

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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) October 31, 2000

LSB INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

1-7677

73-1015226

(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 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 purchase price for the Assets was paid in cash from the working capital of the Company. The amount of the purchase price is subject to a confidentiality request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 as promulgated under the Securities and Exchange Act of 1934, as amended. In any event, the purchase price is not considered to be a material amount based upon the Company's total assets.

The Assets consist of two chemical plants: one located in Cherokee, Alabama ("Cherokee Plant") and the other located in Crystal City, Missouri ("Crystal City Plant"). The Assets also include all inventory, machinery and equipment, and real property, associated with the two chemical plants.

The Cherokee Plant produces anhydrous ammonia, nitric acid, aqua ammonia, agricultural grade ammonium nitrate fertilizer, urea ammonium nitrate fertilizer and ammonium nitrate solution as a blasting product

ingredient. The Cherokee Plant will remain in operation on at least a temporary basis while the Company evaluate's the plant's profitability.

The Crystal City Plant is capable of producing industrial grade ammonium nitrate and agricultural grade ammonium nitrate. The Crystal City Plant will not be operated by the Company because the Company believes that the selling price for the ammonium nitrate produced at the Crystal City Plant could not support the cost of operating the plant.

Orica has a one year option to acquire the nitric acid plant located within the Crystal City Plant along with any contracts and agreements to manufacture, toll or sale industrial grade ammonium nitrate prill or solution from such plant. The Crystal City Plant cannot produce nitrogen products without the nitric acid plant. The exercise price of the option to acquire the nitric acid plant and related contracts is \$150,000, and Orica has indicated that it intends to exercise this option. During the one year option period, the Company has agreed to maintain the nitric acid plant, at Orica's expense, in substantially its current operating condition.

Item 7. Financial Statements and Exhibits.

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- (a) Financial Statements of Businesses Acquired. The financial statements which may be required by Item 7(a) of Form 8-K are not included herein, but will be filed by amendment to this Form 8-K not later than 60 days after November 15, 2000.
- (b) Pro Forma Financial Information. The pro forma financial information which may be required by Item 7(b) of Form 8-K is not included herein, but will be filed by amendment to this Form 8-K not later than 60 days after November 15, 2000.
- (c) Exhibits.

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2.1 Letter Agreement, dated August 23, 2000, between LSB Chemical Corp. and Orica USA, Inc.

2.2 Agreement, dated October 31, 2000, between Orica Nitrogen, L.L.C., Orica USA, Inc. and LSB Chemical Corp.

10.1 Press Release, dated November 3, 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.

Dated: November 15, 2000.

LSB INDUSTRIES, INC.

By: /s/ Tony M. Shelby

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Tony M. Shelby,  
Senior Vice President and  
Chief Financial Officer

David P. Taylor  
Chief Executive Officer  
Orica USA Inc.  
9781 South Meridian Boulevard  
Suite 400  
Englewood, Colorado 80112  
Telephone: 303-268-5000

August 23, 2000

BY MAIL AND VIA FACSIMILE: 405-236-0728

James L. Wewers, President  
LSB Chemical Corp.  
Post Office Box 754  
Oklahoma City, Oklahoma 73101

Re: Purchase of LaRoche Assets\*

Dear Mr. Ewers:

Orica USA Inc. and/or an affiliate of ("Orica") intends to submit to LaRoche Industries, Inc. ("LaRoche") a bid (the "Bid") to acquire certain of the assets of LaRoche's ammonium nitrate manufacturing business (as specified in the Bid, the "Acquired Assets"). Orica and LSB Chemical Corp. ("LSB") intend that LSB will acquire certain of the Acquired Assets directly from LaRoche. When executed by an authorized signatory of LSB, this letter shall constitute the agreement of Orica and LSB relating to the matters set forth below:

1. The parties agree that Orica shall, in its sole discretion, have the ability to attend an auction being held for the sale of the Acquired Assets on August 24, 2000 in Atlanta, Georgia. Orica shall have the authority to submit a Bid that, if successful, will obligate LSB to the terms of this letter.
2. The parties contemplate that Orica will submit an initial Bid for an aggregate cash purchase price for the Acquired Assets of \$36,140,000.00 (the "Purchase Price"). Orica may thereafter, in its sole discretion, increase the amount of said Bid. Any such Bid shall include an amount of \*\*\* attributable and allocated to that portion of the Acquired Assets comprising LaRoche's manufacturing business located in Cherokee, Alabama and in Crystal City, Missouri ("collectively, the "LSB Acquired Assets").

Page 1 of 5

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3. No later than 9:30 a.m., Denver local time, on August 23; 2000, LSB shall transmit by wire transfer to Orica a refundable deposit in the amount of \*\*\* representing LSB's portion of the earnest money deposit required by LaRoche. Orica shall provide complete account information for said wire transfer to LSB. Orica intends to make a \$3,614,000.00 earnest money deposit to LaRoche in conjunction with the Bid, which will include the \*\*\* from LSB. In the event Orica is not the successful bidder at auction, Orica shall promptly refund said deposit to LSB upon receipt of its aggregate earnest money deposit from LaRoche.
4. In the event Orica is the successful bidder at auction,

Orica shall enter into an Asset Purchase Agreement with LaRoche, whereby LaRoche shall be directed to assign all right, title and interest to the LSB Acquired Assets directly to LSB or, in the case of real property interests included within the LSB Acquired Assets, to LSB's agent, designee or nominee. Subject only to execution and delivery of said Asset Purchase Agreement, and closing of the transactions contemplated therein. LSB unconditionally agrees to pay to Orica a total of \*\*\* (the "LSB Purchase Price), less the aforementioned deposit, in consideration of the assignment of said assets. The LSB Purchase Price shall be adjusted downward in the event the actual inventory quantities included in the LSB Acquired Assets are less than the inventory quantities set forth in Exhibit A to this letter agreement. In the event the actual inventory quantities are more than the inventory quantities set forth in Exhibit A, LSB agrees to reimburse Orica for any amount over the Purchase Price Orica is required to pay to LaRoche due to such increase in inventory.

5. In consideration of its execution and performance of this letter agreement, and for other good and valuable consideration, LSB hereby grants, and Orica shall have, an option to acquire, with an obligation to physically remove from the site, the 550 ton/day Weatherly nitric acid plant located at the Crystal City, Missouri site (the "Nitric Acid Plant") and the contracts and agreements to manufacture, toll or sell industrial grade ammonium nitrate prill or solution at or from the Nitric Acid Plant (the "AN Contracts") from LSB. Such option shall be exercisable, if at all, by the delivery to LSB of a written election notice within 365 days of closing (the "Option Period") under the Asset Purchase Agreement. The parties shall determine a mutually acceptable date of closing of the option transaction, on which date Orica shall pay LSB an option exercise price of \$150,000.00 in consideration of the delivery by LSB of title to and possession of the Nitric Acid Plant and AN Contracts, free and clear of any liens, claims or encumbrances created by, through or under LSB, but not otherwise. During the Option Period, LSB shall maintain the Nitric Acid Plant, at Orica's expense, in substantially its current operating condition.
6. Orica and LSB acknowledge and agree that although this letter agreement contemplates the purchase by LSB of owned and leased real property included in the LSB Acquired Assets, LSB shall, subject to the consent of

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LaRoche, have the right to assign and delegate its rights and obligations to acquire such real property to a third party, and that of the LSB Purchase Price, \$5,000 shall be allocated to such real property and paid or reimbursed by such third party.

7. The factual terms of the letter agreement are confidential, and shall not be disclosed by either party to a third party without the prior written consent of the nondisclosing party.
8. This letter agreement shall be interpreted in accordance with the laws of the State of Delaware, without regard to its conflict of law provisions. The parties agree that venue for the resolution of any dispute arising from this letter agreement shall be proper in and only in a court of competent subject matter jurisdiction in the State of Delaware, and the parties each agree to submit to the personal jurisdiction of the courts therein.

Sincerely,

ORICA USA INC.

/s/ Milt MacGregory

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Milt B. MacGregor  
VP - Ammonium Nitrate

ACKNOWLEDGED AND AGREED TO:

LSB CHEMICAL CORP.

By: /s/ James L. Wewers

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James L. Wewers  
President



## EXHIBIT A

## CHEROKEE, AL

|  | VOLUME*  | UNIT OF<br>MEASURE | ADJUSTMENT<br>PRICE<br>(\$/UNIT) |
|--|----------|--------------------|----------------------------------|
| Finished Goods and Raw Materials (LaRoche information as of June 30, 2000) |          |                    |                                  |
| Ammonia  | 1,318.97 | Tons               | ***                              |
| High Density A.N.  | 2,683.38 | Tons               | ***                              |
| Nitric Acid  | 490.30   | Tons               | ***                              |
| A.N. 83% Solution  | 3,152.28 | Tons               | ***                              |
| A.N. Ammonia Solution  | 164.70   | Tons               | ***                              |
| Magnesium Oxide  | 99.31    | Tons               | ***                              |
| Galoryl  | 8.33     | Tons               | ***                              |
| Ammonium Thiosulfate   | 23.07    | Tons               | ***                              |
| Inhibitor  | 0.75     | Tons               | ***                              |
| Nitrogen Solution (UAN)  | 1,590.79 | Tons               | ***                              |
| Stores Inventory   | \$ ***   |                    | Actual                           |
| (LaRoche information as of June 30, 2000)                                  |          |                    | Stores Value                     |
| Precious Metals  |          |                    |                                  |
| (LaRoche information as of June 30, 2000)                                  |          |                    |                                  |
| Platinum   | 3,244.76 | Troy Ounce         | 400.00                           |
| Rhodium  | 170.78   | Troy Ounce         | 440.00                           |

\*Based on quantities and costs associated with the Cherokee Plant as of June 30, 2000

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## EXHIBIT A (continued)

## CRYSTAL CITY, MISSOURI

|  | VOLUME** | UNIT OF<br>MEASURE | ADJUSTMENT<br>PRICE<br>(\$/UNIT) |
|--|----------|--------------------|----------------------------------|
| Finished Goods and Raw Materials (LaRoche information as of June 30, 2000) |          |                    |                                  |
| Ammonia  | 1,616.95 | Tons               | ***                              |
| High Density A.N.  | 5,400.88 | Tons               | ***                              |
| Nitric Acid  | 30.00    | Tons               | ***                              |
| Nitrogen Solution (UAN)  | 981.81   | Tons               | ***                              |
| Lilamin  | 4.33     | Tons               | ***                              |
| Galoryl  | 8.00     | Tons               | ***                              |
| A.N. 83% Solution  | 805.09   | Tons               | ***                              |

|   |        |              |
|---|--------|--------------|
| Stores Inventory                          | \$ *** | Actual       |
| (LaRoche information as of June 30, 2000) |        | Stores Value |

Precious Metals  
(LaRoche information as of June 30, 2000)

|          |        |            |        |
|----------|--------|------------|--------|
| Platinum | 675.99 | Troy Ounce | 400.00 |
| Rhodium  | 35.58  | Troy Ounce | 440.00 |

\*\*Based on quantities and costs associated with the Crystal City Plant as of June 30, 2000

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AGREEMENT\*

Effective Date: October 31, 2000

Parties: Orica Nitrogen LLC  
9781 South Meridian Boulevard  
Suite 400  
Englewood, Colorado 80112  
("ON")

Orica USA Inc.  
9781 South Meridian Boulevard  
Suite 400  
Englewood, Colorado 80112  
("Orica")

and

LSB Chemical Corp.  
Cherokee Nitrogen Company  
Crystal City Nitrogen Company  
16 South Pennsylvania Avenue  
Oklahoma City, Oklahoma 73107

Recitals:

A. Orica, which owns 100 percent of the equity interests in ON, and LSB Chemical Corp. ("LSB") entered into a letter agreement dated August 23, 2000 (the "Preliminary Agreement") setting forth certain of the terms and conditions under which LSB or an affiliate would acquire certain assets comprising LaRoche Industries Inc.'s ammonium nitrate manufacturing businesses located in Cherokee, Alabama and Crystal City, Missouri (other than accounts receivable, the "LSB Acquired Assets") in the event Orica or an affiliate successfully bid for, and entered into an agreement for the purchase of, certain of the assets (the "Acquired Assets") of the ammonium nitrate manufacturing business of LaRoche Industries Inc. ("LaRoche"). Cherokee Nitrogen Company and Crystal City Nitrogen Company (collectively, "NC") are the affiliated assignees of LSB. Orica, ON, LSB and NC are sometimes collectively referred to herein as the "Parties".

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B. ON was the successful bidder for the Acquired Assets, and ON and LaRoche entered into an Asset Purchase Agreement dated August 28, 2000 (the "Asset Purchase Agreement"). Capitalized terms which are not otherwise defined herein shall have the meanings assigned them in the Asset Purchase Agreement.

C. The Asset Purchase Agreement provides that ON may designate a third party to acquire certain of the Acquired Assets directly from LaRoche and which of such Acquired Assets shall be so acquired, and ON has designated NC as the purchasers of the LSB Acquired Assets.

D. The Parties desire to enter into an agreement to supplement the Preliminary Agreement, and to set forth additional terms and conditions upon which NC will acquire the LSB Acquired Assets.

Agreements:

In consideration of the foregoing recitals, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Ratification of Preliminary Agreement. Except as amended hereby, the Preliminary Agreement is hereby ratified and confirmed and shall continue in full force and effect as written. To the extent that any term of the Preliminary Agreement is inconsistent with this Agreement, such terms shall be deemed superseded hereby.

2. Assignment of Asset Purchase Agreement: Payment of NC Purchase Price. ON has transferred and assigned its rights, and delegated its obligations, under the Asset Purchase Agreement to NC insofar and only insofar as such rights and obligations affect or relate to the LSB Acquired Assets (which shall include four used gauzes belonging to the Cherokee Plant (the "Gauzes")). At and subject to the Closing, NC shall pay LaRoche the sum of \*\*\* by wire transfer of immediately available funds (being the sum of \*\*\* (the "NC Purchase Price") less the sum of \*\*\* heretofore paid by LSB to reimburse Orica for a portion of the Earnest Money Deposit under the Asset Purchase Agreement) as the purchase price for the LSB Acquired Assets.

3. ON Payment. On or before the second business day following Closing, ON shall pay NC the sum of \$760,000 by wire transfer of immediately available funds in consideration of the purchase of the precious metals contained in the Gauzes, which amount shall not be subject to any offset, claim or reduction of any kind whatsoever.

4. Deferred Payment. The Asset Purchase Agreement provides that ON shall pay a portion of the Purchase Price in two Deferred Payments after Closing. LSB has no obligation to pay any portion of the Deferred Payment, and LSB acknowledges and agrees that it shall have no rights hereunder or under the Asset Purchase Agreement to set-off any amounts which may be owed by LaRoche to

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LSB under the Asset Purchase Agreement against the Deferred Payments.

5. Earnest Money Deposit. In the event the Asset Purchase Agreement is terminated and the Earnest Money Deposit is returned by LaRoche under Section 10.2 thereof, LSB shall be entitled to the share of the Earnest Money Deposit paid by it, being \*\*\*, plus interest thereon at a per annum rate equal to the prevailing money market rate of Wells Fargo Bank, N.A. from time to time between the date of Closing and the date the Earnest Money Deposit is returned by LaRoche.

6. Allocation of Liabilities Indemnities.

a. LSB shall pay, perform and discharge, and shall protect, defend, indemnify and hold harmless ("Indemnify"), the ON Indemnitees from and against any and all Losses resulting from, relating to or arising out of, any Assumed Liabilities relating to any executory contracts assigned by LaRoche to NC.

b. ON shall pay, perform and discharge, and shall Indemnify LSB and NC, and its and their members, shareholders, partners, officers, directors, employees, agents and representatives, and any person or entity claiming through any of them (collectively, the "LSB Indemnitees") from and against any and all Losses resulting from, relating to or arising out of, any Assumed Liabilities relating to any executory contracts assigned by LaRoche to ON.

c. LSB shall Indemnify the ON Indemnitees from and against any and all Losses resulting from, relating to or arising out of (i) the ownership or operation of the LSB Acquired Assets from and after the Closing, (ii) any breach by NC of any representation or warranty contained in Article 5 of the Asset Purchase Agreement or any default by NC in the performance of any covenant contained in the Asset Purchase Agreement required to be performed after the Closing, (iii) any claim for indemnity made by LaRoche under Section 11.3(a) of the Asset Purchase Agreement to the extent such claim relates to an act or omission of NC or to the LSB Acquired Assets, (iv) the hiring or engagement by NC of any of LaRoche's employees, or (v) any breach by LSB or NC of this Agreement, the Preliminary Agreement or the Asset Purchase Agreement.

d. ON shall Indemnify the LSB Indemnitees from and against any and all Losses resulting from, relating to or arising out of (i) the ownership or operation of the Acquired Assets (other than the LSB Acquired Assets and other than any Joint Assets to the extent benefiting or used by NC) from and after the Closing, (ii) any breach by ON of any representation or warranty contained in Article 5 of the Asset Purchase Agreement or any default by ON in the performance of any covenant contained in the Asset Purchase Agreement required to be performed after the Closing, (iii) any claim for indemnity made by LaRoche under Section 11.3(a) of the Asset Purchase Agreement to the extent such claim relates to an act or omission of ON or to the Acquired Assets (other than the LSB Acquired Assets or other than any Joint Assets to the extent benefiting or used by NC),

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(iv) any breach by ON of this Agreement, the Preliminary Agreement or the Asset Purchase Agreement, or (v) provided that NC shall have exercised its commercially reasonable efforts to attempt to cause, and taken all necessary actions on its part to enable, LaRoche to cause such liens to be released or discharged and provided that 90 days shall have elapsed from the date hereof, the failure of LaRoche to convey title to the LSB Acquired Assets free and clear of the liens identified on Attachment B hereto.

e. ON and NC agree to reasonably cooperate in aggregating claims for indemnity under Section 11.2(a) of the Asset Purchase Agreement for Losses attributable to misrepresentations of LaRoche or breaches by LaRoche of warranties or covenants until such time as the aggregate amount of such claims exceeds \$200,000.

f. Without the prior written consent of ON, NC shall not make claims for indemnity under Section 11.2(a) of the Asset Purchase Agreement for Losses attributable to misrepresentations of LaRoche or breaches by LaRoche of warranties or covenants which in the aggregate exceed \$132,260.

7. Costs of Cure and Default Payments. With respect to any executory contracts of LaRoche which are assigned to NC, NC shall be solely responsible for, and shall Indemnify LaRoche and the ON Indemnitees from and against, any and all cure or damage amounts payable under Section 365 of the Bankruptcy Code.

8. Proration Items. As between ON and NC, ON shall be solely responsible for, and shall be solely entitled to payments from LaRoche in respect of, Proration Items (as defined in Section 7.10 of the Asset Purchase Agreement) which relate to the Acquired Assets (other than the LSB Acquired Assets or the Joint Assets to the extent benefiting or used by NC), and NC shall be solely responsible for, and shall be solely entitled to payments from LaRoche in respect of, Proration Items which relate to the LSB Acquired Assets or the Joint Assets to the extent benefiting or used by NC.

9. Closing Obligation. The Parties acknowledge and agree that LSB's or its subsidiaries' obligation to acquire and pay for the LSB Acquired Assets is conditioned only upon the closing of the acquisition by ON of the Acquired Assets other than the LSB Acquired Assets, and that LSD or its subsidiaries are unconditionally obligated to acquire the LSD Acquired Assets if ON consummates its acquisition of the Acquired Assets (exclusive of the LSD Acquired Assets).

10. Nitric Acid Plant. In the event Orica or an affiliate exercises the option under the Preliminary Agreement to acquire the Nitric Acid Plant, and notwithstanding such purchase, the Parties agree that such Plant may be decommissioned and remain on the Crystal City, Missouri plant site until such time (not to exceed two years from the date hereof) as Orica or its affiliate disassembles the Plant and moves it to another location. Orica or an affiliate shall be responsible for all direct costs attributable to storage and decommissioning of such Plant, and the Parties shall cooperate to develop a plan for storage and decommissioning of such Plant.

11. Employees. ON and NC shall cooperate in determining which of LaRoche's employees who are employed in connection with LaRoche's manufacturing business located in Cherokee, Alabama or Crystal City, Missouri shall be hired by ON or by NC, it being understood that ON is obligated to hire a certain number of LaRoche's employees under the Asset Purchase Agreement.

12. Nelson Plant. NC acknowledges that an affiliate of Orica, Nelson Brothers, LLC ("Nelson"), currently leases from LaRoche certain real property and a pipeline which are part of the LSB Acquired Assets located at Cherokee, Alabama for the purpose of operating an emulsion manufacturing plant (the "Nelson Plant"). Pursuant to the Asset Purchase Agreement, NC has assumed LaRoche's obligations under such lease which continues in force and effect. In the event NC elects to terminate operations at or decommission the Cherokee, Alabama plant acquired from LaRoche, NC will make available to Nelson, by lease or sale on commercially reasonable terms, the rail siding and ammonium nitrate solution tank located at the Cherokee, Alabama plant in order to permit the supply by rail of ammonium nitrate solution to the Nelson Plant by a third party producer. Pursuant to the Asset Purchase Agreement, NC has assumed LaRoche's obligations under an ammonium nitrate solution supply contract to Nelson. Orica is the supplier of ammonium nitrate solution to Nelson. NC agrees to terminate the existing supply agreement for ammonium nitrate solution to Nelson, and to enter into a new supply agreement which shall be based on the terms set forth in Attachment A hereto.

13. Miscellaneous.

a. The fact and terms of this Agreement are confidential, and shall not be disclosed by either Party to a third party without the prior written consent of the nondisclosing Party, except for disclosures required under applicable or compelled by regulatory authorities.

b. This Agreement shall be interpreted in accordance with the laws of the State of Delaware, without regard to conflict of law provisions. The Parties agree that venue for the resolution of any dispute arising from this Agreement shall be proper in and only in a court of competent subject matter jurisdiction in the State of Delaware, and the Parties each agree to submit to the personal jurisdiction of the courts therein.

c. This Agreement and the Preliminary Agreement, to the extent not amended hereby, represent the entire agreement of the Parties with respect to the subject matter hereof and thereof, and supersede any earlier written or oral agreement or understanding between the Parties concerning the subject matter hereof or thereof.

d. This Agreement may not be assigned by any Party without the prior written consent of the other Party. This Agreement is binding on and inures to the benefit of each Party and its successors and permitted assigns.

e. The covenants and agreements contained in this Agreement are for the sole benefit of the Parties, and they shall not be construed as conferring any rights on any other persons.

f. This Agreement may be executed in counterparts, each of which shall be binding and all of which together shall constitute one and the same instrument.

g. The Parties acknowledge that discussions regarding their respective rights to the proceeds of any precious metals or sludge containing precious metals, as derived from the nitric acid plants at the Cherokee Plant and the Crystal City Plant, are continuing and not yet concluded.

[This space left blank intentionally.]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed on its behalf by a duly authorized officer, all as of the Effective Date.

ORICA NITROGEN LLC

LSB CHEMICAL CORP.

By: /s/ Peter J. Watson

By: /s/ James L. Wewers

\_\_\_\_\_  
Peter J. Watson  
Secretary

\_\_\_\_\_  
James L. Wewers  
President

ORICA USA INC.

CHEROKEE NITROGEN COMPANY

By: /s/ Milt B. MacGregor

By: /s/ James L. Wewers

\_\_\_\_\_  
Milt B. MacGregor  
Vice President

\_\_\_\_\_  
Name: James L. Wewers  
\_\_\_\_\_  
Title: President  
\_\_\_\_\_

CRYSTAL CITY NITROGEN COMPANY

By: /s/ James L. Wewers

\_\_\_\_\_  
Name: James L. Wewers

\_\_\_\_\_  
Title: President  
\_\_\_\_\_





ATTACHMENT A  
to  
AGREEMENT AMONG ON, ORICA, LSB and NC

Terms Sheet  
Ammonium Nitrate Solution Supply Agreement  
Nelson Emulsion Facility at Cherokee, Alabama

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Quantity: Estimated monthly requirement of 6,000 to 10,000 short (2,000 lbs.) tons.

Delivery: Product to be shipped by pipeline.

Term: (i) Initial term of November 1, 2000 to June 30, 2001.  
(ii) Parties shall review agreement on February 1, 2001 and, on the basis of such review, each party shall have a one time opportunity to propose amendments to the supply agreement for negotiation by the parties.

Price: The invoice price for ammonium nitrate solution shall be based on actual plant variable costs per ton and actual direct plant fixed costs per ton to manufacture the ammonium nitrate, plus \*\*\* per ton, but in no event more than \*\*\* per short ton or less than \*\*\* per short ton of 100% basis of contained ammonium nitrate; provided that if the cost of natural gas delivered to NC's Cherokee, Alabama facility is less than \*\*\* per mcf, then the invoice price will be reduced by \*\*\* per ton for each \*\*\* decrease in natural gas cost below \*\*\*, and if such cost exceeds \*\*\* per ton, then the invoice price will be increased by \*\*\* per ton for each \*\*\* increase in natural gas cost above \*\*\*. Such adjustments shall be made on a monthly basis.

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ATTACHMENT B  
To  
AGREEMENT AMONG ORICA, ON, LSB and NC

Liens  
\_\_\_\_\_

1. \$213,863.34 for 2000 Taxes due and payable November 1, 2000 (Crystal City)
2. \$49,366.40 - Mechanic's Lien filed August 23, 2000 by T. Luckey Sons. Inc. (Crystal City)
3. \$57,463.98 for 2000 Taxes due and payable prior to October 1, 2000 (Cherokee)
4. \$4,788.67 for 2001 Taxes not yet due and payable (Cherokee)

COMPANY CONTACT: Tony M. Shelby  
Chief Financial Officer  
(405) 235-4546

KCSA CONTACT: Leslie A. Schupak/Joe Mansi  
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OTC: LSB

LSB INDUSTRIES, INC. COMPLETES ACQUISITION  
OF CERTAIN LAROCHE ASSETS IN ORDER  
TO EXPAND ITS MARKET AREAS AND PRODUCT OFFERING

Oklahoma City, Oklahoma . . . November 3, 2000 . . . LSB Industries, Inc. (OTC Bulletin Board: LSB), through wholly owned subsidiaries, has completed the acquisition of certain assets located in Crystal City, Missouri and Cherokee, Alabama, of LaRoche Industries, Inc. ("LaRoche"). The acquisition was pursuant to an agreement between LSB and Orica USA, Inc. ("Orica"). Orica was the successful bidder in a court managed auction process to acquire the LaRoche nitrogen products businesses.

Under the terms of the court approved agreement, the LSB subsidiaries acquired the Crystal City and Cherokee assets directly from LaRoche. The assets acquired will be used in LSB's chemical business, which consists of the manufacture and sale of nitrogen products for the mining, agricultural and industrial markets.

Jack E. Golsen, Chairman and President of the Company, stated that "due to the sustained severe weather conditions in our traditional Texas agricultural markets over the last four years it is necessary to expand to other geographical areas and markets. These assets should allow us to enter new markets with weather patterns which differ from the Texas weather. In addition, our chemical business will now produce liquid nitrogen products as well as solid ammonium nitrate."

LSB Industries is a manufacturing, marketing, and engineering company with activities on a world-wide basis. The Company's principal business activities consist of the manufacture and sale of chemical products, the manufacture and sale of commercial and residential climate control products, the provision of specialized engineering services, and other activities.

This press release contains certain "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this press release other than statements of historical facts that address activities, events, or developments that the Company expects, believes, or anticipates will or may occur in the future are Forward-Looking Statements. This press release includes the Forward-Looking Statement that these assets should allow us to enter new markets. An important factor that could cause this Forward-Looking Statement to differ materially would be the inability of the Company to successfully sell these products in the new markets.

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