

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A
CURRENT REPORT
(Amendment No. 1)

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

Date of Report (Date of earliest event reported) October 31, 2000

LSB INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-7677
(Commission File
Number)

73-1015226
(IRS Employer
Identification No.)

16 South Pennsylvania, Oklahoma City, Oklahoma
(Address of principal executive offices)

73107
(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 23, 2000, a wholly owned subsidiary (the "Subsidiary") of LSB Industries, Inc. (the "Company"), and Orica USA, Inc. ("Orica") entered into a letter agreement (the "Letter Agreement") wherein the Subsidiary agreed to acquire certain assets comprising LaRoche Industries, Inc.'s ("LaRoche") ammonium nitrate manufacturing business located in Cherokee, Alabama and Crystal City, Missouri (the "Assets") in the event Orica was the successful bidder in a bankruptcy court managed action of the

nitrogen products manufacturing business of LaRoche. The bankruptcy court approved the sale of LaRoche's nitrogen manufacturing business to Orica. Pursuant to the terms of the Letter Agreement, Orica and its wholly owned subsidiary assigned to subsidiaries of the Company its right to purchase all of the Assets directly from LaRoche, effective October 31, 2000. The Cherokee, Alabama plant is being operated on at least a temporary basis while the Crystal City plant will not continue product manufacturing and is currently being shut down. The terms of the acquisition are more fully described in the Form 8-K dated October 31, 2000, filed on November 15, 2000.

Item 7. Financial Statements and Exhibits.

Pursuant to Item 7 of Form 8-K, the Company indicated it would file certain financial information no later than the date required by Item 7 of Form 8-K. This Amendment No. 1 is being filed to provide such financial information.

(a) Financial Statements of Business Acquired.

The following historical financial statements with respect to the Cherokee Plant are filed as required by Rule 3.05(b) of Regulation S-X, as promulgated pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are attached hereto as Exhibit 99.2.

Historical Financial Statements:

Report of Independent Auditors Ernst & Young LLP

Statement of Assets Acquired and Liabilities Assumed as of October 31, 2000;

Statements of Revenues and Direct Expenses for the Year Ended September 30, 2000 and 1999; and

Notes to Statements of Assets Acquired and Liabilities Assumed and Revenues and Direct Expenses

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information is filed as required by Article 11 of Regulation S-X, as promulgated pursuant to the Securities Act and the Exchange Act, and is attached hereto as Exhibit 99.3.

Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2000;

Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2000;

Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 1999; and

Notes to the Unaudited Pro Forma Consolidated Financial Statements

(c) Exhibits.

2.1* Letter Agreement, dated August 23, 2000, between LSB Chemical Corp. and Orica USA, Inc. CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT. THE OMITTED INFORMATION HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF SUCH REQUEST.

2.2* Agreement, dated October 31, 2000, between Orica Nitrogen, L.L.C., Orica USA, Inc. and LSB Chemical Corp. CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT. THE OMITTED INFORMATION HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF SUCH REQUEST.

99.1* Press Release, dated November 3, 2000.

99.2 Historical Financial Statements of the Cherokee Plant.

99.3 Pro Forma Financial Information

* Filed as an exhibit to the Company's Current Report on Form 8-K dated October 31, 2000.

SIGNATURES

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.

LSB INDUSTRIES, INC.

By: /s/ TonyM. Shelby
Tony M. Shelby
Senior Vice President and
Chief Financial Officer

Date: January 16, 2001

Report of Independent Auditors

The Board of Directors and Stockholders

LSB Industries, Inc.

We have audited the accompanying statement of assets acquired and liabilities assumed of the Cherokee Plant as of October 31, 2000, and the statement of revenues and direct expenses for the year ended February 29, 2000. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets acquired and liabilities assumed and the statement of revenues and direct expenses are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of assets acquired and liabilities assumed and the statement of revenues and direct expenses. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the statement of assets acquired and liabilities assumed and the statement of revenues and direct expenses. We believe that our audit provide a reasonable basis for our opinion.

The accompanying statement of assets acquired and liabilities assumed and the statement of revenues and direct expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in LSB Industries, Inc.'s Form 8-K/A-1 as described in Note 1 and are not intended to be a complete presentation of the financial position and results of operations of the Cherokee Plant.

In our opinion, the accompanying statements referred to above present fairly, in all material respects, the assets acquired and liabilities assumed of the Cherokee Plant as of October 31, 2000, and the revenues and direct expenses for the year ended February 29, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Oklahoma City, Oklahoma

January 15, 2001

Cherokee Plant

Statement of Assets Acquired and Liabilities Assumed

	October 31, 2000
	(In thousands)
ASSETS ACQUIRED	
Current assets	
Inventories	\$2,453
Total current assets	2,453
Property, plant and equipment, net	- -
TOTAL ASSETS ACQUIRED	2,453

LIABILITIES ASSUMED	-
ASSETS ACQUIRED AND LIABILITIES ASSUMED, NET	\$2,453

See accompanying notes.

Cherokee Plant
Statements of Revenues and Direct Expenses

	Seven Months Ended September 30,		Year Ended February 29,
	2000	1999	2000
	<i>(Unaudited)</i>		
REVENUES	\$24,483	\$19,142	\$32,256
DIRECT EXPENSES:			
Cost of revenues	20,991	15,577	27,897
Salaries and benefits	4,169	4,305	7,206
TOTAL DIRECT EXPENSES	25,160	19,882	35,103
EXCESS OF DIRECT EXPENSES OVER REVENUES	\$ (677)	\$ (740)	\$ (2,847)

See accompanying notes

1. Basis of Presentation

On October 31, 2000, LSB Industries, Inc. ("LSB" or the "Company") acquired certain of the nitrogen-based business product assets of LaRoche Industries, Inc. ("LaRoche") through an asset purchase agreement involving Orica USA, who acquired substantially all of LaRoche's nitrogen-based business products in a bankruptcy court managed auction. The acquisition by LSB included a manufacturing plant located in Cherokee, Alabama (the "Cherokee Plant") which produces primarily nitrogen-based products including solid and liquid fertilizer and blasting grade ammonium nitrate. The Cherokee Plant also has the capability to produce anhydrous ammonia from natural gas for use in manufacturing its nitrogen-based products. The acquired assets related to the Cherokee Plant as presented in the accompanying statement of assets acquired and liabilities assumed represent the historical balances of those assets.

Prior to the purchase by LSB, the Cherokee Plant was one of five nitrogen product plants owned by LaRoche. The Cherokee Plant, similar to other plants of LaRoche, utilized the centralized management and other personnel of LaRoche for accounting, human resources, purchasing, sales, treasury, tax, legal and other functions. Additionally, many distinct and separate balance sheet accounts and related cash flow information were not maintained at the plant level. Thus, complete financial statements for the Cherokee Plant are not available and these matters make the presentation of a complete set of financial statements for the Cherokee Plant impractical. The accompanying statements of revenues and direct expenses presents the historical revenues, cost of sales, and salaries and benefits that relate directly to the Cherokee Plant

Due to the omission of various sales, general and administrative expense and other corporate level expenses and the anticipated changes in the business upon integration with LSB, the statements presented are not indicative of the financial condition or results of operations of the Cherokee Plant going forward.

2. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when products or services are provided to the customer.

2. Summary of Significant Accounting Policies (continued)

Direct Expenses

Direct expenses include the cost of products sold and salaries and benefits of the Cherokee Plant's personnel to process and distribute products sold. No amounts have been allocated for insurance, interest, depreciation, provision for bad debts, income taxes or any selling, general or administrative costs.

Basis of Accounting

These statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Inventories

Inventories of the Cherokee Plant consists primarily of solid and liquid fertilizer, blasting grade ammonium nitrate and nitric acid solutions and are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. At October 31, 2000 inventories consist of:

Raw materials	\$ 343
Finished goods	2,110
	\$2,453

Property, Plant and Equipment

All of the Cherokee Plant's property, plant and equipment was held for sale and fully impaired based on the subsequent sales price realized by LaRoche in connection with the sales transaction to LSB made through Orica USA as described above.

Use of Estimates

The preparation of statements of assets acquired and liabilities assumed and revenues and direct expenses requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and direct expenses during the reported period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Unaudited Interim Financial Information

The accompanying statements of revenues and direct expenses for the seven-month periods ended September 30, 2000 and 1999, are unaudited. In the opinion of management, these statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results of operations of this plant using the basis of presentation discussed in Note 1. The operating results for the interim periods are not necessarily indicative of the operating results to be expected for the full year.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2000 and the year ended December 31, 1999 (the "Pro Forma Statements of Operations"), and the Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2000 (the "Pro Forma Balance Sheet" and, together with the Pro Forma Statements of Operations, the "Pro Forma Financial Statements"), have been prepared to reflect the purchase of the Cherokee Plant by the Company as of January 1, 1999 in the Pro Forma Statement of Operations and as of September 30, 2000 in the Pro Forma Balance Sheet. The Pro Forma Balance Sheet as of September 30, 2000 reflects the historical accounts of LSB Industries, Inc. (the "Company") as of September 30, 2000 combined with the fair value of the Cherokee Plant's assets acquired as of October 31, 2000. The Pro Forma Statement of Operations for the year ended December 31, 1999 reflects the Company's historical Statement of Operations for the twelve months ended December 31, 1999 and the Cherokee Plant's historical Statement of Revenues and Direct Expenses for the twelve months ended February 29, 2000. For purposes of the Pro Forma Statement of Operations for the nine-month period ended September 30, 2000, the Cherokee Plant's historical Statement of Revenues and Direct Expenses for the seven months ended September 30, 2000 was combined with the Cherokee Plant's historical revenues and direct expenses for January and February 2000 and then was combined with the Company's historical Statement of Operations for the nine-month period ended September 30, 2000. The Pro Forma Financial Statements do not reflect any anticipated cost savings, synergies or additional sales, distribution and marketing costs that may result from the Cherokee Plant acquisition. The Pro Forma Financial Statements do not purport to be indicative of the results of operations or financial position of the Company that would have actually been obtained had such transactions been completed as of the assumed dates and for the periods presented, or which may be obtained in the future. The pro forma adjustments are described in the accompanying notes and are based upon available information and certain assumptions that the Company believes are reasonable. The Pro Forma Financial Statements should be read in conjunction with the separate historical consolidated financial statements of the Company and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in LSB's Form 10-K for the year ended December 31, 1999 and Form 10-Q for the nine months ended September 30, 2000 previously filed with the Securities and Exchange Commission and the historical Statements of Assets Acquired and Liabilities Assumed and Revenues and Direct Expenses of the Cherokee Plant the notes thereto included elsewhere herein.

These pro forma adjustments represent the Company's preliminary determination of purchase accounting adjustments and are based upon available information and certain assumptions that the Company believes to be reasonable. Consequently, the amounts reflected in the Pro Forma Financial Statements are subject to change, and the final amounts may differ substantially.

LSB Industries, Inc.
Unaudited Pro Forma Consolidated Balance Sheet
September 30, 2000
(In thousands)

	Historical (a)		Pro Forma Adjustments	Pro Forma Adjusted
	LSB	Cherokee Plant		
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,576	\$ -	\$ (906) (b)	\$ 1,670
Accounts receivable, net	49,147	-	-	49,147
Inventories	27,461	2,453	-	29,914
Other	4,089	-	-	4,089
Total current assets	83,273	2,453	(906)	84,820
Property, plant and equipment, net	81,531	-	-	81,531
Other assets	21,652	-	-	21,652
	\$ 186,456	\$ 2,453	\$ (906)	\$ 188,003

Total assets	\$ 100,430	\$ 2,453	\$ (500)	\$ 100,000
Liabilities and stockholders' equity				
Current liabilities:				
Drafts and accounts payable	\$ 27,680	\$ -	\$ -	\$ 27,680
Accrued expenses and other liabilities	23,161	-	140 (b)	23,301
Current portion of long-term debt	35,924	-	-	35,924
Total current liabilities	86,765	-	140	86,905
Long-term debt	97,003	-	-	97,003
Accrued losses on firm purchase commitments and other non-current liabilities	6,632	--	--	6,632
Excess of fair value over cost of net assets acquired	--	--	1,407 (b)	1,407
Redeemable, noncumulative convertible preferred stock, \$100 par value	139	--	--	139
Stockholders' equity (deficit)				
Series B 12% cumulative, convertible preferred stock, \$100 par value	2,000	--	--	2,000
Series 2 \$3.25 convertible, exchangeable Class C preferred stock, \$50 stated value	34,487	--	--	34,487
Common stock, \$10 par value	1,516	-	-	1,516
Capital in excess of par value	49,632	-	-	49,632
Accumulated deficit	(75,437)	-	-	(75,437)
Equity in Cherokee Plant		2,453	(2,453) (b)	-
	12,198	2,453	(2,453)	12,198
Less treasury stock at cost:				
Series 2 Preferred	200	-	-	200
Common stock	16,081	-	-	16,081
Total stockholders' deficit	(4,092)	2,453	(2,453)	(4,092)

Total stockholders' equity	(4,000)	2,453	(2,453)	(4,000)
Total liabilities and stockholders' equity	\$186,456	\$2,453	\$ (906)	\$188,003

See accompanying notes to unaudited pro forma consolidated financial statements.

	Historical (c)			
	LSB	Cherokee Plant	Pro Forma Adjustments	Pro Forma
	(In thousands, except per share amounts)			
Businesses continuing at September 30:				
Revenues:				
Net sales	\$214,290	\$24,483	\$5,833 (c)	\$244,606
Other income	4,027	-	-	4,027
	218,317	24,483	5,833	248,633
Costs and expenses:				
Cost of sales	172,075	25,160	5,561 (c)	
			(352) (d)	202,444
Selling, general and administrative	35,332	-	-	35,332
Interest	11,720	-	-	11,720
Provision for loss on firm purchase commitments	2,485	-	-	2,485
Other expenses	2,084	-	-	2,084
	223,696	25,160	5,209	254,065
Loss from continuing operations before extraordinary gain	(5,379)	(677)	624	(5,432)
Preferred stock dividend requirements	2,205	-	-	2,205
Loss from continuing operations applicable to common stock before extraordinary gain	\$ (7,584)	\$ (677)	\$ 624	\$(7,637)
Loss per common share, basic and diluted, from continuing operations before extraordinary gain	\$ (.64)			\$ (.64) (e)
Weighted average common shares outstanding	11,869			11,869

See accompanying notes to unaudited pro forma consolidated financial statements.

	Historical (c)			
	LSB	Cherokee	Pro Forma	Pro Forma

		Plant	Adjustments	
	(In thousands, except per share amounts)			
Businesses continuing at December 31:				
Revenues:				
Net sales	\$254,236	\$32,256	\$ -	\$286,492
Other income	1,036	-	-	1,036
	255,272	32,256	-	287,528
Costs and expenses:				
Cost of sales	203,480	35,103	(469) (b)	238,114
Selling, general and administrative	51,672	-	-	51,672
Interest	15,115	-	-	15,115
Provision for loss on firm purchase commitments	8,439	- -	- -	8,439
Provision for impairment on long-lived assets	4,126	-	-	4,126
	282,832	35,103	(469)	317,466
Loss from continuing operations before business disposed of and provision for income taxes	(27,560)	(2,847)	469	(29,938)
Business disposed of				
Revenues	7,461	-	-	7,461
Operating costs, expenses and interest	9,419	-	-	9,419
	(1,958)	-	-	(1,958)
Loss on disposal of business	(1,971)	-	-	(1,971)
	(3,929)	-	-	(3,929)
Loss from continuing operations before provision for income taxes	(31,489)	(2,847)	469	(33,867)
Provision for income taxes	(157)	-	-	(157)
Loss from continuing operations	(31,646)	(2,847)	469	(34,024)
Preferred stock dividends	3,228	-	-	3,228
Loss from continuing operations applicable to common stock	\$ (34,874)	\$ (2,847)	\$ 469	\$ (37,252)
Loss per common share, basic and diluted, from continuing operations	\$ (2.95)			\$ (3.15) (e)

Weighted average common shares outstanding	11,838			11,838
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See accompanying notes to unaudited pro forma consolidated financial statements.

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2000

- a. The Pro Forma Balance Sheet as of September 30, 2000 reflects the historical accounts of the Company as of September 30, 2000 combined with the historical value of the Cherokee Plant's assets acquired as of October 31, 2000.
- b. The estimated purchase price and preliminary adjustments to historical book value of the Cherokee Plant's net assets acquired are as follows:

Purchase price:	
Cash paid and liabilities assumed	\$ 1,046
Fair value of net assets acquired	2,453
Excess of fair value over cost of net assets acquired	\$(1,407)

PRO FORMA ADJUSTMENT FOR THE UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2000 AND THE YEAR ENDED DECEMBER 31, 1999

1. For purposes of the Pro Forma Statement of Operations for the Year ended December 31, 1999, the Cherokee Plant's Statement of Revenues and Direct Expenses for the year ended February 29, 2000 was combined with the Company's historical Statement of Operations for the year ended December 31, 1999. For purposes of the Pro Forma Statement of Operations for the nine-month period ended September 30, 2000, the Cherokee Plant's historical Statement of Revenues and Direct Expenses for the seven months ended September 30, 2000 was combined with the Cherokee Plant's historical revenues and direct expenses for January and February 2000 and with the Company's historical Statement of Operations for the nine-month period ended September 30, 2000.
 - d. The acquisition was accounted for using the purchase method of accounting. Under purchase accounting, the total purchase price was allocated to all of the acquired current tangible assets and related assumed liabilities, if any, of the Cherokee Plant based upon their respective fair values as of the closing date. The fair value of the net assets acquired in excess of the purchase price has been established as negative goodwill in the Pro Forma Balance Sheet. The adjustment for estimated pro forma amortization of negative goodwill is based on an estimated life of three years.

PRO FORMA ADJUSTMENT FOR THE UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2000 AND THE YEAR ENDED DECEMBER 31, 1999 (continued)

- e. Loss per common share is calculated by dividing pro forma loss from continuing operations applicable to common stock by the weighted average number of common shares outstanding. Such pro forma loss from continuing operations applicable to common stock reflects the impact of the adjustments above.

SUPPLEMENTAL INFORMATION

The accompanying unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2000, and the year ended December 31, 1999, are not reflective of the incremental selling, general and administrative expense which the Company expects to incur associated with the Cherokee Plant. The Company will utilize its existing infrastructure of selling, general and administrative personnel to manage and oversee the operations of the Cherokee Plant; however, the Company estimates that the going-forward incremental cost for the twelve-month period following the date of acquisition related to the Cherokee Plant will approximate \$1.2 million. This estimate is subject to change based on the facts and circumstances surrounding the operation of the Cherokee Plant.