

FORM 8-K  
CURRENT REPORT

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

Date of Report (Date of earliest event reported) August 2, 1999

LSB INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-7677	3-1015226
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

Not applicable

(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

On August 2, 1999, LSB Industries, Inc. (the "Company") consummated the sale by the Company's wholly owned subsidiaries, Total Energy Systems, Ltd. ("TES"), TES Mining Services Pty Ltd. ("TES Mining"), Total Energy Systems (International) Pty Ltd. ("TES International"), and Total Energy Systems (NZ) Limited ("TES NZ") (collectively, the "TES Subsidiaries") of substantially all the assets of the TES Subsidiaries to Quantum Explosives ("Quantum"), a subsidiary of Thiess Contractors Pty Limited pursuant to the terms of an Asset Purchase Agreement, dated as of May 7, 1999, and amended June 30, 1999 (the "Asset Purchase Agreement"). The TES Subsidiaries were engaged in the business of manufacturing and supplying bulk and package explosives and blasting agents and other products and services to the mining, quarrying, civil engineering and other industries in Australia, New Zealand, and elsewhere. The TES Subsidiaries are wholly owned subsidiaries of ClimaChem, Inc. ("ClimaChem"), and ClimaChem is a wholly owned subsidiary of the Company.

Under the terms of the Asset Purchase Agreement, Quantum purchased all of the plant, equipment, intellectual property, inventory, material contracts, and leases relating to the TES Subsidiaries' business. All of the TES Subsidiaries' accounts receivables (approximately \$2.6 million) and trade payables (approximately \$1.9 million) were retained by the TES Subsidiaries. The purchase price paid by Quantum under the Asset Purchase Agreement was \$11.6 million. The purchase price was determined at closing based on the following: the book value of the inventory and fixed assets, less approximately \$650,000 for certain environmental contingencies. The purchase price was paid as follows: \$9.8 million in cash, debt assumed of \$1.1 million, and an approximately \$.7 million holdback to be paid within 21 days following the date of the closing, subject to the final determination of the book value of the TES Subsidiaries' inventory. Approximately \$6.4 million of the cash received was used by

TES to repay certain indebtedness to its primary lender, the Bank of New Zealand, Australia.

The sale of the TES Subsidiaries' business pursuant to the Asset Purchase Agreement resulted in a loss to the Company of approximately \$2 million. However, the sale of the TES Subsidiaries will eliminate from the Company's future performance the losses incurred by the TES Subsidiaries, which are currently approximately \$3 million per annum.

Item 7. Financial Statements and Exhibits.	Page No.
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(a) Financial Statements	not applicable.
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(b) Pro Forma Financial Information.	P-1
Pro Forma Consolidated Balance Sheet (Unaudited) as of March 31, 1999	P-2
Pro Forma Consolidated Statement of Operations (Unaudited) for the three months ended March 31, 1999	P-4
Pro Forma Consolidated Statement of Operations (Unaudited) for the year ended December 31, 1998	P-5
Notes to Pro Forma Consolidated Financial Statements (Unaudited)	P-6
(c) Exhibits.	
2.1 Asset Purchase Agreement, dated as of May 7, 1999, between Quantum Explosives Pty Ltd., Total Energy Systems, Ltd., TES Mining Services Pty Ltd., Total Energy Systems (International) Pty. Ltd., and Total Energy Systems (NZ) Ltd. The Asset Purchase Agreement is attached as Exhibit 10.1 to the Form 10-Q for the quarter ended March 31, 1999, and is incorporated herein by reference. CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF COMMISSION ORDER CF #8161, DATED JUNE 9, 1999, GRANTING A REQUEST FOR CONFIDENTIAL TREATMENT UNDER THE FREEDOM OF INFORMATION ACT AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.	
2.2 Variation to Asset Purchase Agreement, dated June 30, 1999, between Quantum Explosives Pty Ltd., Total Energy Systems, Ltd., TES Mining Services Pty Ltd., Total Energy Systems (International) Pty. Ltd., and Total Energy Systems (NZ) Ltd.	
99.1 Press release, dated August 3, 1999.	

SIGNATURE

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

Dated: August 17, 1999.

LSB INDUSTRIES, INC.

By: /s/ Tony M. Shelby

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Tony M. Shelby  
Senior Vice President and  
Chief Financial Officer



LSB INDUSTRIES, INC.  
UNAUDITED PRO FORMA FINANCIAL INFORMATION  
August 17, 1999

On May 7, 1999, Total Energy Systems Limited and its subsidiaries ("TES") entered into an agreement to sell substantially all the assets of TES. Under the agreement, TES retains all of its liabilities, except liabilities for the financing of certain property and equipment, and will liquidate such liabilities retained from the proceeds of the sale and from the collection of its accounts receivables which were retained by TES (collectively, the "Transactions").

The accompanying unaudited pro forma consolidated balance sheet as of March 31, 1999 gives effect to the Transactions involving the Company's wholly owned Australian subsidiary, Total Energy Systems, Limited, as if they had occurred on March 31, 1999.

The accompanying unaudited consolidated statements of operations for the year ended December 31, 1998 and the three months ended March 31, 1999 give effect to the sale and realization of the assets of TES as if the Transactions had occurred as of January 1, 1998. Such unaudited pro forma consolidated financial information has been prepared based on estimates and assumptions deemed by the Company to be appropriate and does not purport to be indicative of the financial position or results of operations which may actually be obtained in the future. Future results may vary significantly from the results reflected in the unaudited pro forma consolidated statements of operations of the Company and its other retained subsidiaries due to general economic conditions and other factors.

The pro forma consolidated financial information should be read in conjunction with the Company's historical financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 1998 and Quarterly report on Form 10-Q for the three months ended March 31, 1999.

LSB INDUSTRIES, INC.  
 UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
 March 31, 1999  
 (In thousands)

	Historical	Pro Forma Adjustments	Pro Forma
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,240		\$ 1,240
Trade accounts receivable, net	57,113	\$ (3,532) (5)	53,581
Inventories	63,349	(8,900) (1)	54,449
Supplies and prepaid items	9,503	(94) (5)	9,409
Total current assets	131,205	(12,526)	118,679
Plant, property and equipment, at cost	198,233	(8,254)	189,979
Less accumulated depreciation and amortization	99,131	(3,564)	95,567
	99,102	(4,690) (1)	94,412
Other assets, net	21,120		21,120
	\$251,427	(\$17,216)	\$234,211

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Drafts payable	\$499		\$499
Accounts payable	20,534	(\$1,213) (5)	19,321
Accrued liabilities	19,490	(2,176) (5)	17,314
Current portion of long-term debt	14,559	(6,626) (1)	7,933
Total current liabilities	55,082	(10,015)	45,067

Long-term debt	165,759	(6,301) (1) (2)	159,458
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Redeemable, noncumulative, convertible preferred stock	139		139
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**STOCKHOLDERS' EQUITY**

Series B 12% cumulative, convertible preferred, \$100 par value; 20,000 shares issued and outstanding	2,000		2,000
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Series 2 \$3.25 convertible, exchangeable able Class C pre- ferred stock, \$50 stated value; 920,000 shares issued	46,000		46,000
Common stock, \$.10 par value; 75,000,000 shares authorized, 15,108,676 shares issued	1,511		1,511
Capital in excess of par value	38,329		38,329
Accumulated other comprehensive loss	(1,337)	1,337 (3)	0
Accumulated deficit	(39,794)	(2,237) (3) (4)	(42,031)
	<u>46,709</u>	<u>(900)</u>	<u>45,809</u>
Less treasury stock, at cost:			
Series 2 preferred, 5,000 shares	200		200
Common stock, 3,273,290 shares	16,062		16,062
	<u>30,447</u>	<u>(900)</u>	<u>29,547</u>
Total stockholders' equity	<u>\$251,427</u>	<u>(\$17,216)</u>	<u>\$234,211</u>
	=====	=====	=====

See accompanying notes.



LSB INDUSTRIES, INC.  
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
 Three Months ended March 31, 1999  
 (In Thousands, Except Per Share Amounts)

	Historical	Pro Forma Adjustments	Pro Forma
<b>REVENUES</b>			
Net sales	\$73,057	(\$2,868) (6)	\$70,189
Other income	(312)	102 (6)	(210)
	72,745	(2,766)	69,979
<b>COSTS AND EXPENSES</b>			
Cost of sales	57,101	(3,026) (6)	54,075
Selling general and administrative	14,912	(585) (6)	14,327
Interest	4,492	(227) (6) (7)	4,265
	76,505	(3,838)	72,667
Loss before provision for income taxes	(3,760)	1,072	(2,688)
Provision for income taxes	50		50
Net loss	(3,810)	\$1,072 =====	(2,738)
Preferred stock dividends	816		816
Net loss applicable to common stock	(\$4,626) =====		(\$3,554) =====
Net loss per common share - basic and diluted	(\$0.39) =====		(\$0.30) =====
Weighted average common shares outstanding	11,881 =====		11,881 =====

See accompanying notes.

LSB INDUSTRIES, INC.  
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
 Year ended December 31, 1998  
 (In Thousands, Except Per Share Amounts)

	Historical	Pro Forma Adjustments	Pro Forma
<b>REVENUES</b>			
Net sales	\$310,037	(\$14,184) (6)	\$295,853
Other income	1,290	(11) (6)	1,279
Gain on sale of The Tower	12,993		12,993
	324,320	(14,195)	310,125
<b>COSTS AND EXPENSES</b>			
Cost of sales	247,084	(14,426) (6)	232,658
Selling general and administrative	61,729	(2,189) (6)	59,540
Interest	17,327	(954) (6) (7)	16,373
	326,140	(17,569)	308,571
Income (loss) before provision for income taxes	(1,820)	3,374	1,554
Provision for income taxes	100		100
	(1,920)	\$3,374 =====	1,454
Preferred stock dividends	3,229		3,229
	(1,920)		3,229
Net loss applicable to common stock	(\$5,149) =====		(\$1,775) =====
Net loss per common share - basic and diluted	(\$0.42) =====		(\$0.14) =====
Weighted average common shares outstanding	12,373 =====		12,373 =====

See accompanying notes.



Unaudited Pro Forma Consolidated Balance Sheet

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- (1) To eliminate inventory and net property, plant and equipment ("PP&E") sold; the related PP&E debt financing assumed by the purchaser; and, to apply cash proceeds to reduce the revolving credit bank debt of the Australian subsidiaries.
- (2) To apply cash proceeds from the sale and realization of the Australian subsidiary's assets to reduce the indebtedness of the Company.
- (3) To eliminate the cumulative transaction adjustment.
- (4) To recognize the loss on sale of the assets of the Australian subsidiary including the recognition of the foreign currency translation loss related thereto.
- (5) To reflect the realization of assets and liquidation of liabilities retained.

Unaudited Pro Forma Consolidated Statement of Operations

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- (6) To eliminate the results of operations of TES included in the Company's consolidated financial statements.
- (7) To recognize the interest reduction on debt required to be retired with the net cash proceeds received by the Company.

The Vendors and Purchaser under the abovementioned contract have agreed to the following variations to the contract:

- 1 Clause 1.1.12 is amended to read "Completion Date" means 2 August 1999; and
- 2 Clause 1.1.20 is amended to read "Existing Environmental Cost" means \$1 million; and
- 3 Clause 1.1.44 is amended to read "Satisfaction Date" means 30 July 1999.

The Vendors and Purchaser acknowledge and agree for the purposes of clause 2.1.7 of the contract that the Existing Environmental Cost is \$1 million which in accordance with clause 2.3.2 of the contract the Vendors have elected to accept as a deduction from the Purchase Price in accordance with clause 6.1.4 of the contract.

Terms used in this document shall have the meanings given to them under the Asset Purchase Agreement.

DATED this 30th day of June 1999.

SIGNED by TOTAL ENERGY SYSTEMS )  
LIMITED ACN 010 876 150 by a )  
duly authorised director in the )  
presence of: )

\_\_\_\_\_  
Witness

SIGNED by T.E.S. MINING SERVICES )  
PTY LTD ACN 010 975 676 by a )  
duly authorised director in the )  
presence of: )

\_\_\_\_\_  
Witness

SIGNED by TOTAL ENERGY SYSTEMS )  
(INTERNATIONAL) PTY LTD. )  
ACN 084 562 247 by a duly )  
authorised director in the )  
presence of: )

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SIGNED by TOTAL ENERGY SYSTEMS )  
(NZ) LIMITED D/N682396 by a )  
duly authorised director in the )  
presence of: )

\_\_\_\_\_  
Witness

SIGNED by QUANTUM EXPLOSIVES PTY )  
LIMITED ACN 087 119 515 by a duly )  
authorised director in the )  
presence of: )

\_\_\_\_\_  
Witness

LSB  
INDUSTRIES

NEWS: for immediate release

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LSB Industries, Inc. Announces Completion of Sale of Its Australian Subsidiary

OKLAHOMA CITY, Aug. 3 /PRNewswire/ LSB Industries, Inc. (OTC Bulletin Board: LSB) ("LSB") announced today that it has completed the sale of its wholly-owned subsidiary, Total Energy Systems Limited ("TES"), incorporated in Australia. The Asset Purchase Agreement between LSB and Quantum Explosives ("Quantum"), a subsidiary of Thiess Contractors Pty Limited ("Thiess") for the assets of TES and its related subsidiaries in Australia and New Zealand was closed in Brisbane, Australia on August 2.

Jack E. Golsen, Board Chairman, stated that proceeds from the sale of approximately \$14 million will be used to reduce debt. The transaction will result in a loss on the sale of approximately \$2.0 million. However, the sale will eliminate TES' current losses which have been running approximately \$3 million per annum.

LSB is a manufacturing, marketing, and engineering company with activities on a worldwide basis. LSB's principal business activities consist of the manufacture and sale of chemical products for the mining, agricultural and industrial markets, the manufacture and sale of commercial and residential climate control products, the provision of specialized engineering services, and other activities.

LSB's common shares are traded on the Over-the-Counter Bulletin Board under the symbol of LSB. Certain brokers have filed with the NASD to become Market Makers in LSB's stock. Those Market Makers are listed on LSB's website at [www.lsb-okc.com](http://www.lsb-okc.com).

SOURCE LSB Industries, Inc.

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/CONTACT: Tony M. Shelby, Chief Financial Officer of LSB Industries, Inc., 405-235-4546; or Leslie A. Schupak, ext. 205, or Joe Mansi, ext. 207, both of KCSA, 212-682-6300, for LSB Industries, Inc./

/Web site: <http://www.lsb-okc.com>  
(LSBD)

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