

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

| OMB APPROVAL                                 |           |
|--|-----------|
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

|   |  |   |
|---|--|---|
| 1. Name and Address of Reporting Person*<br><u>JAYHAWK CAPITAL MANAGEMENT LLC</u><br><br>(Last) (First) (Middle)<br><u>8201 MISSION ROAD SUITE 110</u><br><br>(Street)<br><u>PRAIRIE VILLAGE KS 66208</u><br><br>(City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol<br><u>LSB INDUSTRIES INC [ LXU ]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable)<br><br>Director <input checked="" type="checkbox"/> 10% Owner<br><br>Officer (give title below) Other (specify below) |
|   | 3. Date of Earliest Transaction (Month/Day/Year)<br><u>12/15/2006</u>            |   |
|   | 4. If Amendment, Date of Original Filed (Month/Day/Year)                         | 6. Individual or Joint/Group Filing (Check Applicable Line)<br><input checked="" type="checkbox"/> Form filed by One Reporting Person<br><br>Form filed by More than One Reporting Person     |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |       | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price |   |  |   |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |   | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |     | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |   |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|---|
|  |  |                                      |  | Code                           | V | (A)  | (D) | Date Exercisable   | Expiration Date |   |  |  |   |  | Title   |
| Class C Preferred Series 2                 | (1)  | 12/15/2006                           |  | P                              |   | 800  |     | (1)  | (1)             | Common Stock  | 3,463.2                                    | \$74.5   | 146,510   | I  | By Jayhawk Investments, L.P. <sup>(2)</sup>   |
| Class C Preferred Series 2                 | (1)  | 12/15/2006                           |  | P                              |   | 2,500  |     | (1)  | (1)             | Common Stock  | 10,822.5                                   | \$75.5   | 149,010   | I  | By Jayhawk Investments, L.P. <sup>(2)</sup>   |
| Class C Preferred Series 2                 | (1)  | 12/18/2006                           |  | P                              |   | 500  |     | (1)  | (1)             | Common Stock  | 2,164.5                                    | \$72   | 149,510   | I  | By Jayhawk Investments, L.P. <sup>(2)</sup>   |
| Class C Preferred Series 2                 | (1)  |                                      |  |                                |   |  |     | (1)  | (1)             | Common Stock  | (1)  |  | 171,390   | I  | By Jayhawk Institutional, L.P. <sup>(2)</sup> |

**Explanation of Responses:**

- Each share of Class C Preferred Series 2 Stock is convertible into 4.329 shares of Common Stock at any time, and has no expiration date.
- This Form 4 is filed by Jayhawk Capital Management, L.L.C. ("Company"). A Form 4 reporting the transactions reported herein was also filed by Kent C. McCarthy, the manager of the Company. The Company is the general partner and manager of Jayhawk Investments, L.P. ("Jayhawk Investments") and Jayhawk Institutional, L.P. ("Jayhawk Institutional"). As of the reporting date, Jayhawk is the indirect beneficial owner of 149,510 shares of Class C Preferred Series 2 Stock owned by Jayhawk Investments and 171,390 shares of Class C Preferred Series 2 Stock owned by Jayhawk Institutional. The Company disclaims beneficial ownership of all securities covered by this statement (except to the extent of any pecuniary interest therein) and this report shall not be deemed an admission that such reporting person is the beneficial owner of such securities for purposes of Section 16 or any other purpose.

Kent C. McCarthy, Manager      12/19/2006

\*\* Signature of Reporting Person      Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.