders. The Date of Grant will be the date set forth above, notwithstanding the date on which the shareholders of the Company may approve this Option Agreement, if such approval is required.

14. Binding Effect and Amendments. This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto. This Agreement may not be amended except in writing signed by all of the parties hereto. All decisions or interpretations of the Board of Directors or its duly authorized Committee with respect to any question arising under the Plan or under this Option Agreement shall be binding, conclusive and final.

15. Interpretation, Other Restrictions and Legends.

(a) The Board of Directors of the Company or the Committee shall construe and interpret the terms and provisions of this Option Agreement, which construction and interpretation, shall be binding and conclusive upon all parties hereto. This Option Agreement shall be construed pursuant to the laws of the State of Delaware.

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(b) The Optionee represents and warrants that if he acquires any of the shares under this Option Agreement he will acquire such shares for his own account and for the purpose of investment and not with a view to the sale or distribution thereof, except for sales pursuant to an effective registration statement under the Securities Act of 1933 (the "Act") or pursuant to an exemption from registration under the Act. The Optionee understands that the shares of common stock covered by this Option Agreement have not as of the date hereof and may not at the time that such are purchased be registered under the Act (the Company being under no obligation to effect such registration) and that such shares must be held indefinitely unless a subsequent disposition thereof is registered under the Act or is exempt from registration. The Optionee further understands that the exemption from registration afforded by Rule 144 under the Act depends upon the satisfaction of various conditions and that, if applicable, Rule 144 affords the basis for sale of such shares only in limited amounts.

(c) The Optionee represents, covenants, and agrees that he will not sell or otherwise dispose of the shares acquired under this Option Agreement in the absence of (i) an effective registration statement under the Act, (ii) an opinion acceptable in form and substance to the Company from Optionee's counsel satisfactory to the Company, or an opinion of counsel to the Company, to the effect that no registration is required for such disposition, or (iii) a "no-action" letter from the staff of the Securities & Exchange Commission ("SEC") to the effect that such a disposition takes place without registration.

(d) The certificates representing shares covered by this Option Agreement shall upon issuance thereof have stamped or imprinted thereon or affixed thereto a legend to the following effect:

"The registered holder hereof has acquired the shares represented by this certificate for investment and not for resale in connection with a distribution thereof. Accordingly, such shares have not been registered under the Securities Act of 1933 and may not be sold, transferred or otherwise disposed of except pursuant to a currently effective registration statement under said Act or otherwise in a transaction exempt from the provisions of Section 5 of said Act."

"Transfer, sale or other disposal of these shares is subject to the provisions of the Non-Qualified Option Agreement dated June 19, 2006 between Dan Ellis and LSB Industries, Inc."

If the Company does not elect to purchase the Offered Shares pursuant to the terms of Section 9 hereof, then the Company agrees to have removed from the certificates representing those Offered Shares that the Company has not elected to purchase pursuant to the terms of Section 9 that portion of the legend that reads, "Transfer, sale or other disposal of these shares is

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subject to the provisions of the Non-Qualified Option Agreement, dated June 19, 2006, between Dan Ellis and LSB Industries, Inc.”

16. Definitions. For the purposes of this Option Agreement:

(a) The term “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain own stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one or the other corporations in such chain.

(b) The term “employee” means a person who has contracted to perform work or services for another.

17. Waiver. The waiver by the Company of any provision of this Option shall not operate as or be construed to be a subsequent waiver of the same provision or waiver or any other provision hereof.

18. Construction. This Option shall be irrevocable during the Option period and its validity and construction shall be governed by the laws of the State of Delaware. The terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling.

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IN WITNESS WHEREOF, the parties hereunto have caused this Agreement to be executed the day and year first above written.

LSB INDUSTRIES, INC.

By: /s/ Jack E. Golsen  
Jack E. Golsen,  
Chief Executive Officer

ATTEST:

/s/ James W. Murray III  
Asst. Secretary

[SEAL]

“OPTIONEE”

By: /s/ Dan Ellis  
Dan Ellis

NON-QUALIFIED STOCK OPTION AGREEMENT - 2006

This Non-Qualified Stock Option Agreement ("Option Agreement") is effective the 19th day of June, 2006, between LSB Industries, Inc., a Delaware corporation, hereinafter called the "Company", and John Bailey, hereinafter called "Optionee";

WITNESSETH:

In consideration of the mutual covenants and conditions, the parties agree as follows:

1. Recitations. The Optionee is presently an executive officer of a Subsidiary (as defined in paragraph 16 below), and the Company considers it desirable and in its best interest that Optionee be given an inducement to acquire an initial or additional proprietary interest in the Company as an added incentive to advance the interest of the of the Company, in the form of this option to purchase certain shares of the Company's common stock, par value \$.10 per share ("Common Stock"). The Compensation and Option Committee of the Board of Directors of the Company (the "Committee") has adopted and granted this option on this 19th day of June, 2006 (the "Date of Grant").

2. Grant of Option and Option Price. Subject to the terms and conditions hereof, the Company hereby grants to Optionee as of the close of business on the 19th day of June, 2006, the right, privilege and option to purchase two hundred thousand (200,000) shares ("Total Option Shares") of the Company's Common Stock, par value \$.10, at an option price of \$8.01 a share (the "Exercise Price), such Exercise Price being one hundred percent (100%) of the Fair Market Value of the Common Stock as determined as the closing price on the 19th day of June, 2006. Such option is hereinafter referred to as the "Option" and the shares of Common Stock purchasable upon the exercise of the Option are hereinafter sometimes referred to as the "Option Shares".

3. Obligations. This Option Agreement shall not impose upon the Company or any Subsidiary any obligation to retain Optionee as an employee at his present salary or position or to employ Optionee in any other position with or for the Company or any Subsidiary. If Optionee is no longer employed by the Company or a Subsidiary for any reason, the option granted herein shall immediately terminate, except as may be otherwise expressly provided in Section 4 and 6 hereof.

4. Time of Exercise of Option.

(a) As an Employee. If this option has not been terminated pursuant to Section 6 hereof, subject to the terms and conditions contained herein, the option herein granted may be exercised by Optionee as hereinafter provided. Unless waived by the Board of Directors or a Committee thereof (referred to herein as the "Committee"), the Optionee, while in the employment of the Company or a Subsidiary, may exercise the

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option as follows: at any time after one (1) year of continuous employment of the Optionee as an employee following June 19, 2006 for and on behalf of the Company or any Subsidiary, the Option may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 2 hereof; and for each following year thereafter of continuous employment by the Optionee as an employee of the Company or a Subsidiary, the Option may be exercised by the Optionee as to an additional ten percent (10%) of the total number of shares set forth in Section 2 hereof until the Total Option Shares have been exercisable.

(b) As a Former Employee. Except as provided in paragraph 6(c), the Option granted herein may not be exercised after the Optionee is no longer an employee of the Company or any Subsidiary, except that if the Optionee ceases to be an employee on account of physical or mental disability as defined in Section 22(e)(3) of the Internal Revenue Code ("Former Employee"), he may exercise the Option within twelve (12) months after the date on which he ceased to be an employee, for the number of Option Shares for which he could have exercised at the time he ceased to be an employee. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

(c) In Case of Death. If the Optionee dies prior to the termination of this Option, the Option may be exercised within one (1) year after the death of the Optionee by the personal representative of this estate, or by a person who acquired the right to exercise the Option by bequest, inheritance, or by reason of the death of the Optionee, provided that:

(i) the Optionee died while an employee of the Company or a Subsidiary; or

(ii) the Optionee ceased to be an employee of the Company or a Subsidiary on account of physical or mental disability and died within three (3) months after the date on which he ceased to be such employee.

The Option may be exercised only as to the number of shares for which the Optionee could have exercised at the time the Optionee died. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

(d) Acceleration and Continuous Employment. The Board of Directors of the Company or the Committee shall have the sole and absolute discretion to accelerate the time when Optionee will become entitled to exercise this Option pursuant to the terms hereof. The Board of Directors shall decide, in its sole and absolute discretion, to what extent leaves of absence for government or military service, illness, temporary disability or other reasons, shall not interrupt continuous employment as an employee for and on behalf of the Company or a Subsidiary, which decision shall be binding for the purpose of this Option Agreement.

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5. Method of Exercise and Payment of Exercise Price.

(a) Subject to the terms and conditions hereof, the Option granted under this Option Agreement may be exercised by written notice directed to the Company at its principal place of business setting forth the exact number of shares under this Option that the Optionee is purchasing, which may not exceed the number of shares that the Optionee is eligible to purchase under this Option Agreement at the time of such purchase, and enclosing with such written notice a certified or cashier's check or cash, or the equivalent thereof acceptable to the Company, in payment of the full exercise price for the number of shares specified in such written notice and shall comply with such other reasonable requirements as the Board of Directors of the Company may establish. Subject to the terms and conditions of this Option Agreement, the Company shall make delivery of such shares within a reasonable period of time after the giving of such notice; provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

(b) The Optionee understands that, on the exercise of this Option (or at the time a sale of the stock acquired by such exercise at a profit would not longer subject Optionee to suit under Section 16(b) of the Securities Exchange Act of 1934, as amended) the excess of the fair market value of the Common Stock over the option price is taxable remuneration to him subject to federal income tax withholding by the Company. To facilitate withholding by the Company, if required, Optionee hereby agrees that the exercisability of this Option is conditional on Optionee agreeing to such arrangements and taking such actions as the Company determines are appropriate to insure that the amount required to be withheld will be available for payment in money by the Company as required withholding.

6. Termination of Option. Except as set forth below in paragraph 6(c) hereof, this Option Agreement and the Option granted herein, to the extent not theretofore exercised, shall immediately terminate and become null and void upon the earlier of the following to occur:

(a) At such time as the Option is no longer exercisable pursuant to the terms of Section 4 hereof; or

(b) Termination of the Optionee for cause as an employee for the Company or any Subsidiary; or

(c) Termination of the Optionee (including voluntary termination by the Optionee if the Optionee is not in violation or in breach of any of the provisions of paragraph 7 hereof at the time of such voluntary termination) as an employee for the Company or any Subsidiary for any reason other than for cause, provided that the Option may be exercised within six (6) months after such termination of the Optionee for any reason other than for cause. The Option may be exercised only as to the number of shares

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for which the Optionee could have exercised on the date the Optionee terminated employment with the Company. In no event may the Option be exercised after the expiration of ten (10) years and ninety (90) days from the Date of Grant.

- (d) Ninety (90) days following the tenth anniversary of the Date of Grant; or
- (e) Upon the Optionee's surrender to the Company for cancellation of this Agreement and the Option granted herein.

7. Forfeiture in the Event of Competition and/or Solicitation or other Detrimental Acts. In consideration for the Option granted herein and the Optionee's continued employment with the Company or a Subsidiary, the sufficiency of which is hereby acknowledged and agreed by the Optionee, the Optionee hereby agrees and covenants as follows:

- (a) Optionee expressly agrees and covenants that during the Restricted Period (as defined below), other than clause (iii) below that must occur during the period Optionee is an employee of the Company or a Subsidiary of the Company, Optionee shall not, without the prior consent of the Company, directly or indirectly:
    - i) own or have any financial interest in a Competitive Business (as defined below), except that nothing in this clause shall prevent Optionee from owning one percent or less of the outstanding securities of any entity whose securities are traded on a U.S. national securities exchange (including NASDAQ) or an equivalent foreign exchange;
    - ii) be actively connected with a Competitive Business by managing, operating, controlling, being an employee or consultant (or accepting an offer to be an employee or consultant) or otherwise advising or assisting a Competitive Business in such a way that such connection might result in an increase in value or worth of any product, technology or service, that competes with any product, technology or service upon which Optionee worked or about which Optionee became familiar as a result of Optionee's employment with the Company.
    - iii) take any action that might divert any opportunity from the Company or any Subsidiary which has employed the Optionee or for whom the Optionee is, or has served as, an executive officer (the "Related Parties") that is within the scope of the present or future operations or business of the Company or the Related Parties;
    - iv) employ, solicit for employment, advise or recommend to any other person that they employ or solicit for employment or form an association with any person who is employed by the Company or Subsidiary or who has been employed by the Company or Subsidiary within eighteen (18) months of the date Optionee's employment with the Company or Subsidiary ceased for any reason whatsoever;
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v) contact or solicit any customer, sales representatives, distributors or dealers of the Company or Subsidiary to which Optionee was employed by to attempt to divert or take away from such Company or Subsidiary the business of such customer, sales representatives, distributors or dealers;

vi) solicit the sale of goods, services or a combination of goods and services that are competitive with the Company's or any Subsidiary's goods or services from established customers of the Company or a Subsidiary; or

vii) engage in any activity that violates any policies adopted by the Board of Directors of the Company resulting in harm to the Company or a Subsidiary.

(b) Forfeiture. If the Company determines that Optionee has violated any provisions of paragraph 7(a) above during the Restricted Period, then Optionee agrees and covenants that:

i) any portion of the Option (whether or not vested) that has not been exercised as of the date of such determination shall be immediately rescinded;

ii) Optionee shall automatically forfeit any rights he may have with respect to the Option as of the date of such determination; and

iii) if Optionee has exercised all or any part of the Option within the twelve-(12) month period immediately preceding a violation of paragraph 7(a) above (or following the date of any such violation), upon the Company's demand, Optionee shall immediately deliver to the Company a certificate or certificates for shares of the Company's Common Stock (along with a duly executed assignment of each certificate) with a fair market value (determined on the date of such demand) equal to the gain realized by Optionee's upon such exercise. Such "gain" is the amount of the fair market value of the shares of the Company's Common Stock received upon such exercise, minus the exercise price applicable to such exercise. If Optionee does not own the number of shares of the Company's Common Stock representing the amount of such gain that are required to be delivered to the Company pursuant to this paragraph 7(b)(iii), then the Optionee will immediately (a) deliver to the Company all shares of the Company's Common Stock owned by Optionee directly or through any entity controlled by Optionee, and (b) the dollar amount (in currently available funds) equal to the amount of such gain, minus the fair market value of the shares tendered to the Company.

(c) Definitions. For purposes of this paragraph 7, the following definitions shall apply:

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i) The Company and its Subsidiaries directly advertises and solicits business from customers wherever they may be found and its business is thus worldwide in scope. Therefore, “Competitive Business” means any person or entity that engages or participates in any business activity that competes with the business or products of the Company or the Company’s air conditioning-heating Subsidiaries (including, but not limited to, ClimateMaster, Inc.) or their successors or assigns in any geographic area in which the Company or its air conditioning-heating Subsidiaries engages in business, including, without limitation, any state in the United States in which the Company or its air conditioning-heating Subsidiaries sell or offer to sell its products from time to time.

ii) “Restricted Period” means the period during which Optionee is employed by the Company and eighteen (18) months following the date that Optionee ceases to be employed by the Company for any reason whatsoever.

(d) Severability. Optionee acknowledges and agrees that the period, scope and geographic areas of restriction imposed upon Optionee by the provisions of paragraph 7 are fair and reasonable and are reasonably required for the protection of the Company and its Subsidiaries. In the event that any part of this Agreement, including, without limitation, any provision of paragraph 7, is held to be unenforceable or invalid, the remaining parts of paragraph 7, and this Agreement shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part of this Agreement. If any one of the provisions in paragraph 7 is held to be excessively broad as to period, scope and geographic areas, any such provision shall be construed by limiting it to the extent necessary to be enforceable under applicable law.

(e) Additional Remedies. Optionee acknowledges that breach by him of this Agreement would cause irreparable harm to the Company and one or more of its Subsidiaries, and that in the event of such breach, the Company shall have, in addition to monetary damages and other remedies at law, the right to an injunction, specific performance and other equitable relief to prevent violations of Optionee’s obligations hereunder.

8. Restrictions.

(a) The Option will not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Optionee, only by Optionee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way, will not be assignable by operation of law and will not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, will be null and void and without effect.

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(b) Optionee shall have no right as a stockholder with respect to any shares covered by this Option Agreement until the date of issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. Third Party Transfers of Option Shares. Optionee may transfer any or all of the Option Shares acquired upon the exercise of the Option to a third party pursuant to the terms and conditions of this paragraph 9.

(a) Transfer Notice. If Optionee desires to make a bona fide transfer of any Option Shares acquired upon the exercise of the Option (“Offered Shares”) to any person or entity other than the Company immediately prior to the transfer (a “third party”), the Optionee will give the Company five (5) business days prior written notice (a “Transfer Notice”) of such proposed transfer specifying: (a) the name and address of the third party; (b) the number of shares of stock proposed to be transferred; (c) if not equal to the bid price listed or quoted on any exchange or quotation system on which the Common Stock is listed or quoted, the price per share to be paid for the Offered Shares; and (d) the terms and conditions of the proposed transfer.

(b) Company’s Option. At any time within five (5) business days after receipt of the Transfer Notice, the Company will have the exclusive right to elect to purchase all, or any portion, of the Offered Shares, at the Purchase Price (as defined below) and on the terms pursuant to this paragraph 9.

(c) Election to Purchase. The right of the Company to purchase the Offered Shares is exercisable by delivery of written notice (a “Response Notice”) to the Optionee prior to the expiration of the designated period. If the Company elects to purchase the Offered Shares, or any portion thereof, closing of the purchase of those Offered Shares the Company elects to purchase will occur within thirty (30) days from the date of the Response Notice (the “Closing”), and at the Closing the Optionee shall deliver to the Company those Offered Shares so purchased by the Company, together with an assignment duly executed by the Optionee (with such signature guaranteed by a national bank or investment banking firm), assigning those Offered Shares so purchased by the Company to the Company, all in a manner and on terms satisfactory to the Company, subject to the provisions of paragraph 7(e) hereof.

(d) Transfer of Offered Shares. Subject to the provisions of paragraph 7 of this Agreement, if the Company waives in writing the right to purchase the Offered Shares, the Optionee will have the right for a period of ninety (90) days after such waiver to transfer the Offered Shares on the terms specified in the Transfer Notice. If such transfer is not consummated within such ninety (90) day period then no such transfer will be made, unless the Optionee delivers to the Company a new Transfer Notice and complies with this paragraph 9 as if such transfer were a new proposed transfer.

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(e) Purchase Price. The Purchase Price for the shares of stock subject to a transfer, pursuant to this paragraph 9, will be the average of the closing price of the Company's common shares on the American Stock Exchange or such other national exchange as may be applicable for the five (5) trading days preceding the date of the Transfer Notice. If the Company elects to purchase any of the Offered Shares pursuant to the terms hereof, the Company may, at its sole option, elect to pay the Purchase Price as follows.

i) at the Closing, the Company shall pay to the Optionee that portion of the Purchase Price equal to the amount of (a) federal income taxes, if any, paid by the Optionee prior to the Closing as a result of exercising this Option Agreement relating to that portion of the Offered Shares that the Company elects to purchase and (b) that portion of the Exercise Price paid by the Optionee to the Company pursuant to the terms hereof for those Offered Shares that the Company has elected to purchase; and

ii) the balance of the Purchase Price, if any, pursuant to the terms of a promissory note payable in equal installments over a twelve (12) month period, plus interest at an annual interest rate equal to the New York prime rate of interest, or in such other manner as the Company and the Optionee shall agree in writing; except that if the Optionee has not paid prior to the Closing the amount of federal income taxes as a result of exercising this Option Agreement as to those Offered Shares that the Company has purchased pursuant to this paragraph 9, then the Company shall prepay that portion of the Purchase Price to the Optionee equal to amount of federal income tax that the Optionee is required to pay as a result of exercising this Option Agreement relating to the Offered Shares so purchased by the Company when the Optionee is required to pay such tax.

(f) Notwithstanding the foregoing, Optionee may transfer any or all of the Optionee's stock obtained as a result of the exercise of all or a portion of this same non-qualified option to Optionee's spouse, children or grandchildren (the "Family Transferees"), provided that such Family Transferees will be subject to all the provisions of this Option Agreement, and that the Family Transferee recipient (or such Family Transferee's legal guardian) of such transferred shares shall sign an acknowledgement of and agreement to such Option Agreement and its provisions or such transfer shall be deemed null and void.

10. Option to Purchase Stock. Upon the occurrence of any one or more of the Call Events set forth in paragraph 10(a) below, the Company will have the right, but not the obligation, to purchase the shares that Optionee has obtained as a result of the exercise of all or a portion of the same non-qualified option on the same terms and conditions as if such Optionee had made an offer to sell such stock pursuant to paragraph 9 of this Agreement (except that the exercise period shall be extended to allow the Company to purchase the subject shares within thirty (30) days after the applicable event occurs), but at the Purchase Price determined as of the date of the Call Event in accordance with paragraph 10(a), below.

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(a) Call Events. For purposes of this Agreement, the term Call Events means any one or more of the following events or conditions:

- i) the Optionee or Family Transferee as defined in paragraph 9(f) above dies or;
- ii) the termination by the Company of the Optionee's employment with the Company For Cause (as defined in paragraph 10(e) of this Agreement).

(b) Notice. Within thirty (30) days of an occurrence of a Call Event, the Optionee, Family Transferee, or the Optionee's or Family Transferee's personal representative, executor, or other legal representative, as appropriate, will give written notice of such Call Event to the Company specifying: (a) the date of the Call Event; (b) a reasonably detailed description of the Call Event; and (c) the number of shares of stock affected. This notice will be deemed to be the Transfer Notice for purposes of paragraph 9 and the number of shares of stock affected will be the Offered Shares. If the Company has not received this notice on or before the expiration of the thirty (30) day period, any person with knowledge of the Call Event may give the Company notice of the Call Event, and such notice will be deemed to be the Transfer Notice.

(c) Purchase Price. For purposes of this paragraph 10, the Purchase Price for the Offered Shares will be the average of the closing price of the Company's common shares on the American Stock Exchange or such other national securities exchange as may be applicable for the five (5) trading days preceding the date of the Call Event.

(d) For Cause. For purposes of this Agreement, the term "For Cause" means (i) the material failure by the Optionee to reasonably perform Optionee's duties or obligations under the Non-Competition and Employment Agreement, dated September 18, 1995 between the Optionee and a Subsidiary of the Company, as may be amended, modified or supplemented from time to time, which nonperformance has not been cured within thirty (30) days after written notice thereof has been given by the Company to the Optionee (or such greater amount of time, if such nonperformance can not be cured within thirty (30) days, sufficient to reasonably permit the Optionee to diligently and vigorously cure such breach); (ii) Optionee's breach or failure to perform any of the material terms of this Agreement and such breach or failure has not been cured within thirty (30) days after Optionee receives notice from the Company of such breach or failure; (iii) the reckless or willful engaging by the Optionee in misconduct which is materially injurious to the Company and/or its Subsidiaries, monetarily or otherwise; (iv) conviction of a crime under the laws of the United States or of any state within the United States involving a felony, moral turpitude or dishonesty; (v) addition to, or continued misuse of, alcohol or any drug materially affecting the mental processes of Optionee; (vi) failure of Optionee to make good faith efforts to return to employment of the Company or its Subsidiaries, whichever is applicable, after the sufferance of a disability; or (vii) material breach of any of Optionee's fiduciary duties to the Company and/or its Subsidiaries, as determined in good faith by the Company.

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(e) Without Cause. For purposes of this Agreement, the term “Without Cause” means any event or condition which is not included in the definition of the term “For Cause.”

11. Stock Dividends, Reorganizations. If and to the extent that the number of issued shares of common stock of the Company shall be increased or reduced resulting from a subdivision or consolidation of shares or the payment of a stock dividend or any other increase or decrease in the number of such shares of common stock of the Company effected without receipt of consideration by the Company, the number of shares of common stock subject to this option not yet exercised and the option price therefor shall be proportionately adjusted.

If the Company is reorganized or consolidated or merged with another corporation, in which the Company is the non-surviving corporation, Optionee shall be entitled to receive options covering shares of such reorganized, consolidated or merged company in the same proportion as optioned under this Option Agreement to Optionee prior to such reorganization, consolidation or merger, at an equivalent price, and subject to the same terms and conditions as contained herein. For purposes of the preceding sentence, the excess of the aggregate fair market value of the shares subject to this option immediately after the reorganization, consolidation or merger over the aggregate option price of such shares shall not be more than the excess of the aggregate fair market value of all shares subject to this option immediately before such reorganization, consolidation or merger over the aggregate option price of such shares, and the new option or assumption of this option shall not give Optionee additional benefits which he did not have under this option.

To the extent that the foregoing adjustments and determinations relate to the shares of common stock of the Company and/or fair market values of such shares, such adjustments and determinations shall be made by the Board of Directors or the Committee, whose determination in that respect shall be final, binding and conclusive.

Except as hereinabove expressly provided in this Section 11, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, consolidation or reorganization or spin-off of assets or stock of another corporation, and any issue by the Company of share of stock of any class, or securities convertible into shares of stock of any class, shall not affect and no adjustment by reason thereof shall be made with respect to the number or price of shares subject to this option.

The grant of this option shall not affect in any way the right of power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

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12. Data Privacy. By entering into this Option Agreement, Optionee (a) authorizes the Company and any agent of the Company administering the Option or providing recordkeeping services, to disclose to the Company or any of its subsidiaries such information and data as the Company or any such subsidiary shall request in order to facilitate the grant of the Option and the administration of the Option under the terms of this Option Agreement; (b) waives any data privacy rights Optionee may have with respect to such information; and (c) authorizes the Company to store and transmit such information in electronic form.

13. Compliance with Law and Approval of Regulatory Bodies.

(a) Notwithstanding anything in this Option Agreement to the contrary, no shares will be issued, or, in the case of treasury shares transferred, upon exercise of the Option granted hereunder, except in compliance with all applicable Federal and State laws, rules and regulations (including, but not limited to the Federal and State securities laws, rules and regulations) and in compliance with rules of stock exchanges on which the Company's shares of common stock may be listed. Notwithstanding anything in this Option Agreement to the contrary, no shares will be issued, or, in the case of treasury shares transferred, upon exercise of the option granted hereunder, until the Company has obtain such consent or approval from any and all regulatory bodies, Federal or State, and such stock exchanges having jurisdiction over such matters as the Board of Directors of the Company may deem advisable.

(b) If the national securities exchange or NASDAQ on which the Company's Common Stock is listed for trading requires that the issuance of this Option Agreement or the shares of Common Stock issuable upon exercise of this Option Agreement be approved by the shareholders of the Company, then the Optionee may not exercise any portion of this Option Agreement until this Option Agreement has been approved by the shareholders of the Company. The Company agrees to use reasonable efforts to submit this Option Agreement for approval by its shareholders on or before the Company's 2007 annual meeting of shareholders. The Date of Grant will be the date set forth above, notwithstanding the date on which the shareholders of the Company may approve this Option Agreement, if such approval is required.

14. Binding Effect and Amendments. This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto. This Agreement may not be amended except in writing signed by all of the parties hereto. All decisions or interpretations of the Board of Directors or its duly authorized Committee with respect to any question arising under the Plan or under this Option Agreement shall be binding, conclusive and final.

15. Interpretation, Other Restrictions and Legends.

(a) The Board of Directors of the Company or the Committee shall construe and interpret the terms and provisions of this Option Agreement, which construction and interpretation, shall be binding and conclusive upon all parties hereto. This Option Agreement shall be construed pursuant to the laws of the State of Delaware.

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(b) The Optionee represents and warrants that if he acquires any of the shares under this Option Agreement he will acquire such shares for his own account and for the purpose of investment and not with a view to the sale or distribution thereof, except for sales pursuant to an effective registration statement under the Securities Act of 1933 (the "Act") or pursuant to an exemption from registration under the Act. The Optionee understands that the shares of common stock covered by this Option Agreement have not as of the date hereof and may not at the time that such are purchased be registered under the Act (the Company being under no obligation to effect such registration) and that such shares must be held indefinitely unless a subsequent disposition thereof is registered under the Act or is exempt from registration. The Optionee further understands that the exemption from registration afforded by Rule 144 under the Act depends upon the satisfaction of various conditions and that, if applicable, Rule 144 affords the basis for sale of such shares only in limited amounts.

(c) The Optionee represents, covenants, and agrees that he will not sell or otherwise dispose of the shares acquired under this Option Agreement in the absence of (i) an effective registration statement under the Act, (ii) an opinion acceptable in form and substance to the Company from Optionee's counsel satisfactory to the Company, or an opinion of counsel to the Company, to the effect that no registration is required for such disposition, or (iii) a "no-action" letter from the staff of the Securities & Exchange Commission ("SEC") to the effect that such a disposition takes place without registration.

(d) The certificates representing shares covered by this Option Agreement shall upon issuance thereof have stamped or imprinted thereon or affixed thereto a legend to the following effect:

"The registered holder hereof has acquired the shares represented by this certificate for investment and not for resale in connection with a distribution thereof. Accordingly, such shares have not been registered under the Securities Act of 1933 and may not be sold, transferred or otherwise disposed of except pursuant to a currently effective registration statement under said Act or otherwise in a transaction exempt from the provisions of Section 5 of said Act."

"Transfer, sale or other disposal of these shares is subject to the provisions of the Non-Qualified Option Agreement dated June 19, 2006 between John Bailey and LSB Industries, Inc."

If the Company does not elect to purchase the Offered Shares pursuant to the terms of Section 9 hereof, then the Company agrees to have removed from the certificates representing those Offered Shares that the Company has not elected to purchase pursuant to the terms of Section 9 that portion of the legend that reads, "Transfer, sale or other disposal of these shares is

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subject to the provisions of the Non-Qualified Option Agreement, dated June 19, 2006, between John Bailey and LSB Industries, Inc.”

16. Definitions. For the purposes of this Option Agreement:

(a) The term “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain own stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one or the other corporations in such chain.

(b) The term “employee” means a person who has contracted to perform work or services for another.

17. Waiver. The waiver by the Company of any provision of this Option shall not operate as or be construed to be a subsequent waiver of the same provision or waiver or any other provision hereof.

18. Construction. This Option shall be irrevocable during the Option period and its validity and construction shall be governed by the laws of the State of Delaware. The terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling.

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IN WITNESS WHEREOF, the parties hereunto have caused this Agreement to be executed the day and year first above written.

LSB INDUSTRIES, INC.

By: /s/ Jack E. Golsen  
Jack E. Golsen,  
Chief Executive Officer

ATTEST:

/s/ James W. Murray III  
Asst. Secretary

[SEAL]

“OPTIONEE”

/s/ John Bailey  
John Bailey