

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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 - 1998 (Larry Jewell)

(Full Title of Plan)

Heidi L. Brown, Esquire  
Vice President and  
Managing Counsel  
LSB INDUSTRIES, INC.  
16 South Pennsylvania  
Post Office Box 754  
Oklahoma City, Oklahoma 73101  
(405) 235-4546

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

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)	Amount of Registration fee
Common Stock to be issued under Non-Qualified Stock Option Agreements	50,000	\$4.1875	\$209,375	\$62

(1) Estimated in accordance with Rule 457(h) solely for the purpose of calculating the registration fee on the basis of \$4.1875, which is the exercise price of the options granted under the Non-Qualified Stock Option Agreement.

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

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

Explanatory Note: The Section 10(a) Prospectus being delivered by LSB Industries, Inc. (the "Company") to Larry Jewell, an employee of the Company or its subsidiaries, in connection with the Non-Qualified Stock Option Agreement - 1998 between Mr. Jewell and the Company has been prepared in accordance with the requirements of Form S-8 and relates to shares of common stock, par value \$.10 per share, of the Company which have been reserved for issuance pursuant to the Non-Qualified Stock Option Agreement - 1998. Information regarding the Non-Qualified Stock Option Agreement - 1998 required in the Section 10(a) Prospectus is included in the documents being maintained and delivered by the Company as required by Rule 428 under the Securities Act of 1933, as amended (the "Act"). The Company will provide to Mr. Jewell a written statement advising him of the availability without charge, upon written or oral request, of documents incorporated by reference herein, as required by Item 2 of Part I of Form S-8. Upon request, the Company will furnish to the Securities and Exchange Commission or its staff a copy or copies of all the documents included in such file.

PART II  
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

This Registration Statement incorporates herein by reference the following documents and information which have been filed by LSB Industries, Inc. (the "Company") with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

- (1) The Company's Annual Report on Form 10-K for the year ending December 31, 1997.
- (2) The Company's Annual Report on Form 10-K/A for the year ending December 31, 1997.
- (3) The Company's Quarterly Report on Form 10-Q for the three months ending March 31, 1998.
- (4) The Company's Amended Quarterly Report on Form 10-Q/A for the three months ending March 31, 1998.



- (5) The Company's Quarterly Report on Form 10-Q for the three months ending June 30, 1998.
- (6) 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 documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act on or 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.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Counsel for the Company, Conner & Winters, A Professional Corporation, One Leadership Square, Suite 1700, 211 North Robinson, Oklahoma City, Oklahoma 73102, has rendered an opinion as to the Common Stock offered hereby. As of the date of this Registration Statement, Irwin H. Steinhorn, a member of Conner & Winters, beneficially owned 6,250 shares of the Company's Common Stock.

Item 6. Indemnification of Directors and Officers.

The Company's Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability (a) for any breach of their duty of loyalty to the company or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (c) for unlawful payments or dividends or unlawful stock repurchases or redemptions as provided Section 174 of Delaware General Corporation Law or (d) for transactions from which the director derived an improper personal benefit.

The Company carries officer and director liability insurance with respect to certain matters, including matters arising under the Securities Act of 1933, as amended (the "Securities Act").

Insofar as indemnification for liabilities arising under the Securities Act is permitted to directors and officers of the Corporation pursuant to the foregoing provisions, or otherwise, the Company has been informed that in the opinion of the Commission such indemnification is against public policy, as expressed in the Securities Act, and is therefore unenforceable.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
5.1	Opinion of Conner & Winters, A Professional Corporation
15.1	Letter of Acknowledgment regarding unaudited interim financial information
23.1	Consent of Ernst & Young, LLP
23.2	Consent of Conner & Winters, A Professional Corporation (contained in Exhibit 5.1)
24.1	Power of Attorney (see page II-5)
99.1	Non-Qualified Stock Option Agreement, dated April 22, 1998, between the Company and Larry Jewell

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 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.
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, as amended (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 August 31, 1998.

LSB INDUSTRIES, INC.

By /s/ Jack E. Golsen

\_\_\_\_\_  
Jack E. Golsen, President and  
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jack E. Golsen and Heidi L. Brown, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Registration Statement on Form S-8 and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitution or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed on August 31, 1998, by the following persons in the capacities indicated:

/s/ Jack E. Golsen _____ Jack E. Golsen	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)
/s/ Tony M. Shelby _____ Tony M. Shelby	Senior Vice President of Finance and Director (Principal Financial Officer)
/s/ Jim D. Jones _____ Jim D. Jones	Vice President, Controller and Treasurer (Principal Accounting Officer)



<u>/s/ Raymond B. Ackerman</u> Raymond B. Ackerman	Director
<u>/s/ Robert C. Brown</u> Robert C. Brown	Director
<u>/s/ Gerald J. Gagner</u> Gerald J. Gagner	Director
<u>/s/ Barry H. Golsen</u> Barry H. Golsen	Director
<u>/s/ David R. Goss</u> David R. Goss	Director
<u>/s/ Bernard G. Ille</u> Bernard G. Ille	Director
<u>/s/ Donald W. Munson</u> Donald W. Munson	Director
<u>/s/ Horace G. Rhodes</u> Horace G. Rhodes	Director
<u>/s/ Jerome D. Shaffer</u> Jerome D. Shaffer	Director



## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Sequential Page Number</u>
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CONNER & WINTERS  
A PROFESSIONAL CORPORATION  
LAWYERS  
ONE LEADERSHIP SQUARE  
211 NORTH ROBINSON, SUITE 1700  
OKLAHOMA CITY, OKLAHOMA 73102-7101

September 1, 1998

LSB Industries, Inc.  
16 South Pennsylvania  
Post Office Box 754  
Oklahoma City, Oklahoma 73101

Re: LSB Industries, Inc.; Form S-8 Registration  
Statement; Non-Qualified Stock Option Agreement -  
1998 (Larry Jewell); Our File No. 7033.11

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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 50,000 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 - 1998, dated April 22, 1998, granted to Larry Jewell, an employee of the Company or the Company's wholly-owned subsidiaries (the "Non-Qualified Agreement").

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 Certificate of Incorporation, as amended;
- (b) Company's Bylaws, as amended;
- (c) the Non-Qualified Agreement;

LSB Industries, Inc.  
September 1, 1998  
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- (d) Resolutions of the Board of Directors of the Company, dated April 22, 1998;
- (e) Certificate of Good Standing of the Company issued by the Secretary of State of Delaware, on July 23, 1998;
- (f) Registration Statement; and
- (g) Summary Information regarding the Non-Qualified Agreement.

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 Agreement will have been issued pursuant to the terms of the Non-Qualified Agreement 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.

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 50,000 shares of Common Stock which may be issued pursuant to the Non-Qualified Agreement will constitute, when purchased and issued pursuant to the terms of the Non-Qualified Agreement, 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 and to the reference to Conner & Winters, a Professional Corporation, in Item 5 "Interests of Named Experts and Counsel" of the Registration Statement. However, in rendering this opinion, we do not admit that we are acting within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Act.

Very truly yours,

CONNER & WINTERS,  
a Professional Corporation

/s/ Conner & Winters, P. C.

IHS/MHB/plh

Letter of Acknowledgment Re: Unaudited Financial Information

The Board of Directors  
LSB Industries, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 333-\_\_\_\_\_) of LSB Industries, Inc. for the registration of 50,000 shares of its common stock under the Non-Qualified Stock Option Agreement-1998 (Larry Jewell) of LSB Industries, Inc. of our reports dated May 12, 1998 and August 14, 1998, relating to the unaudited condensed consolidated interim financial statements of LSB Industries, Inc. that are included in its Forms 10-Q, as amended, for the quarters ended March 31, 1998 and June 30, 1998.

Pursuant to Rule 436(c) of the Securities Act of 1933, our reports are not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Oklahoma City, Oklahoma  
August 24, 1998

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-\_\_\_\_\_) pertaining to the Non-Qualified Stock Option Agreement-1998 (Larry Jewell) of LSB Industries, Inc. of our report dated March 16, 1998, except for the fourth paragraph of Note 5(A), as to which the date is April 8, 1998, with respect to the consolidated financial statements and schedule of LSB Industries, Inc. included in its Annual Report (Form 10-K), as amended, for the year ended December 31, 1997, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Oklahoma City, Oklahoma  
August 24, 1998

This Non-Qualified Stock Option Agreement ("Option Agreement") made the 22nd day of April, 1998, between LSB Industries, Inc., a Delaware corporation, hereinafter called the "Company", and Larry Jewell, 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 Company is presently employing the Optionee as its employee at a Subsidiary (as defined below) of the Company and 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 Board of Directors of the Company has adopted and granted this option on this 22nd day of April, 1998.

2. Obligations. This Option Agreement shall not impose upon the Company or any Subsidiary of the Company 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 of the Company. If Optionee shall leave the employ of the Company for any reason, the option granted herein shall immediately terminate, except as otherwise expressly provided in Section 4 hereof.

3. 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 22nd day of April, 1998, the right, privilege and option to purchase Fifty Thousand (50,000) shares of the Company's common stock, par value \$.10, at an option price of \$4.1875 a share (the "Exercise Price), such Exercise Price being one hundred percent (100%) of the Fair Market Value of the Common Stock as determined at the close of the business on the 22nd day of April, 1998. 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".

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, may exercise the option as follows: at any time after one (1) year of continuous

employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after two (2) years of continuous employment by the Optionee as an employee for and on behalf of the Company or a Subsidiary of the Company from the date of this Option Agreement, it may be exercised by the Optionee as to an additional ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after three (3) years of continuous employment by the Optionee as an employee for and on behalf of the Company or a Subsidiary of the Company from the date of this Option Agreement, it may be exercised by the Optionee as to an additional ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after four (4) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3



hereof; at any time after five (5) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after six (6) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after seven (7) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after eight (8) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; at any time after nine (9) years of continuous employment as an employee for and on behalf of the Company or any Subsidiary of the Company by the Optionee from the date of this Option Agreement, it may be exercised by the Optionee as to not more than ten percent (10%) of the total number of shares set forth in Section 3 hereof; and at any time after ten (10) years of continuous employment by the Optionee as an employee for and on behalf of the Company or a Subsidiary of the Company from the date of this Option Agreement, it may be exercised by the Optionee, in whole or in part, as to the remaining shares. The right to exercise the option granted herein shall be cumulative.

(b) As a Former Employee. 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 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:

- (1) the Optionee died while an employee of the Company or a Subsidiary; or
- (2) 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 from the Date of Grant.

(d) Acceleration and Continuous Employment. The Board of Directors of the Company 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 of the Company, which decision shall be binding for the purpose of this Option Agreement.

#### 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 option 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 operation (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 its 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. 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 any reason whatsoever, with or without cause, as an employee for the Company or any subsidiary of the Company; or

(c) On the tenth anniversary of the date of this Agreement; or

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

7. Restrictions.

(a) The Option will not be transferrable 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.

(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.

8. 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 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, whose determination in that respect shall be final, binding and conclusive.

Except as hereinabove expressly provided in this Section 8, 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 share 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.

9. Compliance with Law and Approval of Regulatory Bodies. 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.

10. 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.

11. Interpretation, Other Restrictions and Legends.

(a) The Board of Directors of the Company 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.

(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."

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

(a) The term "Subsidiary" or "Subsidiary Corporation" 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 and to perform such work or services not less than forty (40) hours each week of the year.



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, President

ATTEST:

\_\_\_\_\_  
Secretary

[SEAL]

"OPTIONEE"

/s/ Larry Jewell

\_\_\_\_\_  
Larry Jewell