

LSB INDUSTRIES INC  
Form SC 13D/A  
January 30, 2006

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D/A**

**(Rule 13d-101)**

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a)**

**AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)**

**(Amendment No. 5)**

LSB INDUSTRIES, INC.

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(Name of Issuer)

Common Stock, Par Value \$.010 per Share

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(Title of Class of Securities)

502160104

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(CUSIP Number)

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Jayhawk Capital Management, L.L.C.

Attention: Kent C. McCarthy

8201 Mission Road, Suite 110

Prairie Village, Kansas 66208

Tel. No.: (913) 642-2611

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**(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)**

January 17, 2006

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**(Date of Event which Requires Filing of this Statement)**

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. "

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

13D/A

CUSIP NO. 502160104

1. Name of Reporting Person/I.R.S. Identification No. of Above Person

Kent C. McCarthy

2. Check the Appropriate Box If a Member of a Group

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds

PF, AF

5. Check Box If Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

United States

NUMBER OF 7. Sole Voting Power

SHARES

BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 2,645,793 (includes 1,422,293 shares of common stock receivable upon conversion of 328,550 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

8. Shared Voting Power

0

PERSON

WITH

9. Sole Dispositive Power

2,645,793 (includes 1,422,293 shares of common stock receivable upon conversion of 328,550 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date

of this statement)

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10. Shared Dispositive Power

0

11. Aggregate Amount Beneficially Owned by Each Reporting Person

2,645,793 (includes 1,422,293 shares of common stock receivable upon conversion of 328,550 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

12. Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares

13. Percent of Class Represented by Amount in Row (11)

16.03%

14. Type of Reporting Person

IN

13D/A

CUSIP NO. 502160104

1. Name of Reporting Person/ I.R.S. Identification No. of Above Person

Jayhawk Capital Management, L.L.C. (48-1172612)

2. Check the Appropriate Box If a Member of a Group

(a)

(b)

3. SEC Use Only

4. Source of Funds

WC, AF

5. Check Box If Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Delaware

NUMBER OF 7. Sole Voting Power

SHARES

BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 2,371,763 (includes 1,319,263 shares of common stock receivable upon conversion of 304,750 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

8. Shared Voting Power

PERSON

WITH

0

9. Sole Dispositive Power

2,371,763 (includes 1,319,263 shares of common stock receivable upon conversion of 304,750 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date

of this statement)

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10. Shared Dispositive Power

0

11. Aggregate Amount Beneficially Owned by Each Reporting Person

2,371,763 (includes 1,319,263 shares of common stock receivable upon conversion of 304,750 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

12. Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares

13. Percent of Class Represented by Amount in Row (11)

14.37%

14. Type of Reporting Person

IA

13D/A

CUSIP NO. 502160104

1. Name of Reporting Person/ I.R.S. Identification No. of Above Person

Jayhawk Institutional Partners, L.P. (48-1172611)

2. Check the Appropriate Box If a Member of a Group

(a)

(b)

3. SEC Use Only

4. Source of Funds

WC

5. Check Box If Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Delaware

NUMBER OF 7. Sole Voting Power

SHARES

BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 1,780,854 (includes 728,354 shares of common stock receivable upon conversion of 168,250 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

8. Shared Voting Power

0

PERSON

WITH

9. Sole Dispositive Power

1,780,854 (includes 728,354 shares of common stock receivable upon conversion of 168,250 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date

of this statement)

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10. Shared Dispositive Power

0

11. Aggregate Amount Beneficially Owned by Each Reporting Person

1,780,854 (includes 728,354 shares of common stock receivable upon conversion of 168,250 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2, and 112,500 shares of common stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement)

12. Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares

13. Percent of Class Represented by Amount in Row (11)

10.79%

14. Type of Reporting Person

PN



13D/A

CUSIP NO. 502160104

1. Name of Reporting Person/ I.R.S. Identification No. of Above Person

Jayhawk Investments, L.P. (48-1172620)

2. Check the Appropriate Box If a Member of a Group

(a)

(b)

3. SEC Use Only

4. Source of Funds

WC

5. Check Box If Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Delaware

NUMBER OF 7. Sole Voting Power

SHARES

BENEFICIALLY 590,909 (includes 590,909 shares of common stock receivable upon conversion of 136,500 shares  
OWNED BY of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2)

\_\_\_\_\_

EACH

8. Shared Voting Power

REPORTING

PERSON

0

WITH

9. Sole Dispositive Power

590,909 (includes 590,909 shares of common stock receivable upon conversion of 136,500 shares  
of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2)

10. Shared Dispositive Power

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11. Aggregate Amount Beneficially Owned by Each Reporting Person

590,909 (includes 590,909 shares of common stock receivable upon conversion of 136,500 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2)

12. Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares

13. Percent of Class Represented by Amount in Row (11)

3.61%

14. Type of Reporting Person

PN

SCHEDULE 13D/A

This Amendment No. 5 to Schedule 13D (the Amendment) is being filed on behalf of Jayhawk Institutional Partners, L.P., a Delaware limited partnership (Jayhawk Institutional), Jayhawk Investments, L.P., a Delaware limited partnership (Jayhawk Investments), their general partner, Jayhawk Capital Management, L.L.C., a Delaware limited liability company (Jayhawk), and its manager, Kent C. McCarthy. This Schedule 13D amends the initial statement on Schedule 13D relating to shares of common stock of LSB Industries, Inc., a Delaware corporation (the Issuer) as filed with the Securities and Exchange Commission (the Commission) on January 18, 2001 (the Original 13D), as amended by Amendment No. 1 filed with the Commission on March 22, 2002, as amended by Amendment No. 2 filed with the Commission on March 28, 2003, as amended by Amendment No. 3 filed with the Commission on November 12, 2003, as amended by No. 4 filed with the Commission on January 9, 2004. The Original 13D is hereby amended and restated as follows:

Item 1. Security and Issuer.

Securities Acquired: Shares of Common Stock, par value \$0.10 per share (the Common Stock).

Issuer: LSB Industries, Inc.

16 South Pennsylvania

Oklahoma City, OK 73107

Item 2. Identity and Background.

Jayhawk Institutional and Jayhawk Investments are investment partnerships and Jayhawk is their general partner. Mr. McCarthy is the manager of Jayhawk and controls its activities. Jayhawk Institutional, Jayhawk Investments and Jayhawk are organized under the laws of Delaware and are located at 8201 Mission Road, Suite 110, Prairie Village, KS 66208. The principal occupation of Mr. McCarthy is investment management and he is a United States Citizen. Mr. McCarthy's business address is 8201 Mission Road, Suite 110, Prairie Village, KS 66208. None of Jayhawk, Jayhawk Investments, Jayhawk Institutional or Mr. McCarthy (i) has been convicted in a criminal proceeding during the last five years or (ii) was or is a party to a civil proceeding of a judicial or administrative body or competent jurisdiction during the past five years and as a result thereof subject to any judgement, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds.

As of February 18, 2002, Jayhawk Investments had invested \$768,760 in shares of Common Stock and shares of \$3.25 Convertible Exchangeable Class C Preferred Stock (Class C Preferred Stock); Jayhawk Institutional had invested \$1,388,502 in shares of Common Stock and Class C Preferred Stock; and Mr. McCarthy had invested \$435,935 in shares of Common Stock and Class C Preferred Stock. The above amounts include any brokerage commissions incurred in the investments. The source of these funds was the working capital of each entity and the personal funds of Mr. McCarthy, and reported as such in Amendment No. 1 to the Original 13D filed March 22, 2002 (Amendment No. 1).

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On March 27, 2003, Jayhawk Institutional purchased 450,000 shares of Common Stock and warrants to purchase 112,500 shares of Common Stock for an aggregate purchase price of \$1,570,500. The source of funds for this transaction was the working capital of Jayhawk Institutional.

On November 1, 2003, Jayhawk Investments exchanged 54,700 shares of Class C Preferred Stock for a non-controlling interest in another entity for \$40 per share. On December 4, 2003 Mr.

McCarthy sold 30,000 shares of Common Stock for \$5.95 per share for an aggregate sale price of \$178,500. On January 2, 2004, Jayhawk Institutional sold 25,000 shares of Common Stock for \$6.25 per share for an aggregate sale price of \$156,250. On January 6, 2004, Jayhawk Institutional sold 47,500 shares of Common Stock for \$6.1061 per share for an aggregate sale price of \$290,039.75. On January 7, 2004, Jayhawk Institutional sold 35,000 shares of Common Stock for \$6.01 per share for an aggregate sale price of \$210,350.

On April 1, 2005, Jayhawk Investments acquired 20,000 shares of Class C Preferred Stock from Primarius Focus, a fund in which Jayhawk Investments invests. The aggregate market value was \$1,000,000.

On June 20, 2005, Jayhawk Institutional purchased 8,500 shares of Class C Preferred Stock for an aggregate purchase price of \$416,653. On June 21, 2005, Jayhawk Institutional purchased 200 shares of Class C Preferred Stock for an aggregate purchase price of \$10,000. The source of funds for these transactions was the working capital of Jayhawk Institutional.

On December 22, 2005, Jayhawk Investments purchased 16,500 shares of Class C Preferred Stock for an aggregate purchase price of \$763,300. On December 23, 2005, Jayhawk Investments purchased 1,000 shares of Class C Preferred Stock for an aggregate purchase price of \$49,400. On December 27, 2005, Jayhawk Investments purchased 2,300 shares of Class C Preferred Stock for an aggregate purchase price of \$117,000. On December 28, 2005, Jayhawk Investments purchased 5,000 shares of Class C Preferred Stock for an aggregate purchase price of \$266,795. On December 30, 2005, Jayhawk Investments purchased 1,800 shares of Class C Preferred Stock for an aggregate purchase price of \$97,195. On January 4, 2006, Jayhawk Investments purchased 100 shares of Class C Preferred Stock for an aggregate purchase price of \$5,300. The source of funds for these transactions was the working capital of Jayhawk Investments.

On January 17, 2006, Jayhawk Investments purchased 4,200 shares of Class C Preferred Stock for an aggregate purchase price of \$231,000. The source of funds for these transactions was the working capital of Jayhawk Investments.

#### Item 4. Purpose of the Transaction.

Jayhawk, Jayhawk Investments, Jayhawk Institutional, and Mr. McCarthy (collectively, the Shareholders) originally acquired the shares of Common Stock and Class C Preferred Stock (collectively, the Shares) because they believed that the Shares were undervalued at the then-current market prices and represented an attractive investment opportunity. The Shareholders further believed that unexploited opportunities to increase the value of the Shares existed. Mr. McCarthy, as a holder of Class C Preferred Stock, participated in the nomination and election of two individuals to serve on the board of directors and hopes to work with the Issuer's management and board of directors to identify and pursue opportunities to increase the value of the Shares. Such opportunities may include raising additional capital or entering strategic alliances that could fund future growth and expansion or exploring possible business combinations. Jayhawk Investments exchanged its Class C Preferred Stock for the purpose of acquiring a non-controlling interest in another entity.

The Shareholders reserve the right to acquire, or dispose of, additional securities of the Issuer, in the ordinary course of business, to the extent deemed advisable in light of the Shareholders' general investment and trading policies, market conditions, the availability of shares of Common Stock or Class C Preferred Stock or other factors. The Shareholders may contact the Issuer, officers and directors of the Issuer, third parties and/or other shareholders regarding potential strategies to increase shareholder value. Other than as described above, none of the Shareholders has present plans or proposals that would result in any of the following:

- 1) any extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries;



- 2) any sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries;
- 3) any material change in the present capitalization or dividend policy of the Issuer;
- 4) any other material change in the Issuer's business or corporate structure;
- 5) any change in the Issuer's charter, by-laws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person;
- 6) causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association;
- 7) causing a class of securities of the Issuer to become eligible for termination of registration pursuant to Section 12(g)(4) of the Act; or
- 8) any action similar to any of those enumerated above.

Item 5. Interest in Securities of the Issuer.

(a) As of the date hereof, Mr. McCarthy beneficially owns 2,645,793 shares of Common Stock (which includes 1,422,293 shares of Common Stock receivable upon conversion of 328,550 shares of Class C Preferred Stock and 112,500 shares of Common Stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement), which represents 16.03% of the Issuer's outstanding shares of Common Stock, which such percentage was calculated by dividing (i) the 2,645,793 shares beneficially owned by Mr. McCarthy by (ii) the sum of (A) 13,755,658 shares of Common Stock outstanding as of November 17, 2005 based upon the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 21, 2005, (B) the 2,634,413 shares of Common Stock receivable upon conversion of the Class C Preferred Stock and (C) the 112,500 shares of Common Stock issuable upon the exercise of warrants.

As of the date hereof, Jayhawk beneficially owns 2,371,763 shares of Common Stock (which includes 1,319,263 shares of Common Stock receivable upon conversion of 304,750 shares of \$3.25 convertible exchangeable class C Preferred Stock and 112,500 shares of Common Stock that may be acquired upon exercise of warrants exercisable within 60 days of the date of this statement), which represents 14.37% of the Issuer's outstanding shares of Common Stock, which such percentage was calculated by dividing (i) the 2,371,763 shares beneficially owned by Jayhawk by (ii) the sum of (A) 13,755,658 shares of Common Stock outstanding as of November 17, 2006 based upon the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 21, 2005, (B) the 2,634,413 shares of Common Stock receivable upon conversion of the Class C Preferred Stock and (C) the 112,500 shares of Common Stock issuable upon the exercise of warrants.

As of the date hereof, Jayhawk Institutional beneficially owns 1,780,854 shares of Common Stock (which includes 728,354 of Common Stock receivable upon conversion of 168,250 shares of Class C Preferred Stock), which represents 10.79% of the Issuer's outstanding shares of Common Stock, which such percentage was calculated by dividing (i) the 1,780,854 shares beneficially owned by Jayhawk Institutional by

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(ii) the sum of (A) 13,755,658 shares of Common Stock outstanding as of November 17, 2005 based upon the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 21, 2005, (B) the 2,634,413 shares of Common Stock receivable upon conversion of the Class C Preferred Stock and (C) the 112,500 shares of Common Stock issuable upon the exercise of warrants.

As of the date hereof, Jayhawk Investments beneficially owns 590,909 shares of Common Stock (which includes 590,909 shares of Common Stock receivable upon conversion of 136,500 shares of Class C Preferred Stock), which represents 3.61% of the Issuer's outstanding shares of Common Stock, which such percentage was calculated by dividing (i) the 590,909 shares beneficially owned by Jayhawk.



Investments by (ii) the sum of (A) 13,755,658 shares of Common Stock outstanding as of November 17, 2005 based upon the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 21, 2005, (B) the 2,634,413 shares of Common Stock receivable upon conversion of the Class C Preferred Stock.

(b) Mr. McCarthy, as manager of Jayhawk, has the sole power to vote and dispose of the Shares beneficially owned by Jayhawk, Jayhawk Investments and Jayhawk Institutional.

(c) The following transactions were effected within the past sixty days on the open market:

On December 22, 2005, Jayhawk Investments purchased 15,000 shares of Class C Preferred Stock for a price of \$46.00 per share, 500 shares of Class C Preferred Stock for a price of \$48.60 per share and 1,000 of Class C Preferred Stock for a price of \$49.00 per share. On December 23, 2005, Jayhawk Investments purchased 800 shares of Class C Preferred Stock for a price of \$49.50 per share and 200 shares of Class C Preferred Stock for a price of \$49.00 per share. On December 27, 2005, Jayhawk Investments purchased 200 shares of shares of Class C Preferred Stock for a price of \$49.50 per share and 2,100 shares of Class C Preferred Stock for a price of \$51.00 per share. On December 28, 2005, Jayhawk Investments purchased 700 shares of Class C Preferred Stock for a price of \$52.00 per share, 3,000 shares of Class C Preferred Stock for a price of \$53.00 per share, 300 shares of Class C Preferred Stock for a price of \$54.65 per share and 1,000 shares of Class C Preferred Stock for a price of \$55.00 per share. On December 30, 2005, Jayhawk Investments purchased 500 shares of Class C Preferred Stock for a price of \$52.99 per share, 400 shares of Class C Preferred Stock for a price of \$53.00 per share and 900 shares of Class C Preferred Stock for a price of \$55.00 per share. On January 4, 2006, Jayhawk Investments purchased 100 shares of Class C Preferred Stock for a price of \$53.00 per share. On January 17, 2006, Jayhawk Investments purchased 4,200 shares of Class C Preferred Stock for a price of \$55.00 per share.

(d) Not Applicable.

(e) Jayhawk Investments' beneficial ownership in the Issuer dropped below 5% on May 1, 2002, when it transferred Class C Preferred Stock to Jayhawk Institutional.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Not Applicable.

Item 7. Material to be Filed as Exhibits.

Joint Filing Agreement dated as of January 9, 2001.

Signature

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 30, 2006

JAYHAWK INSTITUTIONAL PARTNERS, L.P.

By: Jayhawk Capital Management, L.L.C.,

Its general partner

By: /s/ Kent C. McCarthy

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Kent C. McCarthy, Manager

JAYHAWK INVESTMENTS, L.P.

By: Jayhawk Capital Management, L.L.C.,

Its general partner

By: /s/ Kent C. McCarthy

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Kent C. McCarthy, Manager

JAYHAWK CAPITAL MANAGEMENT, L.L.C.

By: /s/ Kent C. McCarthy

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Kent C. McCarthy, Manager

/s/ Kent C. McCarthy

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Kent C. McCarthy