
**UNITED STATES
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): April 3, 2014

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 Avenue, 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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 1 – Registrant’s Business and Operations

Item 1.01. Entry into a Material Definitive Agreement.

Agreement with Starboard Value

On April 3, 2014, LSB Industries, Inc. (the “Company”) entered into an agreement (the “Starboard Agreement”) with Starboard Value LP, and certain of its affiliates (collectively, “Starboard”). Pursuant to the Starboard Agreement, Starboard has agreed to irrevocably withdraw a nomination notice which Starboard had confidentially submitted to the Company in January 2014. Starboard further agrees, among other things, not to nominate or recommend any person for election to the Company’s board of directors (the “Board”) at the 2014 annual meeting or submit any proposal for consideration at the 2014 annual meeting.

Pursuant to the Starboard Agreement, the Company has agreed to (i) nominate each of Messrs. Daniel D. Greenwell and William F. Murdy for election to the Board at the Company’s 2014 annual meeting and (ii) elect Mr. Richard S. Sanders, Jr. to the Board effective as of the date of the 2014 annual meeting to fill a vacancy on the Board as discussed in Item 5.02 below. In addition to any other committee assignments the Board may make, Mr. Greenwell will be appointed to the Audit Committee and Mr. Murdy will be appointed to the Compensation Committee.

In addition, the Company has agreed that Messrs. Greenwell and Murdy will be appointed to a committee of the Board entitled the “Strategic Committee” which the Company will form promptly following the 2014 annual meeting. The responsibilities of the Strategic Committee will be to evaluate certain strategic proposals made to the Company by Starboard and by Engine Capital, L.P. and to make a recommendation to the board regarding these proposals. In addition to Messrs. Greenwell and Murdy, the Strategic Committee will consist of two additional members to be selected by the Board.

For a period lasting until the earlier of 15 business days prior to the Company’s 2015 annual meeting or 135 days prior to the anniversary of the 2014 annual meeting, Starboard has agreed to certain customary standstill provisions, which prohibits Starboard from taking specified actions with respect to the Company and its securities, including, among others: (i) soliciting or participating in the solicitation of proxies, (ii) joining any “Group” or becoming party to any voting arrangement or agreement (iii) seeking or encouraging others to submit nominations for election or removal of directors, (iv) making stockholder proposals or offers with respect to mergers, acquisitions and other combinations or (v) seeking board representation other than as provided in the Starboard Agreement.

The above summary is qualified in its entirety by reference to the full text of the Starboard Agreement, a copy of which is filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

Agreement with Engine Capital and Red Alder

Also on April 3, 2014, the Company entered into an agreement (the “Engine Agreement”) with Engine Capital, L.P., Red Alder, LLC and certain of their respective affiliates (collectively, “Engine”). Pursuant to the Engine Agreement, Engine has agreed to irrevocably withdraw a nomination notice which Engine had submitted to the Company in January 2014. Engine further agrees, among other things, not to nominate or recommend any person for election to the Board at the 2014 annual meeting or submit any proposal for consideration at the 2014 annual meeting.

Pursuant to the Engine Agreement, the Company has made the same agreement with respect to the election of Mr. Sanders to the Board as in the Starboard Agreement.

For a period lasting until the earlier of 15 business days prior to the Company’s 2015 annual meeting or 135 days prior to the anniversary of the 2014 annual meeting, Engine has agreed to certain customary standstill provisions, which prohibits Engine from taking specified actions with respect to the Company and its securities, including, among others: (i) soliciting or participating in the solicitation of proxies, (ii) joining any “Group” or becoming party to any voting arrangement or agreement (iii) seeking or encouraging others to submit nominations for election or removal of directors, (iv) making stockholder proposals or offers with respect to mergers, acquisitions and other combinations or (v) seeking board representation other than as provided in the Engine Agreement.

The above summary is qualified in its entirety by reference to the full text of the Engine Agreement, a copy of which is filed as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

Section 5 – Corporate Governance and Management

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

In order to reach agreement with Starboard, the Company committed in the Starboard Agreement that (i) it would not nominate Messrs. Donald W. Munson and Ronald V. Perry for reelection to the Board at the 2014 annual meeting and (ii) Mr. Sanders would fill the vacancy created by John A. Shelley's retirement from the Board, which will be evidenced by a resignation that will be effective no later than the 2014 annual meeting.

Section 7 – Regulation FD

Item 7.01. Regulation FD Disclosure.

On April 3, 2014, the Company issued a press release announcing the execution of the Starboard Agreement and the Engine Agreement, the upcoming retirement of Messrs. Munson, Perry and Shelley and certain other matters. A copy of the press release is furnished as Exhibit 99.3 to this Current Report on Form 8-K.

The information in this Item 7.01, including Exhibit 99.3, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. Such information shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference to this Current Report on Form 8-K in such a filing.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 99.1 Agreement by and among the Company and Starboard Value LP, and certain of its affiliates, dated April 3, 2014
- 99.2 Agreement by and among the Company and Engine Capital, L.P., Red Alder, LLC, and certain of their respective affiliates, dated April 3, 2014
- 99.3 Press Release, dated April 3, 2014

SIGNATURES

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

Dated: April 4, 2014

LSB INDUSTRIES, INC.

By: /s/ Tony M. Shelby

Name: Tony M. Shelby

Title: Executive Vice President and
Chief Financial Officer

AGREEMENT

This Agreement (this "Agreement") is made and entered into as of April 3, 2014, by and among LSB Industries, Inc. (the "Company") and the entities and natural persons listed on Exhibit A hereto and their respective Affiliates and Associates (collectively, "Starboard") (each of the Company and Starboard, a "Party" to this Agreement, and collectively, the "Parties").

RECITALS

WHEREAS, the Company and Starboard have engaged in discussions and communications concerning the Company's business, financial performance and strategic plans;

WHEREAS, Starboard is deemed to beneficially own shares of common stock of the Company (the "Common Stock") totaling, in the aggregate, one million one hundred fifteen thousand (1,115,000) shares, or approximately four and nine tenths percent (4.9%), of the Common Stock of the Company issued and outstanding on the date of this Agreement;

WHEREAS, Starboard confidentially submitted a nomination letter to the Company on January 23, 2014 (the "Nomination Letter") nominating director candidates to be elected to the Company's board of directors (the "Board") at the 2014 annual meeting of stockholders of the Company (the "2014 Annual Meeting"); and

WHEREAS, the Company and Starboard have determined to come to an agreement with respect to the election of members of the Board at the 2014 Annual Meeting, the election by the Board of a new director (replacing a director whose term would have expired at the 2015 annual meeting of stockholders of the Company (the "2015 Annual Meeting")), certain matters related to the 2014 Annual Meeting and certain other matters, as provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Section 1. Board Matters; Board Appointments; 2014 Annual Meeting.

(a) The Company agrees that the Board and all applicable committees of the Board shall take all necessary actions to nominate each of, and only, the following three individuals for election to the Board at the 2014 Annual Meeting: Daniel D. Greenwell ("Mr. Greenwell"), William F. Murdy ("Mr. Murdy," and with Mr. Greenwell, the "New Appointees") and Robert H. Henry, an incumbent director. Each New Appointee and Mr. Henry shall be designated as a nominee for the class of directors with terms expiring at the 2017 annual meeting of stockholders (the "2017 Annual Meeting"). For avoidance of doubt, and to settle this matter, the Company agrees that it shall not nominate either of Donald W. Munson or Ronald V. Perry to stand for reelection to the Board at the 2014 Annual Meeting and that the New Appointees shall fill the resulting vacancies upon their election to the Board by the Company's stockholders.

(b) The Company agrees that the Board and all applicable committees of the Board shall take all necessary actions to elect Richard S. Sanders, Jr., to the class of directors with terms expiring at the 2015 Annual Meeting, effective the date of the 2014 Annual Meeting. For avoidance of doubt, the Company agrees that Mr. Sanders shall fill the vacancy created by John A. Shelley's retirement, which shall be evidenced by a resignation that will be effective no later than the date of the 2014 Annual Meeting.

(c) The New Appointees, and Messrs. Henry and Sanders, in addition to all current directors, will be required to: (i) comply with all policies, procedures, processes, codes, rules, standards and guidelines applicable to members of the Board; (ii) to keep confidential all Company confidential information and to not disclose to any third parties (including Starboard) discussions or matters considered in meetings of the Board or Board committees; and (iii) complete the Company's standard director & officer questionnaire and other reasonable and customary director onboarding documentation (including a representation agreement) required by the Company in connection with the election of Board members.

(d) Upon the execution of this Agreement, Starboard irrevocably withdraws its Nomination Letter and Starboard agrees not to (i) nominate any person for election at the 2014 Annual Meeting, (ii) submit any proposal for consideration at, or bring any other business before, the 2014 Annual Meeting, directly or indirectly, or (iii) initiate, encourage or participate in any "withhold" or similar campaign with respect to the 2014 Annual Meeting, directly or indirectly, and shall not permit any of its Affiliates or Associates to do any of the items in this Section 1(d). Starboard agrees that it will not publicly or privately encourage or support any other stockholder or person to take any of the actions described in this Section 1(d).

(e) The Company agrees that it will recommend, support and solicit proxies for the election of the New Appointees at the 2014 Annual Meeting in the same manner as Mr. Henry.

(f) The Company agrees that if either of the New Appointees or any Replacement Director (as defined below) is unable to serve as a director, resigns as a director or is removed as a director prior to the end of the Standstill Period (as defined below), and at such time Starboard beneficially owns in the aggregate at least the lesser of 3.0% of the Company's then outstanding Common Stock and 676,039 shares of Common Stock (subject to adjustment for stock splits, reclassifications, combinations and similar adjustments) (the "Minimum Ownership Level"), the Company and Starboard shall discuss in good faith the mutual recommendation to the Nominating and Corporate Governance Committee of the Board (the "Governance Committee") of the appointment of a substitute person to fill the resulting vacancy in the class of directors with terms expiring at the 2017 Annual Meeting, which person shall (i) be independent of Starboard, (ii) qualify as "independent" pursuant to NYSE listing standards, and (iii) have relevant financial and business experience. The appointment of any such person to the Board will be subject to the approval of the Governance Committee, in its discretion, after exercising its fiduciary duties in good faith, which approval shall not be unreasonably withheld (any such replacement nominee appointed in accordance with the terms of this Section 1(f) shall be referred to as a "Replacement Director"). In the event the Governance Committee does not accept a substitute person recommended by Starboard, Starboard will have the right to recommend additional substitute person(s), who will also be independent of Starboard, qualify as

“independent” pursuant to NYSE listing standards, and have relevant financial and business experience, and whose appointment shall be subject to the approval of the Governance Committee, in its discretion, after exercising its fiduciary duties in good faith, which approval shall not be unreasonably withheld. Upon the acceptance of a Replacement Director nominee by the Governance Committee, the Board will appoint such Replacement Director to the Board no later than five (5) business days after the Governance Committee recommendation of such Replacement Director.

(g) Starboard agrees to appear in person or by proxy at the 2014 Annual Meeting and vote all shares of Common Stock beneficially owned by it (i) in favor of the election of each of the Company’s nominees for election to the Board and (ii) in accordance with the Board’s recommendation with respect to the Company’s “say-on-pay” proposal unless Institutional Shareholder Services Inc. recommends against the “say-on-pay” proposal.

(h) Starboard agrees that it will cause its Affiliates and Associates to comply with the terms of this Agreement. As used in this Agreement, the terms “Affiliate” and “Associate” shall have the respective meanings set forth in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or the rules or regulations promulgated thereunder (the “Exchange Act”) and shall include all persons or entities that at any time during the term of this Agreement become Affiliates or Associates of any person or entity referred to in this Agreement.

(i) As of the date of this Agreement, the New Appointees and Mr. Sanders are appointed as observers to the Board (the “Board Observers”) until the 2014 Annual Meeting. Each of the Board Observers will (i) receive copies of all notices and written information furnished to the full Board, reasonably in advance of each meeting to the extent practicable, and (ii) be permitted to be present at all meetings of the full Board . Notwithstanding the foregoing, (A) the Company shall be entitled to withhold any information and exclude the Board Observers from any meeting, or any portion thereof, as is reasonably determined by the Company to be necessary to protect the Company’s attorney-client privilege, or as otherwise may be appropriate until the New Appointees and Mr. Sanders are elected to the Board, and (B) the Board Observers shall execute a confidentiality agreement in form and substance reasonably acceptable to the Company with respect to the information and discussions to which the Board Observers will have access.

(j) The Company shall use its reasonable best efforts to hold the 2014 Annual Meeting no later than June 20, 2014.

(k) The Company agrees that prior to the 2015 Annual Meeting, the Board and all applicable committees of the Board shall not (i) increase the size of the Board to more than ten (10) directors or (ii) seek to change the classes on which the Board members serve.

(l) The Company agrees that promptly following the conclusion of the 2014 Annual Meeting, the Board will take all action necessary in furtherance of (i) the appointment of Mr. Murdy to the Compensation Committee of the Board and (ii) the appointment of Mr. Greenwell to the Audit Committee of the Board.

(m) The Company agrees that promptly following the conclusion of the 2014 Annual Meeting, the Board will take all action necessary in furtherance of the creation of an independent advisory committee of the Board which shall be entitled the “Strategic Committee” and shall consist of four members, two of whom shall be the New Appointees and two of whom shall be independent directors selected by the Board in its sole discretion. The responsibilities of the Strategic Committee will be as set forth in the Strategic Committee’s charter, the provisions of which shall be determined by the members of the Strategic Committee at its first meeting following the 2014 Annual Meeting, subject to approval by the Board (which approval will not be unreasonably withheld), and shall be limited to the evaluation of, and making a recommendation to the Board with respect to, the strategic matters set forth in clauses (ii) and (iii) of the second paragraph of Starboard’s letter to the Company dated January 23, 2014 accompanying the Nomination Letter and the same matters set forth in the open letter of Engine Capital LP to the Company’s stockholders dated December 30, 2013.

Section 2. Standstill Provisions.

(a) Starboard agrees that, from the date of this Agreement until the earlier of (i) the date that is fifteen (15) business days prior to the deadline for the submission of stockholder nominations for the 2015 Annual Meeting pursuant to the Company’s bylaws or (ii) the date that is one hundred thirty-five (135) days prior to the first anniversary of the 2014 Annual Meeting (the “Standstill Period”), neither it nor any of its Affiliates or Associates will, and it will cause each of its Affiliates and Associates not to, directly or indirectly, in any manner:

(i) engage in any solicitation of proxies or consents or become a “participant” in a “solicitation” as such terms are defined in Regulation 14A under the Exchange Act of proxies or consents (including, without limitation, any solicitation of consents that seeks to call a special meeting of stockholders), in each case, with respect to securities of the Company;

(ii) form, join or in any way participate in any “group” (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the Common Stock (other than a “group” that includes all or some of the persons identified on Exhibit A, but does not include any other entities or persons not identified on Exhibit A as of the date hereof); provided, however, that nothing herein shall limit the ability of an Affiliate of Starboard to join the “group” following the execution of this Agreement, so long as any such Affiliate agrees to be bound by the terms and conditions of this Agreement;

(iii) deposit any Common Stock in any voting trust or subject any Common Stock to any arrangement or agreement with respect to the voting of any Common Stock, other than any such voting trust, arrangement or agreement solely among the members of Starboard and otherwise in accordance with this Agreement;

(iv) seek or encourage any person to submit nominations in furtherance of a “contested solicitation” for the election or removal of directors with respect to the Company or seek, encourage or take any other action with respect to the election or removal of any directors; provided, however, that nothing in this Agreement shall prevent Starboard or its Affiliates or Associates from taking actions in furtherance of identifying director candidates in

connection with the 2015 Annual Meeting so long as such actions do not create a public disclosure obligation for Starboard and are undertaken on a basis reasonably designed to be confidential and in accordance in all material respects with Starboard's normal practices in the circumstances;

(v) (A) make any proposal for consideration by stockholders at any annual or special meeting of stockholders of the Company, (B) make any offer or proposal (with or without conditions) with respect to a merger, acquisition, recapitalization, restructuring, disposition or other business combination involving Starboard and the Company, or (C) publicly comment on any third party proposal regarding any merger, acquisition, recapitalization, restructuring, disposition or other business combination with respect to the Company by such third party prior to such proposal becoming public;

(vi) seek, alone or in concert with others, representation on the Board, except as specifically contemplated in Section 1;

(vii) seek to advise, encourage, support or influence any person with respect to the voting or disposition of any securities of the Company at any annual or special meeting of stockholders, except in accordance with Section 1; or

(viii) make any request or submit any proposal to amend the terms of this Agreement other than through non-public communications with the Company that would not be reasonably determined to trigger public disclosure obligations for any Party.

(b) Except as expressly provided in Section 1 or Section 2(a), each member of Starboard shall be entitled to:

(i) vote its or his shares on any other proposal duly brought before the 2014 Annual Meeting, or otherwise vote as each member of Starboard determines in its or his sole discretion; or

(ii) disclose, publicly or otherwise, how it intends to vote or act with respect to any securities of the Company, any stockholder proposal or other matter to be voted on by the stockholders of the Company and the reasons therefor; provided that, as applicable, all such activity is in compliance with the requirements of this Agreement.

(c) The Company agrees that it shall provide Starboard written notice of the date set for the 2015 Annual Meeting at least fifteen (15) business days prior to the date that is one hundred twenty (120) days prior to the 2015 Annual Meeting.

Section 3. Representations and Warranties of the Company. The Company represents and warrants to Starboard that (a) the Company has the corporate power and authority to execute this Agreement and to bind it thereto, (b) this Agreement has been duly and validly authorized, executed and delivered by the Company, constitutes a valid and binding obligation and agreement of the Company, and is enforceable against the Company in accordance with its terms, and (c) the execution, delivery and performance of this Agreement by the Company does not and will not violate or conflict with (i) any law, rule, regulation, order, judgment or decree

applicable to the Company, or (ii) result in any breach or violation of or constitute a default (or an event which with notice or lapse of time or both could constitute such a breach, violation or default) under or pursuant to, or result in the loss of a material benefit under, or give any right of termination, amendment, acceleration or cancellation of, any organizational document, agreement, contract, commitment, understanding or arrangement to which the Company is a party or by which it is bound.

Section 4. Representations and Warranties of Starboard. Starboard represents and warrants to the Company that (a) the authorized signatory of Starboard set forth on the signature page hereto has the power and authority to execute this Agreement and any other documents or agreements to be entered into in connection with this Agreement and to bind it thereto, (b) this Agreement has been duly authorized, executed and delivered by Starboard, and is a valid and binding obligation of Starboard, enforceable against Starboard in accordance with its terms, (c) the execution of this Agreement, the consummation of any of the transactions contemplated hereby, and the fulfillment of the terms hereof, in each case in accordance with the terms hereof, will not conflict with, or result in a breach or violation of the organizational documents of Starboard as currently in effect, (d) the execution, delivery and performance of this Agreement by Starboard does not and will not violate or conflict with (i) any law, rule, regulation, order, judgment or decree applicable to Starboard, or (ii) result in any breach or violation of or constitute a default (or an event which with notice or lapse of time or both could constitute such a breach, violation or default) under or pursuant to, or result in the loss of a material benefit under, or give any right of termination, amendment, acceleration or cancellation of, any organizational document, agreement, contract, commitment, understanding or arrangement to which such member is a party or by which it is bound, and (e) as of the date of this Agreement, (i) Starboard is deemed to beneficially own in the aggregate one million one hundred fifteen thousand (1,115,000) shares of Common Stock and (ii) Starboard does not currently have, and does not currently have any right to acquire, any interest in any other securities of the Company (or any rights, options or other securities convertible into or exercisable or exchangeable (whether or not convertible, exercisable or exchangeable immediately or only after the passage of time or the occurrence of a specified event) for such securities or any obligations measured by the price or value of any securities of the Company or any of its Affiliates, including any swaps or other derivative arrangements designed to produce economic benefits and risks that correspond to the ownership of Common Stock, whether or not any of the foregoing would give rise to beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), and whether or not to be settled by delivery of Common Stock, payment of cash or by other consideration, and without regard to any short position under any such contract or arrangement).

Section 5. Press Release. Promptly following the execution of this Agreement, the Company shall issue a mutually agreeable press release (the "Press Release") announcing certain terms of this Agreement, in the form attached as Exhibit B. Prior to the issuance of the Press Release, neither the Company nor Starboard shall issue any press release or public announcement regarding this Agreement without the prior written consent of the other Party. Until the 2014 Annual Meeting, neither the Company nor Starboard nor the New Appointees shall make any public announcement or statement that is inconsistent with or contrary to the statements made in the Press Release, except as required by law or the rules of any stock exchange or with the prior written consent of the other Party.

Section 6. Specific Performance. Each of Starboard, on the one hand, and the Company, on the other hand, acknowledges and agrees that irreparable injury to the other party hereto would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that such injury would not be adequately compensable by the remedies available at law (including the payment of money damages). It is accordingly agreed that Starboard, on the one hand, and the Company, on the other hand (the "Moving Party"), shall each be entitled to specific enforcement of, and injunctive relief to prevent any violation of, the terms hereof, and the other party hereto will not take action, directly or indirectly, in opposition to the Moving Party seeking such relief on the grounds that any other remedy or relief is available at law or in equity. This Section 6 is not the exclusive remedy for any violation of this Agreement.

Section 7. Expenses. The Company shall reimburse Starboard for its reasonable, documented out-of-pocket fees and expenses (including legal expenses) incurred in connection with the matters related to the 2014 Annual Meeting and the negotiation and execution of this Agreement, provided that such reimbursement shall not exceed eighty thousand dollars (\$80,000) in the aggregate.

Section 8. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the Parties that the Parties would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable. In addition, the Parties agree to use their respective best efforts to agree upon and substitute a valid and enforceable term, provision, covenant or restriction for any of such that is held invalid, void or enforceable by a court of competent jurisdiction.

Section 9. Notices. Any notices, consents, determinations, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

LSB Industries, Inc.
16 South Pennsylvania Avenue
Oklahoma City, Oklahoma 73107
Attention: David M. Shear, Esq.
Telephone: (405) 235-4546
Facsimile: (405) 236-1209

with a copy (which shall not constitute notice) to:

Conner & Winters, LLP
1700 One Leadership Square
211 North Robinson
Oklahoma City, Oklahoma 73102
Attention: Irwin Steinhorn,
Esq. Mark Bennett, Esq.
Telephone: (405) 272-5750
Facsimile: (405) 232-2695

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: David A. Katz, Esq.
Gregory E. Ostling, Esq.
Telephone: (212) 403-1000
Facsimile: (212) 403-2000

If to Starboard or any member thereof:

Starboard Value and Opportunity Master Fund Ltd
c/o Starboard Value LP
830 Third Avenue, 3rd Floor
New York, New York 10022
Attention: Jeffrey C. Smith
Telephone: (212) 845-7955
Facsimile: (212) 845-7988

with a copy (which shall not constitute notice) to:

Olshan Frome Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Attention: Steve Wolosky, Esq.
Andrew Freedman, Esq.
Telephone: (212) 451-2300
Facsimile: (212) 451-2222

Section 10. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without reference to the conflict of laws principles thereof. Each of the Parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising

hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereto hereby irrevocably submits, with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement in any court other than the aforesaid courts. Each of the Parties hereto hereby irrevocably waives, and agrees not to assert in any action or proceeding with respect to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) to the fullest extent permitted by applicable legal requirements, any claim that (A) the suit, action or proceeding in such court is brought in an inconvenient forum, (B) the venue of such suit, action or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Party (including by means of electronic delivery or facsimile).

Section 12. Entire Agreement; Amendment and Waiver; Successors and Assigns; Third Party Beneficiaries. This Agreement contains the entire understanding of the Parties hereto with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings between the Parties other than those expressly set forth herein. No modifications of this Agreement can be made except in writing signed by an authorized representative of each the Company and Starboard, except that the signature of an authorized representative of the Company will not be required to permit an Affiliate of Starboard to agree to be listed on Exhibit A and be bound by the terms and conditions of this Agreement. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. The terms and conditions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors, heirs, executors, legal representatives, and permitted assigns. No Party shall assign this Agreement or any rights or obligations hereunder without, with respect to any member of Starboard, the prior written consent of the Company, and with respect to the Company, the prior written consent of Starboard. This Agreement is solely for the benefit of the Parties and is not enforceable by any other persons.

Section 13. Mutual Non-Disparagement. Subject to applicable law, each of the Parties covenants and agrees that, during the Standstill Period, or if earlier, until such time as the other Party or any of its agents, subsidiaries, affiliates, successors, assigns, officers, key employees or directors shall have breached this Section 13, neither it nor any of its respective agents, subsidiaries, affiliates, successors, assigns, officers, key employees or directors, shall in any way publicly disparage, call into disrepute, or otherwise defame or slander the other Parties or such other Parties' subsidiaries, affiliates, successors, assigns, officers (including any current officer of a Party or a Parties' subsidiaries who no longer serves in such capacity following the execution of this Agreement), directors (including any current director of a Party or a Parties' subsidiaries who no longer serves in such capacity following the execution of this Agreement), employees, stockholders, agents, attorneys or representatives, or any of their products or services, in any manner that would damage the business or reputation of such other Parties, their products or services or their subsidiaries, affiliates, successors, assigns, officers (or former officers), directors (or former directors), employees, stockholders, agents, attorneys or representatives. For purposes of this Section 13, the New Appointees (or, if applicable, the Replacement Director(s)) will not be deemed to be an affiliate of the Company or Starboard and no actions taken by any director, agent or other representative of a Party in any capacity other than as a representative of, and at the direction of, such Party will be covered by this Agreement.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized signatories of the Parties as of the date hereof.

LSB INDUSTRIES, INC.

By: /s/ Jack E. Golsen
Name: Jack E. Golsen
Title: Chief Executive Officer

STARBOARD:

STARBOARD VALUE AND OPPORTUNITY MASTER
FUND LTD

By: Starboard Value LP, its investment manager

STARBOARD VALUE AND OPPORTUNITY S LLC

By: Starboard Value LP, its manager

STARBOARD VALUE AND OPPORTUNITY C LP

By: Starboard Value R LP, its general partner

STARBOARD VALUE R LP

By: Starboard Value R GP LLC, its general partner

STARBOARD VALUE R GP LLC

By: Starboard Principal Co LP, its member

STARBOARD VALUE LP

By: Starboard Value GP LLC, its General Partner

STARBOARD VALUE GP LLC

By: Starboard Value Principal Co LP its member

STARBOARD PRINCIPAL CO LP

By: Starboard Principal Co GP LLC, its general partner

STARBOARD PRINCIPAL CO GP LLC

STARBOARD VALUE A GP LLC

STARBOARD VALUE R GP LLC

By: /s/ Jeffrey C. Smith
Name: Jeffrey C. Smith
Title: Authorized Signatory

[Signature Page to Agreement]

EXHIBIT A

STARBOARD

STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD

STARBOARD VALUE AND OPPORTUNITY S LLC

STARBOARD VALUE AND OPPORTUNITY C LP

STARBOARD VALUE R LP

STARBOARD VALUE R GP LLC

STARBOARD VALUE LP

STARBOARD VALUE GP

STARBOARD PRINCIPAL CO LP

PRINCIPAL GP

JEFFREY C. SMITH

MARK R. MITCHELL

PETER A. FELD

EXHIBIT B

PRESS RELEASE

[See Attached]

LSB Industries and Starboard Value Reach Agreement

Company to Add Daniel D. Greenwell, William F. Murdy and Richard S. Sanders, Jr. to Board of Directors in Connection with 2014 Annual Meeting; Board Size to Remain at Ten

OKLAHOMA CITY – April 3, 2014 – LSB Industries, Inc. (NYSE: LXU) (“LSB”) today announced that it will nominate Daniel D. Greenwell and William F. Murdy for election to LSB’s Board of Directors at the Company’s upcoming 2014 Annual Meeting of Stockholders. In addition, Richard S. Sanders, Jr. will be appointed to the Board, effective as of the date of the 2014 Annual Meeting, to fill a vacancy in the class of directors whose term expires at the 2015 Annual Meeting of Stockholders. Incumbent directors Donald W. Munson and Ronald V. Perry have informed the Company that they will not stand for reelection at the 2014 Annual Meeting and John A. Shelley, a director in the class whose term expires at the 2015 Annual Meeting, has informed the Company that he will retire from the Board, effective as of the date of the 2014 Annual Meeting.

“We are pleased to have reached agreement on the composition of the Board,” said Jack Golsen, LSB’s Board Chairman and CEO. “We remain committed to enhancing stockholder value, and we believe the improvements we are making to increase capacity, upgrade facilities and stabilize operating performance will improve earnings, positioning LSB for enhanced growth and profitability.”

Mr. Golsen continued, “On behalf of the entire Board, I would also like to thank Messrs. Munson, Perry and Shelley for their dedicated service and contributions to the Board and LSB over many years.”

In connection with today’s announcement, LSB has entered into an agreement with Starboard Value LP (“Starboard”), which beneficially owns approximately 4.9% of the Company’s outstanding shares. Under the agreement, Starboard has agreed, among other things, not to solicit proxies or participate in any “withhold” campaign in connection with the 2014 Annual Meeting and to vote its shares in support of all of the Company’s director nominees. Starboard has also agreed to vote all of its shares in accordance with the Board’s recommendation with respect to the Company’s say-on-pay proposal, subject to the recommendation of Institutional Shareholder Services.

In addition, the Company will establish a Strategic Committee following the 2014 Annual Meeting, which will provide the Board with recommendations related to strategic matters. The Strategic Committee will be composed of four Board members, including Messrs. Greenwell and Murdy and two members who will be selected by the Board.

Jeff Smith, CEO of Starboard, stated, “We are pleased to be able to work constructively with LSB and look forward to substantial improvement and value creation. We believe that the new members on the Board will bring new energy and ideas along with their substantial industry expertise in order to help the Company maximize value for LSB stockholders. Dan Greenwell’s and Richard Sanders’ extensive operational and financial experience as senior executives of highly successful nitrogen fertilizer companies, and Bill Murdy’s experience as CEO of a leading

climate control company, will be of great value to the company as LSB focuses on improving performance. Additionally, we expect the strategic committee to immediately analyze strategic, structural, operational, and financial opportunities with a fresh perspective in order to recommend to the board the best opportunities to maximize value for shareholders.”

In connection with today’s announcement, Engine Capital and Red Alder (collectively, “Engine”), which beneficially own approximately 0.9% of the Company’s outstanding shares, entered into an agreement with the Company, whereby Engine has withdrawn its nominations notice and agreed to vote its shares in support of all of the Company’s director nominees.

Arnaud Ajdler, Managing Partner of Engine said, “We believe that the addition of these independent individuals to the LSB Board will benefit LSB stockholders.”

Messrs. Greenwell and Murdy will be designated as nominees for the class of directors with terms expiring at the 2017 Annual Meeting of Stockholders. Mr. Sanders will become a member of the Board, effective as of the date of the 2014 Annual Meeting, in the class of directors with terms expiring at the 2015 Annual Meeting, to fill the vacancy created by Mr. Shelley’s retirement. The Company expects to hold the 2014 Annual Meeting no later than June 20, 2014.

Credit Suisse is serving as financial advisor to LSB and Wachtell, Lipton, Rosen & Katz and Conner & Winters, LLP are acting as legal advisors.

About Daniel D. Greenwell

Daniel D. Greenwell, 51, has served as the Chief Financial Officer and Executive Vice President of Sabre Industries Inc., a private equity-held manufacturer of utility and cell towers, since April 2013. In his current position, Mr. Greenwell focuses on operational change and value creation opportunities and is responsible for all financial aspects of a fast-growing manufacturing and service business. From January 2012 until March 2013, Mr. Greenwell served as Senior Vice President and Chief Financial Officer of Tronox Limited, a leading global producer and marketer of titanium dioxide pigment. Prior to that, Mr. Greenwell served as Corporate Controller and Senior Vice President and Chief Financial Officer of Terra Industries, Inc., from 2005 until its acquisition by CF Industries Holdings Inc. in April 2010. He also served on the Board of Directors of Terra Nitrogen Company, L.P., a Master Limited Partnership, from March 2008 until April 2010.

Mr. Greenwell has over 20 years of industrial, financial and operational experience and has held various senior leadership positions at a number of public companies, including Belden Inc., Zoltek Companies Inc., and Sigma Chemical Company. He also served as Senior Manager of KPMG from 1985 to 1992. Mr. Greenwell is a Certified Public Accountant. He received a Bachelor of Science degree in Accounting from Truman State University.

About William F. Murdy

William F. Murdy, 72, has served as the Chairman of the Board of Directors of Comfort Systems USA, Inc. since June 2000. Mr. Murdy previously served as the Chief Executive Officer of Comfort Systems from June 2000 until December 2011. Over the course of his career, Mr. Murdy has served in a variety of senior leadership roles, including as President and CEO of Club

Quarters from 1999 to 2000, President, CEO, Co-Founder and Chairman of the Board of LandCare USA, Inc. from 1998 until it was acquired by The ServiceMaster Co. in 1999, President and CEO of General Investment and Development Company from 1989 through 1997. From 1981 to 1989, Mr. Murdy served as the Managing General Partner of the Morgan Stanley Venture Capital Fund and its associated management company based in New York City. Mr. Murdy currently serves as a Director of UIL Holdings Corporation where he is Chair of the Compensation Committee and serves on the Audit Committee. Mr. Murdy also serves as a Director of Kaiser Aluminum Corporation, where he is Chair of the Compensation Committee and serves on the Nominating and Corporate Governance Committee.

In addition, Mr. Murdy serves on the Advisory Board of CapStreet Partners and is a former member of the Advisory Board of Chicago Growth Partners. He is also the Founder and former Chairman of Warrior Gateway (connecting Veterans with services), Vice-Chairman and a member of the Executive Committee of the Board of Business Executives for National Security (BENS) and a former member of the Board of Visitors for West Point. At West Point today, he is an emeritus member of the Board of Trustees of the West Point Association of Graduates and a principal and Chairman of the Hotel Thayer and Chairman of its associated Thayer Leader Development Group, which provides corporate executive leader development. Mr. Murdy holds a Bachelor of Science degree in Engineering from the U.S. Military Academy, West Point, and a Master's degree in Business Administration from the Harvard Business School.

About Richard S. Sanders, Jr.

Mr. Richard S. Sanders, Jr., 57, served as Vice President of Manufacturing of Terra Industries Inc. from 2003 until the acquisition of Terra Industries by CF Industries Holdings, Inc. in April 2010. On completion of the transaction, he worked on the integration of manufacturing operations, and as Vice President Environmental Health and Safety, Engineering and Procurement. At Terra Industries Inc., Mr. Sanders was responsible for Terra's six manufacturing facilities' overall operations including production operations, environmental health and safety, project engineering, and technical services. He was also responsible for Terra's capital investment program of approximately \$250 million per year, including major expansion projects. Mr. Sanders was Plant Manager of Terra's Verdigris, Oklahoma nitrogen manufacturing complex for nine years prior to his role as Vice President of Manufacturing. Prior to Terra, Mr. Sanders served as Plant Manager at the Beaumont Methanol Corporation 800,000 GPD methanol manufacturing facility and in management and engineering positions for Agrico Chemical Company. Mr. Sanders has served as a Non-Executive Director of Open Joint Stock Company Mineral and Chemical Company EuroChem during 2013. Mr. Sanders earned a B.S. in Chemical Engineering from Louisiana State University in Baton Rouge in 1980.

About LSB Industries, Inc.

LSB is a manufacturing and marketing company. LSB's principal business activities consist of the manufacture and sale of chemical products for the agricultural, mining, and industrial markets, and the manufacture and sale of commercial and residential climate control products, such as geothermal and water source heat pumps, hydronic fan coils and modular geothermal chillers, and large custom air handlers.

Forward-Looking Statements

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by use of the words “believes”, “expects”, “intends”, “anticipates”, “plans to”, “estimates”, “projects”, “should” or similar expressions, including, without limitation, statements regarding enhancing stockholder value, improving earnings, enhanced growth and profitability and matters relating to the 2014 Annual Meeting. These forward-looking statements speak only as of the date of this press release, and LSB expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in LSB’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Company Contact:

Tony M. Shelby, Chief Financial Officer
(405) 235-4546

Or

Mark Behrman, Senior Vice President
(405) 235-4546 x11214

Investor Relations Contact:

Dan Burch / Larry Denny
MacKenzie Partners Inc.
(212) 929-5500

Media Contact:

Tim Lynch / Sharon Stern / Jed Repko
Joele Frank, Wilkinson Brimmer Katcher
(212) 355-4449

AGREEMENT

This Agreement (this "Agreement") is made and entered into as of April 3, 2014, by and among LSB Industries, Inc. (the "Company") and the entities and natural persons listed on Exhibit A hereto and their respective Affiliates and controlled associates ("Associates" and, together with the entities and natural persons listed on Exhibit A and their respective Affiliates, collectively, "Engine") (each of the Company and Engine, a "Party" to this Agreement, and collectively, the "Parties").

RECITALS

WHEREAS, the Company and Engine have engaged in discussions and communications concerning the Company's business, financial performance and strategic plans;

WHEREAS, Engine is deemed to beneficially own shares of common stock of the Company (the "Common Stock") totaling, in the aggregate, 203,083 shares, or approximately 0.9%, of the Common Stock of the Company issued and outstanding on the date of this Agreement;

WHEREAS, Engine submitted a nomination letter to the Company on January 21, 2014 (the "Nomination Letter") notifying the Company of its intention to nominate director candidates to be elected to the Company's board of directors (the "Board") at the 2014 annual meeting of stockholders of the Company (the "2014 Annual Meeting");

WHEREAS, the Company has advised Engine that the Company concurrently herewith is entering into an agreement with Starboard Value, LP on terms described in the Press Release attached as Exhibit B to this Agreement; and

WHEREAS, the Company and Engine have determined to come to an agreement with respect to the election by the Board of a new director (replacing a director whose term would have expired at the 2015 annual meeting of stockholders of the Company (the "2015 Annual Meeting")), certain matters related to the 2014 Annual Meeting and certain other matters, as provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Section 1. Board Matters; Board Appointments; 2014 Annual Meeting.

(a) The Company agrees that the Board and all applicable committees of the Board shall take all necessary actions to elect Richard S. Sanders, Jr. to the class of directors with terms expiring at the 2015 Annual Meeting, effective the date of the 2014 Annual Meeting. For avoidance of doubt, the Company agrees that Mr. Sanders shall fill the vacancy created by John A. Shelley's retirement, which shall be evidenced by a resignation that will be effective no later than the date of the 2014 Annual Meeting.

(b) Upon the execution of this Agreement, Engine irrevocably withdraws its Nomination Letter and Engine agrees not to (i) nominate any person for election at the 2014 Annual Meeting, (ii) submit any proposal for consideration at, or bring any other business before, the 2014 Annual Meeting, directly or indirectly, or (iii) initiate, encourage or participate in any “withhold” or similar campaign with respect to the 2014 Annual Meeting, directly or indirectly, and shall not permit any of its Affiliates or Associates to do any of the items in this Section 1(b). Engine agrees that it will not publicly or privately encourage or support any other stockholder or person to take any of the actions described in this Section 1(b).

(c) Engine agrees to appear in person or by proxy at the 2014 Annual Meeting and vote all shares of Common Stock beneficially owned by it (i) in favor of the election of each of the Company’s nominees for election to the Board specified in the Press Release in addition to Robert H. Henry, an incumbent director and (ii) in accordance with the Board’s recommendation with respect to the Company’s “say-on-pay” proposal and the proposed amendment to the Company’s 2008 Incentive Stock Plan primarily to increase by 975,000 the number of shares authorized thereunder, except, on each such matter referenced in this clause (ii), to the extent Institutional Shareholder Services Inc. recommends otherwise.

(d) Engine agrees that it will cause its Affiliates and Associates to comply with the terms of this Agreement. As used in this Agreement, the terms “Affiliate” and “associate” shall have the respective meanings set forth in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or the rules or regulations promulgated thereunder (the “Exchange Act”) and shall include all persons or entities that at any time during the term of this Agreement become Affiliates or associates of any person or entity referred to in this Agreement.

(e) The Company shall reimburse Engine for its reasonable, documented out-of-pocket fees and expenses (including legal expenses) incurred in connection with pursuing the nomination of directors at the 2014 Annual Meeting, provided that such reimbursement shall not exceed fifty thousand dollars (\$50,000) in the aggregate.

Section 2. Standstill Provisions.

(a) Engine agrees that, from the date of this Agreement until the earlier of (i) the date that is fifteen (15) business days prior to the deadline for the submission of stockholder nominations for the 2015 Annual Meeting pursuant to the Company’s bylaws or (ii) the date that is one hundred thirty-five (135) days prior to the first anniversary of the 2014 Annual Meeting (the “Standstill Period”), neither it nor any of its Affiliates or Associates will, and it will cause each of its Affiliates and Associates not to, directly or indirectly, in any manner:

(i) engage in any solicitation of proxies or consents or become a “participant” in a “solicitation” as such terms are defined in Regulation 14A under the Exchange Act of proxies or consents (including, without limitation, any solicitation of consents that seeks to call a special meeting of stockholders), in each case, with respect to securities of the Company;

(ii) form, join or in any way participate in any “group” (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the Common Stock (other than a “group” that includes all or some of the persons identified on Exhibit A, but does not include any other entities or persons not identified on Exhibit A as of the date hereof); provided, however, that nothing herein shall limit the ability of an Affiliate of Engine to join the “group” following the execution of this Agreement, so long as any such Affiliate agrees to be bound by the terms and conditions of this Agreement;

(iii) deposit any Common Stock in any voting trust or subject any Common Stock to any arrangement or agreement with respect to the voting of any Common Stock, other than any such voting trust, arrangement or agreement solely among the members of Engine and otherwise in accordance with this Agreement;

(iv) seek or encourage any person to submit nominations in furtherance of a “contested solicitation” for the election or removal of directors with respect to the Company or seek, encourage or take any other action with respect to the election or removal of any directors; provided, however, that nothing in this Agreement shall prevent Engine or its Affiliates or Associates from taking actions in furtherance of identifying director candidates in connection with the 2015 Annual Meeting so long as such actions do not create a public disclosure obligation for Engine and are undertaken on a basis reasonably designed to be confidential and in accordance in all material respects with Engine’s normal practices in the circumstances;

(v) (A) make any proposal for consideration by stockholders at any annual or special meeting of stockholders of the Company, (B) make any offer or proposal (with or without conditions) with respect to a merger, acquisition, recapitalization, restructuring, disposition or other business combination involving Engine and the Company, or (C) publicly comment on any third party proposal regarding any merger, acquisition, recapitalization, restructuring, disposition or other business combination with respect to the Company by such third party prior to such proposal becoming public;

(vi) seek, alone or in concert with others, representation on the Board, except as specifically contemplated in Section 1;

(vii) seek to advise, encourage, support or influence any person with respect to the voting or disposition of any securities of the Company at any annual or special meeting of stockholders, except in accordance with Section 1; or

(viii) make any request or submit any proposal to amend the terms of this Agreement other than through non-public communications with the Company that would not be reasonably determined to trigger public disclosure obligations for any Party.

Section 3. Representations and Warranties of the Company. The Company represents and warrants to Engine that (a) the Company has the corporate power and authority to execute this Agreement and to bind it thereto, (b) this Agreement has been duly and validly authorized, executed and delivered by the Company, constitutes a valid and binding obligation and agreement of the Company, and is enforceable against the Company in accordance with its

terms, and (c) the execution, delivery and performance of this Agreement by the Company does not and will not violate or conflict with (i) any law, rule, regulation, order, judgment or decree applicable to the Company, or (ii) constitute a default (or an event which with notice or lapse of time or both could constitute such a violation, conflict or default) under or pursuant to, or result in the loss of a material benefit under, or give any right of termination, amendment, acceleration or cancellation of, any organizational document, agreement, contract, commitment, understanding or arrangement to which the Company is a party or by which it is bound.

Section 4. Representations and Warranties of Engine. Engine represents and warrants to the Company that (a) the authorized signatory of Engine set forth on the signature page hereto has the power and authority to execute this Agreement and to bind it thereto, (b) this Agreement has been duly and validly authorized, executed and delivered by Engine, constitutes a valid and binding obligation and agreement of Engine, and is enforceable against Engine in accordance with its terms, (c) the execution, delivery and performance of this Agreement by Engine does not and will not (i) violate or conflict with any law, rule, regulation, order, judgment or decree applicable to Engine, or (ii) constitute a default (or an event which with notice or lapse of time or both could constitute such a violation, conflict or default) under or pursuant to, or result in the loss of a material benefit under, or give any right of termination, amendment, acceleration or cancellation of, any organizational document, agreement, contract, commitment, understanding or arrangement to which Engine is a party or by which it is bound, and (d) as of the date of this Agreement, (i) Engine is deemed to beneficially own in the aggregate 245,317 shares of Common Stock and (ii) Engine does not currently have, and does not currently have any right to acquire, any interest in any other securities of the Company (or any rights, options or other securities convertible into or exercisable or exchangeable (whether or not convertible, exercisable or exchangeable immediately or only after the passage of time or the occurrence of a specified event) for such securities or any obligations measured by the price or value of any securities of the Company, including any swaps or other derivative arrangements designed to produce economic benefits and risks that correspond to the ownership of Common Stock, whether or not any of the foregoing would give rise to beneficial ownership (as determined under Rule 13d-3 promulgated under the Exchange Act), and whether or not to be settled by delivery of Common Stock, payment of cash or by other consideration, and without regard to any short position under any such contract or arrangement).

Section 5. Press Release. Promptly following the execution of this Agreement, the Company shall issue a mutually agreeable press release (the "Press Release") announcing certain terms of this Agreement, in the form attached as Exhibit B. Prior to the issuance of the Press Release, neither the Company nor Engine shall issue any press release or public announcement regarding this Agreement without the prior written consent of the other Party. Until the 2014 Annual Meeting, neither the Company nor Engine shall make any public announcement or statement that is inconsistent with or contrary to the statements made in the Press Release, except as required by law or the rules of any stock exchange or with the prior written consent of the other Party.

Section 6. Specific Performance. Each of Engine, on the one hand, and the Company, on the other hand, acknowledges and agrees that irreparable injury to the other party hereto would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that such injury would not

be adequately compensable by the remedies available at law (including the payment of money damages). It is accordingly agreed that Engine, on the one hand, and the Company, on the other hand (the "Moving Party"), shall each be entitled to specific enforcement of, and injunctive relief to prevent any violation of, the terms hereof, and the other party hereto will not take action, directly or indirectly, in opposition to the Moving Party seeking such relief on the grounds that any other remedy or relief is available at law or in equity. This Section 6 is not the exclusive remedy for any violation of this Agreement.

Section 7. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is hereby stipulated and declared to be the intention of the Parties that the Parties would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable. In addition, the Parties agree to use their respective best efforts to agree upon and substitute a valid and enforceable term, provision, covenant or restriction for any of such that is held invalid, void or enforceable by a court of competent jurisdiction.

Section 8. Notices. Any notices, consents, determinations, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

LSB Industries, Inc.
16 South Pennsylvania Avenue
Oklahoma City, Oklahoma 73107
Attention: David M. Shear, Esq.
Telephone: (405) 235-4546
Facsimile: (405) 236-1209

with a copy (which shall not constitute notice) to:

Conner & Winters, LLP
1700 One Leadership Square
211 North Robinson
Oklahoma City, Oklahoma 73102
Attention: Irwin Steinhorn, Esq.
Mark Bennett, Esq.
Telephone: (405) 272-5750
Facsimile: (405) 232-2695

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: David A. Katz, Esq.
Gregory E. Ostling, Esq.
Telephone: (212) 403-1000
Facsimile: (212) 403-2000

If to Engine or any member thereof:

Engine Capital, L.P.
c/o Engine Capital Management, LLC
1370 Broadway, 5th Floor
New York, New York 10018
Attention: Arnaud Ajdler
Telephone: (212) 321-0048

with a copy (which shall not constitute notice) to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Attention: Marc Weingarten, Esq.
Telephone: (212) 756-2280
Facsimile: (212) 593-5955

Section 9. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without reference to the conflict of laws principles thereof. Each of the Parties hereto irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereto hereby irrevocably submits, with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement in any court other than the aforesaid courts. Each of the Parties hereto hereby irrevocably waives, and agrees not to assert in any action or proceeding with respect to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of

judgment, execution of judgment or otherwise) and (iii) to the fullest extent permitted by applicable legal requirements, any claim that (A) the suit, action or proceeding in such court is brought in an inconvenient forum, (B) the venue of such suit, action or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Party (including by means of electronic delivery or facsimile).

Section 11. Entire Agreement; Amendment and Waiver; Successors and Assigns; Third Party Beneficiaries. This Agreement contains the entire understanding of the Parties hereto with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings between the Parties other than those expressly set forth herein. No modifications of this Agreement can be made except in writing signed by an authorized representative of each the Company and Engine, except that the signature of an authorized representative of the Company will not be required to permit an Affiliate of Engine to agree to be listed on Exhibit A and be bound by the terms and conditions of this Agreement. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. The terms and conditions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors, heirs, executors, legal representatives, and permitted assigns. No Party shall assign this Agreement or any rights or obligations hereunder without, with respect to any member of Engine, the prior written consent of the Company, and with respect to the Company, the prior written consent of Engine. This Agreement is solely for the benefit of the Parties and is not enforceable by any other persons.

Section 12. Mutual Non-Disparagement. Subject to applicable law, each of the Parties covenants and agrees that, during the Standstill Period, or if earlier, until such time as the other Party or any of its agents, subsidiaries, affiliates, successors, assigns, officers, key employees or directors shall have breached this Section 12, neither it nor any of its respective agents, subsidiaries, affiliates, successors, assigns, officers, key employees or directors, shall in any way publicly disparage, call into disrepute, or otherwise defame or slander the other Parties or such other Parties' subsidiaries, affiliates, successors, assigns, officers (including any current officer of a Party or a Party's subsidiaries who no longer serves in such capacity following the execution of this Agreement), or directors (including any current director of a Party or a Party's subsidiaries who no longer serves in such capacity following the execution of this Agreement), or any of their products or services, in any manner that would damage the business or reputation of such other Parties, their products or services or their subsidiaries, affiliates, successors, assigns, officers (or former officers), or directors (or former directors). For purposes of this Section 12, no actions taken by any director, agent, affiliate, officers or key employee or other representative of a Party in any capacity other than as a representative of, and at the direction of, such Party will be covered by this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized signatories of the Parties as of the date hereof.

LSB INDUSTRIES, INC.

By: /s/ Jack E. Golsen

Name: Jack E. Golsen

Title: Chief Executive Officer

ENGINE:

ENGINE CAPITAL, L.P.

By: Engine Investments, LLC its general partner

ENGINE JET CAPITAL, L.P.

By: Engine Investments, LLC its general partner

ENGINE CAPITAL MANAGEMENT, LLC

ENGINE INVESTMENTS, LLC

By: /s/ Arnaud Ajdler

Name: Arnaud Ajdler

Title: Authorized Signatory

RED ALDER, LLC

By: /s/ Schuster Tanger

Name: Schuster Tanger

Title: Authorized Signatory

[Signature Page to Agreement]

EXHIBIT A

ENGINE

ENGINE CAPITAL, L.P.
ENGINE CAPITAL MANAGEMENT, LLC
ENGINE JET CAPITAL, L.P.
ENGINE INVESTMENTS, LLC
RED ALDER, LLC
ARNAUD AJDLER
SCHUSTER TANGER

EXHIBIT B

PRESS RELEASE

[See attached]

LSB Industries and Starboard Value Reach Agreement

Company to Add Daniel D. Greenwell, William F. Murdy and Richard S. Sanders, Jr. to Board of Directors in Connection with 2014 Annual Meeting; Board Size to Remain at Ten

OKLAHOMA CITY – April 3, 2014 – LSB Industries, Inc. (NYSE: LXU) (“LSB”) today announced that it will nominate Daniel D. Greenwell and William F. Murdy for election to LSB’s Board of Directors at the Company’s upcoming 2014 Annual Meeting of Stockholders. In addition, Richard S. Sanders, Jr. will be appointed to the Board, effective as of the date of the 2014 Annual Meeting, to fill a vacancy in the class of directors whose term expires at the 2015 Annual Meeting of Stockholders. Incumbent directors Donald W. Munson and Ronald V. Perry have informed the Company that they will not stand for reelection at the 2014 Annual Meeting and John A. Shelley, a director in the class whose term expires at the 2015 Annual Meeting, has informed the Company that he will retire from the Board, effective as of the date of the 2014 Annual Meeting.

“We are pleased to have reached agreement on the composition of the Board,” said Jack Golsen, LSB’s Board Chairman and CEO. “We remain committed to enhancing stockholder value, and we believe the improvements we are making to increase capacity, upgrade facilities and stabilize operating performance will improve earnings, positioning LSB for enhanced growth and profitability.”

Mr. Golsen continued, “On behalf of the entire Board, I would also like to thank Messrs. Munson, Perry and Shelley for their dedicated service and contributions to the Board and LSB over many years.”

In connection with today’s announcement, LSB has entered into an agreement with Starboard Value LP (“Starboard”), which beneficially owns approximately 4.9% of the Company’s outstanding shares. Under the agreement, Starboard has agreed, among other things, not to solicit proxies or participate in any “withhold” campaign in connection with the 2014 Annual Meeting and to vote its shares in support of all of the Company’s director nominees. Starboard has also agreed to vote all of its shares in accordance with the Board’s recommendation with respect to the Company’s say-on-pay proposal, subject to the recommendation of Institutional Shareholder Services.

In addition, the Company will establish a Strategic Committee following the 2014 Annual Meeting, which will provide the Board with recommendations related to strategic matters. The Strategic Committee will be composed of four Board members, including Messrs. Greenwell and Murdy and two members who will be selected by the Board.

Jeff Smith, CEO of Starboard, stated, “We are pleased to be able to work constructively with LSB and look forward to substantial improvement and value creation. We believe that the new members on the Board will bring new energy and ideas along with their substantial industry expertise in order to help the Company maximize value for LSB stockholders. Dan Greenwell’s and Richard Sanders’ extensive operational and financial experience as senior executives of highly successful nitrogen fertilizer companies, and Bill Murdy’s experience as CEO of a leading

climate control company, will be of great value to the company as LSB focuses on improving performance. Additionally, we expect the strategic committee to immediately analyze strategic, structural, operational, and financial opportunities with a fresh perspective in order to recommend to the board the best opportunities to maximize value for shareholders.”

In connection with today’s announcement, Engine Capital and Red Alder (collectively, “Engine”), which beneficially own approximately 0.9% of the Company’s outstanding shares, entered into an agreement with the Company, whereby Engine has withdrawn its nominations notice and agreed to vote its shares in support of all of the Company’s director nominees.

Arnaud Ajdler, Managing Partner of Engine said, “We believe that the addition of these independent individuals to the LSB Board will benefit LSB stockholders.”

Messrs. Greenwell and Murdy will be designated as nominees for the class of directors with terms expiring at the 2017 Annual Meeting of Stockholders. Mr. Sanders will become a member of the Board, effective as of the date of the 2014 Annual Meeting, in the class of directors with terms expiring at the 2015 Annual Meeting, to fill the vacancy created by Mr. Shelley’s retirement. The Company expects to hold the 2014 Annual Meeting no later than June 20, 2014.

Credit Suisse is serving as financial advisor to LSB and Wachtell, Lipton, Rosen & Katz and Conner & Winters, LLP are acting as legal advisors.

About Daniel D. Greenwell

Daniel D. Greenwell, 51, has served as the Chief Financial Officer and Executive Vice President of Sabre Industries Inc., a private equity-held manufacturer of utility and cell towers, since April 2013. In his current position, Mr. Greenwell focuses on operational change and value creation opportunities and is responsible for all financial aspects of a fast-growing manufacturing and service business. From January 2012 until March 2013, Mr. Greenwell served as Senior Vice President and Chief Financial Officer of Tronox Limited, a leading global producer and marketer of titanium dioxide pigment. Prior to that, Mr. Greenwell served as Corporate Controller and Senior Vice President and Chief Financial Officer of Terra Industries, Inc., from 2005 until its acquisition by CF Industries Holdings Inc. in April 2010. He also served on the Board of Directors of Terra Nitrogen Company, L.P., a Master Limited Partnership, from March 2008 until April 2010.

Mr. Greenwell has over 20 years of industrial, financial and operational experience and has held various senior leadership positions at a number of public companies, including Belden Inc., Zoltek Companies Inc., and Sigma Chemical Company. He also served as Senior Manager of KPMG from 1985 to 1992. Mr. Greenwell is a Certified Public Accountant. He received a Bachelor of Science degree in Accounting from Truman State University.

About William F. Murdy

William F. Murdy, 72, has served as the Chairman of the Board of Directors of Comfort Systems USA, Inc. since June 2000. Mr. Murdy previously served as the Chief Executive Officer of Comfort Systems from June 2000 until December 2011. Over the course of his career, Mr. Murdy has served in a variety of senior leadership roles, including as President and CEO of Club

Quarters from 1999 to 2000, President, CEO, Co-Founder and Chairman of the Board of LandCare USA, Inc. from 1998 until it was acquired by The ServiceMaster Co. in 1999, President and CEO of General Investment and Development Company from 1989 through 1997. From 1981 to 1989, Mr. Murdy served as the Managing General Partner of the Morgan Stanley Venture Capital Fund and its associated management company based in New York City. Mr. Murdy currently serves as a Director of UIL Holdings Corporation where he is Chair of the Compensation Committee and serves on the Audit Committee. Mr. Murdy also serves as a Director of Kaiser Aluminum Corporation, where he is Chair of the Compensation Committee and serves on the Nominating and Corporate Governance Committee.

In addition, Mr. Murdy serves on the Advisory Board of CapStreet Partners and is a former member of the Advisory Board of Chicago Growth Partners. He is also the Founder and former Chairman of Warrior Gateway (connecting Veterans with services), Vice-Chairman and a member of the Executive Committee of the Board of Business Executives for National Security (BENS) and a former member of the Board of Visitors for West Point. At West Point today, he is an emeritus member of the Board of Trustees of the West Point Association of Graduates and a principal and Chairman of the Hotel Thayer and Chairman of its associated Thayer Leader Development Group, which provides corporate executive leader development. Mr. Murdy holds a Bachelor of Science degree in Engineering from the U.S. Military Academy, West Point, and a Master's degree in Business Administration from the Harvard Business School.

About Richard S. Sanders, Jr.

Mr. Richard S. Sanders, Jr., 57, served as Vice President of Manufacturing of Terra Industries Inc. from 2003 until the acquisition of Terra Industries by CF Industries Holdings, Inc. in April 2010. On completion of the transaction, he worked on the integration of manufacturing operations, and as Vice President Environmental Health and Safety, Engineering and Procurement. At Terra Industries Inc., Mr. Sanders was responsible for Terra's six manufacturing facilities' overall operations including production operations, environmental health and safety, project engineering, and technical services. He was also responsible for Terra's capital investment program of approximately \$250 million per year, including major expansion projects. Mr. Sanders was Plant Manager of Terra's Verdigris, Oklahoma nitrogen manufacturing complex for nine years prior to his role as Vice President of Manufacturing. Prior to Terra, Mr. Sanders served as Plant Manager at the Beaumont Methanol Corporation 800,000 GPD methanol manufacturing facility and in management and engineering positions for Agrico Chemical Company. Mr. Sanders has served as a Non-Executive Director of Open Joint Stock Company Mineral and Chemical Company EuroChem during 2013. Mr. Sanders earned a B.S. in Chemical Engineering from Louisiana State University in Baton Rouge in 1980.

About LSB Industries, Inc.

LSB is a manufacturing and marketing company. LSB's principal business activities consist of the manufacture and sale of chemical products for the agricultural, mining, and industrial markets, and the manufacture and sale of commercial and residential climate control products, such as geothermal and water source heat pumps, hydronic fan coils and modular geothermal chillers, and large custom air handlers.

Forward-Looking Statements

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by use of the words “believes”, “expects”, “intends”, “anticipates”, “plans to”, “estimates”, “projects”, “should” or similar expressions, including, without limitation, statements regarding enhancing stockholder value, improving earnings, enhanced growth and profitability and matters relating to the 2014 Annual Meeting. These forward-looking statements speak only as of the date of this press release, and LSB expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in LSB’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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(405) 235-4546

Or

Mark Behrman, Senior Vice President
(405) 235-4546 x11214

Investor Relations Contact:

Dan Burch / Larry Denny
MacKenzie Partners Inc.
(212) 929-5500

Media Contact:

Tim Lynch / Sharon Stern / Jed Repko
Joele Frank, Wilkinson Brimmer Katcher
(212) 355-4449

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