LSB INDUSTRIES INC
Form 10-K/A
July 18, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No.1

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 1-7677

__________LSB INDUSTRIES, INC.________
(Exact Name of Registrant as Specified in its Charter)

Delaware (State of Incorporation)	73-1015226 (I.R.S. 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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, Par Value $.10	American Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: Preferred Share Purchase Rights and $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2

(Facing Sheet Continued)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for the shorter period that the Registrant has had to file the reports), and (2) has been subject to the filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

The aggregate market value of the Registrant’s voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which the voting common stock was last sold as of June 30, 2006, was approximately $69 million. For purposes of this computation, shares of the Registrant’s common stock beneficially owned by each executive officer and director of the Registrant and by Jayhawk Capital Management, L.L.C. and its affiliates (together “Jayhawk”) are deemed to be owned by affiliates of the Registrant. Such determination should not be deemed an admission that such executive officers, directors and other beneficial owners of our common stock are, in fact, affiliates of the Registrant. In addition, this computation does not include the 719 shares of voting Convertible Non-Cumulative Preferred Stock (the “Non-Cumulative Preferred”) held by non-affiliates of the Company. An active trading market does not exist for the shares of Non-Cumulative Preferred.

As of March 19, 2007 the Registrant had 19,479,139 shares of common stock outstanding (excluding 3,447,754 shares of common stock held as treasury stock).

Table of Contents

FORM 10-K/A, AMENDMENT NO.1
OF LSB INDUSTRIES, INC.

TABLE OF CONTENTS

Table of Contents

Explanatory Introductory Note

As previously disclosed in our Form 10-Q for the quarter ended March 31, 2007, during September 2006, the Financial Accounting Standards Board ("FASB") completed a project adopting a new accounting principle as to the methods of accounting for planned major maintenance activities ("Turnarounds"). Under the new accounting principle for Turnarounds, FASB issued FASB Staff Position No. AUG AIR-1 ("FSP"), which eliminated the accrue-in-advance method of accounting for Turnarounds which was the method we were using. Under the new FSP, there were three acceptable accounting methods for Turnarounds that we could adopt. Effective January 1, 2007, we have adopted the direct expensing method which requires us to expense Turnaround costs as they are incurred. The adoption of the FSP accounting for Turnarounds is considered a change in accounting principle adopted by the FASB with retroactive application as described in SFAS 154 - Accounting Changes and Error Corrections. We are required to file this Amendment to update our 2006 Form 10-K in order to file a registration statement to register certain securities sold by us in a private placement as required by our recently completed $60 million principal amount 5.5% Convertible Senior Subordinated Debentures, due 2012, to a limited number of qualified institutional buyers, as such term is defined in Rule 144A under the Securities Act of 1933, as amended. This Amendment reflects the new Turnaround accounting method for the three years ended December 31, 2006, with accompanying notes and quarterly financial data.

As a result of the new FSP for Turnarounds, this Amendment is amending the following Items contained in the Form 10-K:

- Selected Financial Data;
- Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Financial Statements and Supplemental Data; and
- Exhibits and Financial Statement Schedules

All other Items contained in the Form 10-K remain as set fourth in the Form 10-K.

Except for the foregoing amended information, as more fully discussed in Note 2 of Notes to Consolidated Financial Statements, the Form 10-K for year ended December 31, 2006, ("Form 10-K"), as amended by this Amendment, continues to describe conditions as of the date of the original filing of such Form 10-K, and we have not updated the disclosures contained therein to reflect events that have occurred at a later date, other than subsequent events that are considered to be significant which are disclosed under "Subsequent Events" of Item 7 and in Note 23 of Notes to Consolidated Financial Statements.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA (AS ADJUSTED)

	Years ended December 31,				
	2006	2005	2004	2003	2002
	(Dollars in thousands, except per share data)				
Selected Statement of Operations Data (1):					
Net sales	$491,952	$397,115	$363,984	$317,026	$283,553
Interest expense (2)	$ 11,915	$ 11,407	$ 7,393	$ 6,097	$ 8,218
Income from continuing operations before cumulative effect of accounting changes (2) (3)	$ 15,768	$ 5,634	$ 745	$ 3,705	$ 2,867
Cumulative effect of accounting changes	$ -	$ -	$ (536)	$ -	$ 860
Net income	$ 15,515	$ 4,990	$ 209	$ 3,705	$ 266
Net income (loss) applicable to common stock	$ 12,885	$ 2,707	$ (2,113)	$ 1,378	$ (2,061)
Income (loss) per common share applicable to common stock:					
Basic:					
Income (loss) from continuing operations before cumulative effect of accounting changes	$ .92	$ .25	$ (.12)	$ .11	$ .05
Net loss from discontinued operations	$ (.02)	$ (.05)	$ -	$ -	$ (.29)
Cumulative effect of accounting changes	$ -	$ -	$ (.04)	$ -	$ .07
Net income (loss)	$ .90	$ .20	$ (.16)	$ .11	$ (.17)
Diluted:					
Income (loss) from continuing operations before cumulative effect of accounting changes	$ .77	$ .22	$ (.12)	$ .10	$ .04
Net loss from discontinued operations	$ (.01)	$ (.04)	$ -	$ -	$ (.27)
Cumulative effect of accounting changes	$ -	$ -	$ (.04)	$ -	$ .07
Net income (loss)	$ .76	$ .18	$ (.16)	$ .10	$ (.16)

(1) As fully discussed under "Explanatory Introduction Note" on page 1 of this Form 10-K/A and Note 2 of the Notes to the Consolidated Financial Statements, we adjusted the selected statement of operations data as the result of the change in accounting for Turnarounds.

(2) In May 2002, the repurchase of Senior Unsecured Notes using proceeds from a Financing Agreement was accounted for as a voluntary debt restructuring. As a result, subsequent interest payments associated with the Financing Agreement debt were recognized against the unrecognized gain on the transaction. The Financing Agreement debt was repaid in September 2004.

(3) Income from continuing operations before cumulative effect of accounting changes includes gains on extinguishment of debt of $4.4 million and $1.5 million