

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) December 30, 1999

LSB INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

1-7677

73-1015226

(State or other
jurisdiction of
incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

16 South Pennsylvania Avenue, Oklahoma City, Oklahoma

73107

(Address of principal executive offices)

(Zip Code)

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

Not applicable

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

Item 5. Other Events.

On December 30, 1999, the Company's subsidiary, ClimaChem, Inc., paid the December 1, 1999, interest payment on its \$105 million of outstanding 10 3/4% Senior Notes due 2007 (the "Notes"). The interest payment was made during the grace period allowed under the related Indenture, dated November 26, 1997.

As a result of the payment due under the Notes, the Company failed to maintain minimum borrowing availability causing the Company to become subject to certain adjusted tangible net worth and debt ratio requirements under the Company's revolving credit facility which the Company does not meet. The Company's lender has agreed to forbear from exercising its rights under the credit facility arising as a result of the adjusted tangible net worth and debt ratio covenants for a period of 60 days from January 1, 2000, in order to allow the Company and the lender to negotiate their covenants and the terms of the credit facility. In connection with such forbearance, the Company's lender has reduced the Company's maximum revolving credit line from \$65 million to \$50 million.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

10.1 Press Release, issued December 30, 1999.

10.2 Seventh Amendment to Amended and Restated Loan and

Security Agreement, dated January 1, 2000, by and between Climate Master, Inc., International Environmental Corporation, El Dorado Chemical Company, and Slurry Explosive Corporation.

10.3 First Amendment to Second Amended and Restated Loan and Security Agreement, dated January 1, 2000, by and between Bank of America, N.A. and LSB Industries, Inc., Summit Machine Tool Manufacturing Corp., and Morey Machinery Manufacturing Corporation.

SIGNATURES

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

Dated: January 11, 2000.

LSB INDUSTRIES, INC.

By: /s/ Jim D. Jones

Jim D. Jones,
Vice President, Controller
and Treasurer

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

KCSA CONTACT: Leslie A. Schupak/Joe Mansi
(212) 682-6300, ext. 205/207

December 30, 1999

LSB INDUSTRIES' SUBSIDIARY
PAYS DECEMBER 1, 1999 INTEREST PAYMENT
ON OUTSTANDING BONDS

Oklahoma City, Oklahoma...December 30, 1999...LSB Industries, Inc. (the "Company") (OTC Bulletin Board: LSBID) announced today that its wholly-owned subsidiary, ClimaChem, Inc. ("ClimaChem"), has paid the December 1, 1999 interest payment on its \$105 million of outstanding bonds.

The Company's spokesman stated that the interest payment was made prior to the expiration of the grace period under the terms of the bond indenture. The Company's spokesman also stated that due to the making of the interest payment the Company fell below certain financial covenants contained in the Company's bank loan agreement. The Company's lender has agreed to forbear from exercising its rights under the bank loan agreement as a result of these covenant issues for a period of sixty (60) days from January 1, 2000, in order to allow the Company and the lender to renegotiate the covenants and the terms of the bank loan agreement.

LSB Industries, Inc. is engaged, through its subsidiaries, in the manufacture and sale of chemical products for explosives, agricultural and industrial acids markets, and a broad range of hydronic fan coils and water source heat pumps as well as other products used in commercial and residential air-conditioning systems.

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SEVENTH AMENDMENT
TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (the "Amendment") is dated effective as of January 1, 2000, and entered into by and between BANK OF AMERICA, N.A. ("Lender") and CLIMATE MASTER, INC. ("Climate Master"), INTERNATIONAL ENVIRONMENTAL CORPORATION ("IEC"), EL DORADO CHEMICAL COMPANY ("EDC") and SLURRY EXPLOSIVE CORPORATION ("Slurry") (Climate, IEC, EDC, and Slurry being collectively referred to herein as "Borrower").

WHEREAS, Lender and Borrower have entered into that certain Amended and Restated Loan and Security Agreement dated as of November 21, 1997 as amended by that certain First Amendment to Amended and Restated Loan and Security Agreement dated as of March 12, 1998, that certain Second Amendment to Amended and Restated Loan and Security Agreement dated as of June 30, 1998, that certain Third Amendment to Amended and Restated Loan and Security Agreement dated as of August 14, 1998, that certain Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of November 19, 1998, that certain Fifth Amendment to Amended and Restated Loan and Security Agreement dated as of April 8, 1999, and that certain Sixth Amendment to Amended and Restated Loan and Security Agreement dated as of May 10, 1999 (as so amended, the "Agreement");

WHEREAS, the Agreement provides that when a "Springing Covenant Event" (as defined therein) occurs, two financial covenants become effective; and

WHEREAS, Borrower has made an interest payment under the Bond Indenture on or before December 31, 1999 which has resulted in the occurrence of the Springing Covenant Event; and

WHEREAS, when the two financial covenants become effective, Borrower will be in default with respect to each covenant (the "Financial Covenant Defaults"), and Borrower has requested that Lender forebear from exercising its rights and remedies as the result of the Financial Covenant Defaults for a 60-day period; and

WHEREAS, the Borrower desires that the Lender amend the Agreement in certain respects and forebear from exercising certain remedies; and

WHEREAS, the Lender is willing to amend the Agreement and to grant Borrower's forbearance request subject to the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in the Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.

ARTICLE II

Amendments

Section 2.01 The following definitions are hereby amended in their entirety to read as follows:

"Availability" means at any time the lesser of:

A. The Maximum Revolving Credit Line, or

B. The sum of:

- (1) eighty-five percent (85%) of the value of Eligible Accounts ("Accounts Availability"), plus
- (2) the lesser of (a) the Maximum Inventory Advance Amount or (b) sixty percent (60%) of the value of Eligible Inventory; less
- (3) the Availability Reductions.

"Availability Reductions" means the sum of the following amounts:

- (i) the unpaid balance of outstanding Revolving Loans at such time;
- (ii) one hundred percent (100%) of the aggregate undrawn face amount of all outstanding Letters of Credit at such time which the Lender has, or has caused to be, issued or obtained for any Borrower's account;
- (iii) reserves for accrued interest on the Revolving Loans which is past due;
- (iv) the Environmental Compliance Reserve (Note: There is no Environmental Compliance Reserve as of the Closing Date);
- (v) the Swap Transaction Reserves;
- (vi) the Permanent Reserve; and

(vii) all other reasonable reserves which the Lender in its reasonable discretion deems necessary or desirable to maintain with respect to any Borrower's account, including, without limitation, any amounts which the Lender could reasonably be obligated to pay within a six-month period for the account of such Borrower.

"Bank" means Bank of America, National Association.

"Maximum Borrowing Commitment" means Fifty Million Dollars (\$50,000,000).

"Maximum Revolving Credit Line" means Fifty Million Dollars (\$50,000,000) less the Gross Availability Reductions.

Section 2.02 The following new definition is hereby added to the Agreement:

"Permanent Reserve" means a reserve against Availability of \$5,000,000 which shall remain in effect until the Termination Date.

Section 2.03 A new Section 9.19 is hereby added to the Agreement which reads as follows:

"Section 9.19. Minimum Availability. The LSB Consolidated Borrowing Group shall maintain at all times unused aggregate Availability under all of the LSB-Related Loan Agreements of at least \$2,500,000."

ARTICLE III

Forebearance Agreement

Section 3.01. Forebearance. As of this date Borrower has defaulted under the financial covenants set forth in Sections 9.16 and 9.17 of the Agreement (the "Financial Covenant Defaults"). Borrower has requested, with respect to the Financial Covenant Defaults only, Lender to forebear from exercising its rights and remedies under the Agreement for a 60-day period commencing on January 1, 2000, and Lender has agreed to temporarily forebear from exercising its rights and remedies solely with respect to the Financial Covenant Defaults for a period of 60 days or for so long as Lender, in its sole discretion, deems appropriate. Further, during the 60-day period of forbearance, Borrower shall not be subject to any default rate of interest and the Letter of Credit Fee and Swap Transaction Fee shall not be subject to any increases resulting from any Event of Default as provided under the Agreement.

ARTICLE IV

Ratifications, Representations and Warranties

Section 4.01. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and,

except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement, including, without limitation, all financial covenants contained therein, are ratified and confirmed and shall continue in full force and effect. Lender and Borrower agree that the Agreement as amended hereby shall continue to be legal, valid, binding and enforceable in accordance with its terms.

Section 4.02. Representations and Warranties. Borrower hereby represents and warrants to Lender that the execution, delivery and performance of this Amendment and all other loan, amendment or security documents to which Borrower is or is to be a party hereunder (hereinafter referred to collectively as the "Loan Documents") executed and/or delivered in connection herewith, have been authorized by all requisite corporate action on the part of Borrower and will not violate the Articles of Incorporation or Bylaws of Borrower.

ARTICLE V

Conditions Precedent

Section 5.01. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent (unless specifically waived in writing by the Lender):

(a) Lender shall have received all of the following, each dated (unless otherwise indicated) as of the date of this Amendment, in form and substance satisfactory to Lender in its sole discretion:

(i) Company Certificate. A certificate executed by the Secretary or Assistant Secretary of Borrower certifying (A) that Borrower's Board of Directors has met and adopted, approved, consented to and ratified the resolutions attached thereto which authorize the execution, delivery and performance by Borrower of the Amendment and the Loan Documents, (B) the names of the officers of Borrower authorized to sign this Amendment and each of the Loan Documents to which Borrower is to be a party hereunder, (C) the specimen signatures of such officers, and (D) that neither the Articles of Incorporation nor Bylaws of Borrower have been amended since the date of the Agreement;

(ii) No Material Adverse Change. There shall have occurred no material adverse change in the business, operations, financial condition, profits or prospects of Borrower, or in the Collateral since October 31, 1999, and except as disclosed to Lender by Borrower during a meeting between Lender and Borrower on December 8, 1999, and the Lender shall have received a certificate of Borrower's chief executive officer to such effect;

(iii) Other Documents. Borrower shall have executed and delivered such other documents and instruments as well as required record searches as Lender may require.

(b) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Lender and its legal counsel, Jenkens & Gilchrist, a Professional Corporation.

(c) Forebearance Fee. Borrower shall have paid to Lender a forbearance fee of \$150,000, which shall also be applied to the fees resulting from any subsequent amendments to the Agreement.

ARTICLE VI

Miscellaneous

Section 6.01. Survival of Representations and Warranties. All representations and warranties made in the Agreement or any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely thereon.

Section 6.02. Reference to Agreement. The Agreement, each of the Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement as amended hereby, are hereby amended so that any reference therein to the Agreement shall mean a reference to the Agreement as amended hereby.

Section 6.03. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 6.04. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN THE STATE OF OKLAHOMA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OKLAHOMA.

Section 6.05. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Lender and Borrower and their respective successors and assigns; provided, however, that Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Lender. Lender may assign any or all of its rights or obligations hereunder without the prior consent of Borrower.

Section 6.06. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

Section 6.07. Effect of Waiver. No consent or waiver, express or implied, by Lender to or of any breach of or deviation from any covenant or condition of the Agreement or duty shall be deemed a consent or waiver to or of any other breach of or deviation from the same or any other covenant, condition or duty. No failure on the part of Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Amendment, the Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Amendment, the Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in the Agreement and the other Loan Documents are cumulative and not exclusive of any rights and remedies provided by law.

Section 6.08. Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 6.09. Releases. As a material inducement to Lender to enter into this Amendment, Borrower hereby represents and warrants that there are no claims or offsets against, or defenses or counterclaims to, the terms and provisions of and the other obligations created or evidenced by the Agreement or the other Loan Documents. Borrower hereby releases, acquits, and forever discharges Lender, and its successors, assigns, and predecessors in interest, their parents, subsidiaries and affiliated organizations, and the officers, employees, attorneys, and agents of each of the foregoing (all of whom are herein jointly and severally referred to as the "Released Parties") from any and all liability, damages, losses, obligations, costs, expenses, suits, claims, demands, causes of action for damages or any other relief, whether or not now known or suspected, of any kind, nature, or character, at law or in equity, which Borrower now has or may have ever had against any of the Released Parties, including, but not limited to, those relating to (a) usury or penalties or damages therefor, (b) allegations that a partnership existed between Borrower and the Released Parties, (c) allegations of unconscionable acts, deceptive trade practices, lack of good faith or fair dealing, lack of commercial reasonableness or special relationships, such as fiduciary, trust or confidential relationships, (d) allegations of dominion, control, alter ego, instrumentality, fraud, misrepresentation, duress, coercion, undue influence, interference or negligence, (e) allegations of tortious interference with present or prospective business relationships or of antitrust, or (f) slander, libel or damage to reputation, (hereinafter being collectively referred to as the "Claims"), all of which Claims are hereby waived.

Section 6.10. Expenses of Lender. Borrower agrees to pay on demand (i) all costs and expenses reasonably incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all subsequent amendments, modifications, and supplements hereto or thereto, including, without limitation, the costs and fees of Lender's legal counsel and the allocated cost of staff counsel and (ii) all costs and expenses reasonably incurred by Lender in connection with the enforcement or preservation of any rights under the Agreement, this Amendment and/or other Loan Documents, including, without limitation, the costs and fees of Lender's legal counsel and the allocated cost of staff counsel.

Section 6.11. NO ORAL AGREEMENTS. THIS AMENDMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS AS WRITTEN, REPRESENT THE FINAL AGREEMENTS BETWEEN LENDER AND BORROWER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN LENDER AND BORROWER.

IN WITNESS WHEREOF, the parties have executed this Amendment effective the date first above written.

"BORROWER":

CLIMATE MASTER, INC.

By: /s/ Tony M. Shelby

Name: Tony M. Shelby

Title: Vice President

INTERNATIONAL ENVIRONMENTAL CORPORATION

By: /s/ Tony M. Shelby

Name: Tony M. Shelby

Title: Vice President

EL DORADO CHEMICAL COMPANY

By: /s/ Tony M. Shelby

Name: Tony M. Shelby

Title: Vice President

SLURRY EXPLOSIVE CORPORATION

By: /s/ Tony M. Shelby

Name: Tony M. Shelby

Title: Vice President

"LENDER"

BANK OF AMERICA, NATIONAL ASSOCIATION

By: /s/ Michael J. Jasaitis

Michael J. Jasaitis, Vice President

CONSENTS AND REAFFIRMATIONS

The undersigned hereby acknowledges the execution of, and consents to, the terms and conditions of that certain Seventh Amendment to Amended and Restated Loan and Security Agreement dated effective as of January 1, 2000, between Climate Master, Inc., International Environmental Corporation, El Dorado Chemical Corporation, Slurry Explosive Corporation and Bank of America, National Association ("Creditor") and reaffirms its obligations under that certain Continuing Guaranty (the AGuaranty@) dated as of November 21, 1997, made by the undersigned in favor of the Creditor, and acknowledges and agrees that the Guaranty remains in full force and effect and the Guaranty is hereby ratified and confirmed.

Dated effective as of January 1, 2000.

CLIMACHEM, INC.

By: /s/ Jack E. Golsen

Jack E. Golsen, President

CONSENTS AND REAFFIRMATIONS

Each of the undersigned hereby acknowledges the execution of, and consents to, the terms and conditions of that certain Seventh Amendment to Amended and Restated Loan and Security Agreement dated effective as of January 1, 2000, between Climate Master, Inc., International Environmental Corporation, El Dorado Chemical Corporation, Slurry Explosive Corporation and Bank of America, National Association ("Creditor") and each reaffirms its obligations under that certain Continuing Guaranty with Security Agreement (the "Guaranty") dated as of November 21, 1997, and acknowledges and agrees that such Guaranty remains in full force and effect and each Guaranty is hereby ratified and confirmed.

Dated effective as of January 1, 2000.

LSB INDUSTRIES, INC.
SUMMIT MACHINE TOOL MANUFACTURING
CORP
MOREY MACHINERY MANUFACTURING
CORPORATION

By: /s/ Jack E. Golsen

Name: Jack E. Golsen

Title: Board Chairman

FIRST AMENDMENT
TO SECOND AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (the "Amendment") is dated effective as of January 1, 2000, and entered into by and between BANK OF AMERICA, N.A. ("Lender") and LSB INDUSTRIES, INC. ("LSB"), SUMMIT MACHINE TOOL MANUFACTURING CORP. ("Summit") and MOREY MACHINERY MANUFACTURING CORPORATION ("Morey") LSB, Summit and Morey being collectively referred to herein as "Borrower").

WHEREAS, Lender and Borrower have entered into that certain Second Amended and Restated Loan and Security Agreement dated as of May 10, 1999 (the "Agreement");

WHEREAS, the Agreement provides that when a "Springing Covenant Event" (as defined therein) occurs, four financial covenants become effective; and

WHEREAS, certain affiliates of Borrower identified as the CCI Borrower Subsidiaries under the Agreement have made an interest payment under the Bond Indenture on or before December 31, 1999, which has resulted in the occurrence of the Springing Covenant Event; and

WHEREAS, when the two financial covenants become effective, Borrower will be in default with respect to each covenant (the "Financial Covenant Defaults"), and Borrower has requested that Lender forebear from exercising its rights and remedies as the result of the Financial Covenant Defaults for a 60-day period; and

WHEREAS, the Borrower desires that the Lender amend the Agreement in certain respects and forebear from exercising certain remedies; and

WHEREAS, the Lender is willing to amend the Agreement and to grant Borrower's forbearance request subject to the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in the Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.

ARTICLE II

Amendments

Section 2.01 The following definitions are hereby amended in their entirety to read as follows:

"Availability Reductions" means the sum of the following amounts:

- (i) the unpaid balance of outstanding Revolving Loans at such time;
- (ii) one hundred percent (100%) of the aggregate undrawn face amount of all outstanding Letters of Credit at such time which the Lender has, or has caused to be, issued or obtained for any Borrower's account;

- (iii) reserves for accrued interest on the Revolving Loans which is past due;
- (iv) the Environmental Compliance Reserve;
- (v) the Permanent Reserve; and
- (vi) all other reasonable reserves which the Lender in its reasonable discretion deems necessary or desirable to maintain with respect to any Borrower's account, including, without limitation, any amounts which the Lender could reasonably be obligated to pay within a six-month period for the account of such Borrower.

"Bank" means Bank of America, National Association.

"Maximum Revolving Credit Line" means Fifty Million Dollars (\$50,000,000) less the Gross Availability Reductions.

Section 2.02 The following new definition is hereby added to the Agreement:

"Permanent Reserve" means a reserve against Availability of \$5,000,000 which shall remain in effect until the Termination Date.

Section 2.03 A new Section 9.19 is hereby added to the Agreement which reads as follows:

"Section 9.19. Minimum Availability.
The LSB Consolidated Borrowing Group shall maintain at all times unused aggregate Availability under all of the LSB-Related Loan Agreements of at least \$2,500,000."

ARTICLE III

Forebearance Agreement

Section 3.01. Forebearance. As of this date Borrower has defaulted under the financial covenants set forth in Sections 9.16 and 9.17 of the Agreement (the "Financial Covenant Defaults"). Borrower has requested that, with respect to the Financial Covenant Defaults only, Lender to forebear from exercising its rights and remedies under the Agreement for a 60-day period commencing on January 1, 2000, and Lender has agreed to temporarily forebear from exercising its rights and remedies solely with respect to the Financial Covenant Defaults for a period of 60 days or for so long as Lender, in its sole discretion, deems appropriate. Further, during the 60-day period of forbearance, Borrower shall not be subject to any default rate of interest and the Letter of Credit Fee and Swap Transaction Fee shall not be subject to any increases resulting from any Event of Default as provided under the Agreement.

ARTICLE IV

Ratifications, Representations and Warranties

Section 4.01. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement, including, without limitation, all financial covenants contained therein, are ratified and confirmed and shall continue in full force and effect. Lender and Borrower agree that the Agreement as amended hereby shall continue to be legal, valid, binding and enforceable in accordance with its terms.

Section 4.02. Representations and Warranties. Borrower hereby represents and warrants to Lender that the execution, delivery and performance of this Amendment and all other loan, amendment or security documents to which Borrower is or is to be a party hereunder (hereinafter referred to collectively as the "Loan Documents") executed and/or delivered in connection herewith, have been authorized by all requisite corporate action on the part of Borrower and will not violate the Articles of Incorporation or Bylaws of Borrower.

ARTICLE V

Conditions Precedent

Section 5.01. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent (unless specifically waived in writing by the Lender):

- (a) Lender shall have received all of the following, each dated (unless otherwise indicated) as of the date of this Amendment, in form and substance satisfactory to Lender in its sole discretion:

(i) Company Certificate. A certificate executed by the Secretary or Assistant Secretary of Borrower certifying (A) that Borrower's Board of Directors has met and adopted, approved, consented to and ratified the resolutions attached thereto which authorize the execution, delivery and performance by Borrower of the Amendment and the Loan Documents, (B) the names of the officers of Borrower authorized to sign this Amendment and each of the Loan Documents to which Borrower is to be a party hereunder, (C) the specimen signatures of such officers, and (D) that neither the Articles of Incorporation nor Bylaws of Borrower have been amended since the date of the Agreement;

(ii) No Material Adverse Change. There shall have occurred no material adverse change in the business, operations, financial condition, profits or prospects of Borrower, or in the Collateral since October 31, 1999, and except as disclosed to Lender by Borrower during a meeting between Lender and Borrower on December 8, 1999, and the Lender shall have received a certificate of Borrower's chief executive officer to such effect;

(iii) Other Documents. Borrower shall have executed and delivered such other documents and instruments as well as required record searches as Lender may require.

(b) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Lender and its legal counsel, Jenkens & Gilchrist, a Professional Corporation.

(c) Forebearance Fee. The CCI Borrower Subsidiaries shall have paid to Lender a forbearance fee of \$150,000, which shall also be applied to the fees resulting from any subsequent amendments to the Agreement.

ARTICLE VI

Miscellaneous

Section 6.01. Survival of Representations and Warranties. All representations and warranties made in the Agreement or any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely thereon.

Section 6.02. Reference to Agreement. The Agreement, each of the Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement as amended hereby, are hereby amended so that any reference therein to the Agreement shall mean a reference to the Agreement as amended hereby.

Section 6.03. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 6.04. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN THE STATE OF OKLAHOMA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OKLAHOMA.

Section 6.05. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Lender and Borrower and their respective successors and assigns; provided, however, that Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Lender. Lender may assign any or all of its rights or obligations hereunder without the prior consent of Borrower.

Section 6.06. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

Section 6.07. Effect of Waiver. No consent or waiver, express or implied, by Lender to or of any breach of or deviation from any covenant or condition of the Agreement or duty shall be deemed a consent or waiver to or of any other breach of or deviation from the same or any other covenant, condition or duty. No failure on the part of Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Amendment, the Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Amendment, the Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in the Agreement and the other Loan Documents are cumulative and not exclusive of any rights and remedies provided by law.

Section 6.08. Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 6.09. Releases. As a material inducement to Lender to enter into this Amendment, Borrower hereby represents and warrants that there are no claims or offsets against, or defenses or counterclaims to, the terms and provisions of and the other obligations created or evidenced by the Agreement or the other Loan Documents. Borrower hereby releases, acquits, and forever discharges Lender, and its successors, assigns, and predecessors in interest, their parents, subsidiaries and affiliated organizations, and the officers, employees, attorneys, and agents of each of the foregoing (all of whom are herein jointly and severally referred to as the "Released Parties") from any and all liability, damages, losses, obligations, costs, expenses, suits, claims, demands, causes of action for damages or any other relief, whether or not now known or suspected, of any kind, nature, or character, at law or in equity, which Borrower now has or may have ever had against any of the Released Parties,

including, but not limited to, those relating to (a) usury or penalties or damages therefor, (b) allegations that a partnership existed between Borrower and the Released Parties, (c) allegations of unconscionable acts, deceptive trade practices, lack of good faith or fair dealing, lack of commercial reasonableness or special relationships, such as fiduciary, trust or confidential relationships, (d) allegations of dominion, control, alter ego, instrumentality, fraud, misrepresentation, duress, coercion, undue influence, interference or negligence, (e) allegations of tortious interference with present or prospective business relationships or of antitrust, or (f) slander, libel or damage to reputation, (hereinafter being collectively referred to as the "Claims"), all of which Claims are hereby waived.

Section 6.10. Expenses of Lender. Borrower agrees to pay on demand (i) all costs and expenses reasonably incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all subsequent amendments, modifications, and supplements hereto or thereto, including, without limitation, the costs and fees of Lender's legal counsel and the allocated cost of staff counsel and (ii) all costs and expenses reasonably incurred by Lender in connection with the enforcement or preservation of any rights under the Agreement, this Amendment and/or other Loan Documents, including, without limitation, the costs and fees of Lender's legal counsel and the allocated cost of staff counsel.

Section 6.11. NO ORAL AGREEMENTS. THIS AMENDMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS AS WRITTEN, REPRESENT THE FINAL AGREEMENTS BETWEEN LENDER AND BORROWER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN LENDER AND BORROWER.

IN WITNESS WHEREOF, the parties have executed this Amendment effective the date first above written.

"BORROWER":

LSB INDUSTRIES, INC.

By: /s/ Jack E. Golsen

Name: Jack E. Golsen

Title: Board Chairman and President

SUMMIT MACHINE TOOL MANUFACTURING CORP.

By: /s/ Jack E. Golsen

Name: Jack E. Golsen

Title: Board Chairman

MOREY MACHINERY MANUFACTURING
CORPORATION

By: /s/ Jack E. Golsen

Name: Jack E. Golsen

Title: Board Chairman

"LENDER"

BANK OF AMERICA, NATIONAL ASSOCIATION

By: /s/ Michael J. Jasaitis

Michael J. Jasaitis, Vice President