LSB INDUSTRIES INC
Form S-1/A
October 19, 2007

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**As filed with the Securities and Exchange Commission on October 19, 2007**

**Registration No. 333-145721**

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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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# AMENDMENT NO. 1 to

# FORM S-1

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

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# LSB INDUSTRIES, INC.

**(Exact Name of Registrant)**

| DELAWARE | 2810 | 73-1015226 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**16 South Pennsylvania Avenue**

**Oklahoma City, Oklahoma 73107**

**(405) 235-4546**

**(Address, including zip code, and telephone number of registrant s principal executive offices)**

**David M. Shear, Esq.**

**Senior Vice President and General Counsel**

**LSB Industries, Inc.**

**16 South Pennsylvania Avenue**

**Oklahoma City, Oklahoma 73107**

**(405) 235-4546**

**(Name, address, including zip code and telephone number, including area code of Agent for Service)**

***COPIES TO:***

**Irwin H. Steinhorn, Esq.**

**Conner & Winters, LLP**

**1700 One Leadership Square**

**211 North Robinson**

**Oklahoma City, Oklahoma 73102**

**(405) 272-5711**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

**CALCULATION OF REGISTRATION FEE**

| **Title of each class of** | **Amount to be registered** | **Proposed** | **Proposed** | **Amount of** |
|---|---|---|---|---|
| **Securities to be registered** | | **maximum** | **maximum** | **Registration fee**[(5)] |

| | | offering price | aggregate offering price | |
|---|---|---|---|---|
| 5.5% Convertible Senior Subordinated Debentures Due 2012 | $60,000,000[(1)] | 100%[(2)] | $60,000,000[(2)] | $1,842 |
| Common stock, $.10 par value | 2,746,500[(3)] | (4) | (4) | $382(4) |

(1) Aggregate principal amount of 5.5% Convertible Senior Subordinated Debentures due 2012 sold by the registrant in a private placement on June 28, 2007.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended, based on 100% of the aggregate principal amount of the 5.5% Convertible Senior Subordinated Debentures due 2012.

(3) The number of shares of common stock to be registered is comprised of (a) 2,184,000 shares, which is the maximum number of shares issuable upon conversion of the debentures being registered under this registration statement, based upon a conversion rate of 36.4 shares ($27.47 per share) per $1,000 principal amount of the 5.5% Convertible Senior Subordinated Debentures due 2012; (b) 450,000 shares owned of record by Jayhawk Institutional, L.P. ( Jayhawk Institutional ); and (c) 112,500 shares issuable to Jayhawk Institutional upon the exercise of warrants at an exercise price of $3.49 per share. Pursuant to Rule 416(b) under the Securities Act, this registration statement also relates to an indeterminate number of additional shares of common stock registered hereunder in the event of a stock split, stock dividend or other similar transaction.

(4) The registrant will receive no consideration upon conversion of the debentures. Therefore, pursuant to Rule 457(i), no filing fee is required with respect to the 2,184,000 shares of common stock registered hereby that are issuable upon conversion of the debentures. Pursuant to Rule 457(c) and (g), the filing fee required with respect to the 450,000 shares of common stock held by Jayhawk Institutional and the 112,500 shares issuable to Jayhawk Institutional upon the exercise of warrants is based on the average high and low prices of the common stock as reported on the American Stock Exchange on August 23, 2007, or $22.14, for a proposed maximum offering price of $12,453,750. The total filing fee is $2,224.

(5) The registration fee was previously paid.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNDER THIS PRELIMINARY PROSPECTUS UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES OR A SOLICITATION OF YOUR OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE WOULD NOT BE PERMITTED OR LEGAL.**

**SUBJECT TO COMPLETION, DATED OCTOBER 19, 2007**

**PROSPECTUS**

# LSB INDUSTRIES, INC.

## 5.5% Convertible Senior Subordinated Debentures Due 2012

## 2,746,500 Shares of Common Stock

The debentures and shares of our common stock will be offered and sold by the selling security holders named in this prospectus or in any amendment or supplement to this prospectus. See Selling Security Holders beginning on page 37. The shares of common stock included in this prospectus are comprised of the following:

- 2,184,000 shares issuable upon conversion of $60 million aggregate principal amount of our debentures based upon the initial conversion rate of 36.4 shares per $1,000 principal amount of debentures (representing a conversion price of approximately $27.47 per share). See Description of Debentures-Conversion of debentures.

- 450,000 shares owned by Jayhawk Institutional Partners, L.P. ( Jayhawk Institutional ), and

- 112,500 shares issuable to Jayhawk Institutional upon the exercise of warrants at an exercise price of $3.49 per share.

We will not receive any of the proceeds from the sale by the selling security holders of these securities, but will receive the exercise price upon the exercise of the warrants. See Risk Factors contained herein as to certain matters relating to Jayhawk Institutional.

The debentures bear interest at the rate of 5.5% per year, and interest will be payable on July 1 and January 1 of each year, beginning on January 1, 2008. The debentures are convertible in whole or in part at any time prior to their maturity by holders into shares of our common stock at a conversion rate of 36.4 shares per $1,000 principal amount of debentures, representing a conversion price of $27.47 per share (subject to adjustment in certain circumstances). The debentures will mature on July 1, 2012, unless earlier converted or repurchased by us.

Our common stock is listed on the American Stock Exchange ( AMEX ) under the symbol LXU. The last reported sale price of our common stock on the AMEX on September 28, 2007, was $23.65 per share. There is no established market for the debentures, and we do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures through any automated quotation system.

The selling security holders may sell the securities offered by this prospectus from time to time on any exchange on which the securities are listed. They may also sell the securities in private sales or through dealers or agents. The selling security holders may sell the securities at prevailing market prices or at prices negotiated with buyers. The selling security holders will be responsible for any commissions due to brokers, dealers or agents. We will pay all expenses of the registration of the debentures and the common stock and certain other expenses as set forth in the registration rights agreement described in this prospectus.

**Investing in the debentures or in our common stock involves risks.**

**See Risk Factors beginning on page 5.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is ______, 2007.**

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission. The securities described in this prospectus may be offered and sold by the selling security holders using this prospectus from time to time as described the Plan of Distribution beginning on page 42. You should carefully read this prospectus and the information described under the heading Incorporation by Reference beginning on page 13 and Where You Can Find More Information on page 14.

**You should rely only on the information contained in, or incorporated by reference in, this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

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## PROSPECTUS SUMMARY

*This summary highlights certain information concerning our business and this offering. It does not contain all of the information that may be important to you and to your investment decision and is qualified in its entirety by, and should be read in conjunction with, the more detailed information about us and the debenture in this prospectus, including the section entitled Risk Factors, along with our business information, our financial information and other documents incorporated by reference in this prospectus.*

### LSB Industries, Inc.

LSB Industries, Inc. (the Company, we, us, or our ) was formed in 1968 as an Oklahoma corporation, and became a Delaware corporation in 1977. We are a diversified holding company operating through our subsidiaries. Our wholly-owned subsidiary, ThermaClime, Inc. ( ThermaClime ) through its subsidiaries, owns substantially all of our core businesses consisting of the:

- climate control business, which is engaged in the manufacturing and selling of a broad range of heating, ventilation and air conditioning products used in commercial and residential new building construction, renovation of existing buildings and replacement of existing systems; and

- chemical business, which is engaged in the manufacturing and selling of chemical products produced from three plants in Texas, Arkansas and Alabama for the industrial, mining and agricultural markets.

### Company Information

Our executive offices are located at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107, telephone (405) 235-4546. Our Web site is located at www.lsb-okc.com. The information on our Web site is not part of this prospectus and should not be considered in your decision to invest in the debentures or our common stock.

### Private Placement of Debentures

On June 28, 2007, we entered into a purchase agreement pursuant to which we sold $60.0 million aggregate principal amount of our debentures in a private placement to qualified institutional buyers pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended (the Securities Act ), afforded by Section 4(2) of the Securities Act and Regulation D promulgated under the Securities Act. The debentures are convertible into a number of shares of our common stock at a conversion rate of 36.4 shares of common stock per $1,000 principal amount of debentures, which is equivalent to an initial conversion price of approximately $27.47 per share, subject to adjustment in certain circumstances. See Description of Debentures. The net proceeds received by the Company in connection with the private placement were approximately $57 million, after discounts and commissions.

We agreed, pursuant to a registration rights agreement entered into in connection with such transaction, to register for resale by the debenture holders the debentures and shares of common stock issuable upon conversion of the debentures. This prospectus covers the resale by certain holders of such debentures and underlying common stock. See Description of Debentures Registration rights of the debenture holders.

In addition, this prospectus covers the resale of up to 462,500 shares of our common stock by one other selling security holder who exercised its right to participate in this offering pursuant to the time of a registration rights agreement that we have with this selling security holder. See Description of Capital Stock Registration rights.

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**THE OFFERING**

| | |
|---|---|
| Issuer | LSB Industries, Inc. |
| Selling Security Holders | The securities to be offered and sold using this prospectus will be offered and sold by the selling security holders named in this prospectus, or in any amendment or supplement to this prospectus. See Selling Security Holders. |
| Securities covered by this prospectus | $60,000,000 aggregate principal amount of 5.5% convertible senior subordinated debentures due 2012. 2,746,500 shares of common stock, par value $0.10 per share. |
| Maturity date of debentures | 2,746,500 shares of common stock, par value $0.10 per share. |
| Interest on debentures | 5.5% per annum on the principal amount, from June 28, 2007, payable semi-annually in arrears in cash on January 1 and July 1 of each year, beginning January 1, 2008. |
| Ranking of debentures | The debentures are unsecured and subordinated in right of payment to the prior payment in full of all of our existing and future senior indebtedness. The debentures are also subordinated to all other present or future liabilities, including trade payables, of our subsidiaries. As of June 30, 2007, we had approximately $125.0 million of senior indebtedness outstanding, including approximately $62.6 million of indebtedness of our subsidiaries which we have guaranteed, and our subsidiaries had other outstanding liabilities of approximately $59.4. Therefore, as of June 30, 2007, the debentures are effectively subordinate to a total of approximately $184.4 million of senior indebtedness, including the liabilities of our subsidiaries. See Risk Factors. Neither we nor our subsidiaries are prohibited from incurring additional debt, including senior indebtedness, under the indenture. |
| Conversion of debentures | The debentures are convertible by holders in whole or in part into shares of our common stock, at any time prior to their maturity on July 1, 2012. The conversion rate of debentures for holders electing to convert all or any portion of a debenture will be 36.4 shares per $1,000 principal amount of debentures (representing a conversion price of $27.47 per share). The conversion rate is subject to adjustment in certain circumstances. If a holder elects to convert its debentures in connection with certain changes in control, as defined herein, which occur prior to the maturity date, the holder will be entitled to receive additional shares of our common stock as a make-whole premium upon conversion under certain circumstances. See Description of Debentures-Conversion of debentures. |
| Sinking fund as to debentures | None. |
| Optional redemption of debentures | Beginning July 2, 2010, we may redeem the debentures either in whole or in part, upon at least 30 and not more than 60 days notice, at a redemption price, payable at our option in cash or, subject to certain conditions (see Payment of debentures in shares below), shares of our common stock, equal to 100% of the principal amount of the debentures to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if: (1) the closing sale prices of our common stock for at least 20 of the 30 consecutive trading days ending on the trading day prior to the date we mail a notice of redemption, exceeds 115% of the adjusted conversion price of the debenture; (2) our common stock is listed on The New York Stock Exchange, the American Stock Exchange, The NASDAQ Global Select Market, the NASDAQ Global |

| | |
|---|---|
| | Market or the NASDAQ Capital Market (each, an Eligible Market ), no suspension of trading thereof has occurred and no delisting or suspension of trading thereof is then pending or threatened; and (3) a shelf registration statement covering resales of the debentures and the common stock issuable upon conversion of the debentures is effective and expected to remain effective and available for use during the 30 days following the redemption date, unless registration is no longer required, and such shares of common stock may be issued without violating Section 713(a) of the Amex Company Guide or any successor provision thereof or, if our common stock is then traded on another Eligible Market, any similar rule of such market. See Description of Debenture Optional redemption by LSB. |
| Payment of debentures in shares | We may elect to pay the redemption price in shares of our common stock if, on the date of redemption: (1) our common stock is listed on an Eligible Market; (2) the shares used to pay the redemption price are freely tradeable; and (3) we receive certain required opinions of counsel. Payments made with shares of our common stock will be valued at 95% of the weighted average of the closing sale prices of our common stock for the 20 consecutive trading days ending on the fifth trading day prior to the redemption date. We will publicly announce the number of shares of our common stock to be paid as the redemption price, per each $1,000 principal amount of debentures to be redeemed, not later than the fourth trading day prior to the redemption date.<br><br>We may elect to pay, at maturity, up to 50% of the principal amount of the debentures, plus accrued and unpaid interest due thereon at maturity, in shares of our common stock if, on the maturity date: (1) our common stock continues to be listed on an Eligible Market, (2) the shares used to pay the debentures and any interest thereon are freely tradeable, and (3) we receive certain required opinions of counsel. Payments made with our shares of common stock will be valued at 95% of the weighted average of the closing prices of our common stock for the 20 consecutive trading days ending on the fifth trading day prior to the maturity date. We will publicly announce the number of shares of our common stock to be paid per each $1,000 principal amount of debentures on the maturity date, not later than the fourth trading day prior to the maturity date. |
| Repurchase of debentures at the option of the holder upon a designated event | If a designated event (as described under Description of Debentures-Repurchase at option of the Holder upon a designated event ) occurs prior to maturity, holders may require us to purchase, in cash, all or part of the holder s debentures at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest thereon to, but excluding, the repurchase date. |
| Make-whole premium of debentures | If a fundamental change occurs on or before June 30, 2010, we will pay a make-whole premium on the debentures converted in connection with the fundamental change, payable in shares of our common stock or the consideration into which our common stock has been converted or exchanged in connection with the fundamental change. The amount of the make-whole premium, if any, will be based on the stock price in the fundamental change transaction and the date of the fundamental change transaction. A description of how the make-whole premium will be determined and a table showing the make-whole premium that would apply at various stock prices and effective dates is set forth under Description of the Debentures Conversion of debentures Make-whole premium. |
| Use of Proceeds | We will not receive any proceeds from the sale made from time to time under this prospectus by the selling security holders of the debentures or our common stock. However, we will receive the exercise price of the warrants upon exercise of the warrants, which we will use for general corporate purposes. See Use of Proceeds. |

| | |
|---|---|
| Registration rights | We entered into a registration rights agreement with each selling security holder that originally purchased debentures and have filed a registration statement of which this prospectus is a part with the SEC covering the resale of the debentures and the common stock issuable upon conversion of the debentures. We agreed to use commercially reasonable efforts to have the registration statement declared effective and to keep the registration statement effective until July 1, 2010. See Description of Debentures Registration rights of the debenture holders.<br><br>Pursuant to a registration rights agreement, dated March 25, 2003 with Jayhawk Institutional and certain of its affiliates, Jayhawk Institutional exercised its piggyback registration rights to include in the registration statement, of which this prospectus is a part, 450,000 shares of common stock owned by Jayhawk Institutional and 112,500 issuable to Jayhawk Institutional upon exercise of warrants. See Description of Capital Stock Registration rights. |
| Absence of a Public Market for the Debentures | We cannot assure you that any active or liquid market will develop for the debentures. See Plan of Distribution. |
| Trading | We do not intend to apply to list the debentures on any national securities exchange or to include the debentures in any automated quotation system. Qualified institutional buyers may trade the debentures in the PORTAL MarketSM. The debentures sold using this prospectus, however, will no longer be eligible for trading in the PORTAL MarketSM. |
| Trustee, Paying Agent and Custodian Agent for debentures | UMB Bank, n.a. |
| American Stock Exchange Symbol for our common stock | Our common stock is quoted on the AMEX under the symbol LXU. |
| Transfer Agent for our common stock | Computershare Trust Company, N.A. |
| Risk Factors | You should read the Risk Factors section, beginning on page 5 of this prospectus, to understand the risks associated with an investment in the debentures or our common stock. |

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## RISK FACTORS

*An investment in the debentures or our common stock involves a high degree of risk. There are a number of factors associated with our business that could affect your decision to invest in the debentures or any common stock issuable upon conversion of the debentures. The following discussion describes the material risks currently known to us. However, additional risks that we do not know about or that we currently view as immaterial may also impair our business or adversely affect an investment in the debentures or any common stock issuable upon conversion of the debentures. You should carefully consider the risks described below, together with other information contained in, or incorporated by reference into, this prospectus before making a decision to invest in the debentures or any common stock offered under this prospectus by the selling security holders.*

### Risks related to us and our business

***Cost and availability of raw materials could materially affect our profitability and liquidity.***

Our chemical business sales and profits are heavily affected by the costs and availability of its primary raw materials. Anhydrous ammonia and natural gas, which are purchased from unrelated third parties, represent the primary raw material feedstocks in the production of most of the products of the chemical business. The primary material utilized in anhydrous ammonia production is natural gas, and fluctuations in the price of natural gas can have a significant effect on the cost of anhydrous ammonia. Historically, there has been volatility in the cost of anhydrous ammonia and natural gas, and in many instances we were unable to increase our sales prices to cover all of the higher anhydrous ammonia and natural gas costs incurred. Although our chemical business has begun a program to enter into contracts with certain customers that provide for the pass-through of raw material costs, we have a substantial amount of sales that do not provide for these pass-throughs. Thus, in the future, our chemical business may not be able to pass along to all of its customers the full amount of increases in anhydrous ammonia and natural gas costs. We have suspended in the past, and may in the future suspend, production at our chemical facilities due to, among other things, the high cost or unavailability of such primary raw materials. Accordingly, our results of operations and financial condition have in the past been, and could in the future be, materially affected by cost increases or unavailability of such raw materials, including anhydrous ammonia and natural gas. We are unable to predict, as of the date of this prospectus, the impact, if any, to us and our earnings if the price of anhydrous ammonia and natural gas is high and we are unable to increase our sales prices to cover the full amount of the high cost of these raw materials.

In addition, our climate control business depends on raw materials such as copper and steel, which have recently shown considerable price volatility. While we periodically enter into fixed-price contracts on copper to hedge against price increases, there can be no assurance that our climate control business will effectively manage against price fluctuations in copper and other raw materials or that future price fluctuations in copper and other raw materials will not have an adverse effect on our financial condition, liquidity and results of operations. Our climate control business depends on certain suppliers to deliver the key components that are required in the production of its products. Any disruption in such supply could result in lost production or delayed shipments, which could materially affect our operations and cash flow.

***In recent years our chemical business has been unable to generate significant positive cash flows.***

Due, in part, to lower than optimum sales levels, margin problems and extensive capital expenditures, our chemical business has not generated significant positive cash flows in recent years. Continuing significant cash flow expenditures by this business could have a material adverse effect on our financial condition and liquidity.

***Our climate control business and its customers are sensitive to economic cycles.***

Our climate control business is affected by cyclical factors, such as interest rates, inflation and economic downturns. Our climate control business depends on sales to customers in the commercial construction and renovation industries, which are particularly sensitive to these factors. A decline in the economic activity in the United States has in the past, and could in the future, have a material adverse effect on our customers in the commercial construction and renovation industries in which our climate control business sells a substantial amount of its products. Such a decline could result in a decrease in revenues and profits, and an increase in bad debts, in our climate control business.

***Weather conditions adversely affect our chemical business.***

The agricultural products produced and sold by our chemical business have been in the past and will continue in the future, to be materially affected by adverse weather conditions outside of our control (such as excessive rains or drought) in the primary markets for our fertilizer and related agricultural products. If any of these unusual weather events occur during the primary seasons for sales of our agricultural products (March-June and September-November), this could have a material adverse effect on the agricultural sales of our chemical business and our financial condition and results of operation.

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***Environmental and regulatory matters entail significant risk for us.***

Our chemical business is subject to numerous environmental laws and regulations. The manufacture and distribution of chemical products are activities which entail environmental risks and impose obligations under environmental laws and regulations, many of which provide for substantial fines and potential criminal sanctions for violations. Our chemical business has in the past, and may in the future, be subject to fines, penalties and sanctions for violations of environmental laws and substantial expenditures for cleanup costs and other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of pollutants or other substances at or from the chemical business facilities. Further, a number of our chemical business facilities are dependent on environmental permits to operate, the loss of which could have a material adverse effect on its operations and our financial condition.

***We may be required to expand our security procedures and install additional security equipment for our chemical business in order to comply with the Homeland Security Act of 2002 and possible future government regulation.***

The chemical industry in general, and producers and distributors of ammonium nitrate specifically, are scrutinized by the government, industry and public on security issues. Under the Homeland Security Act of 2002, as well as current and proposed regulations, we may be required to incur substantial additional costs relating to security at our chemical facilities and distribution centers and security for the transportation of our products. These costs could have a material impact on our financial condition and results of operations.

***A substantial portion of our sales is dependent upon a limited number of customers.***

During 2006, six customers of our chemical business accounted for 54% of the net sales of our chemical business and 29% of our consolidated sales, and our climate control business had one customer that accounted for 16% of the net sales of our climate control business and 7% of our consolidated sales. The loss of, or a material reduction in purchase levels by, one or more of these customers could have a material adverse effect on our business and our results of operations, financial condition and liquidity if we are unable to replace a customer on substantially similar terms.

***Our working capital requirements fluctuate because of the seasonal nature of our chemical business agricultural products.***

Because of the seasonal nature of our chemical business agricultural products, our working capital requirements are significantly higher at certain times of the year due to increases in inventories of ammonium nitrate, UAN and other agricultural products prior to the beginning of each planting season. If additional working capital is required and not available under our revolving credit facility, this could have a negative impact on our other operations, including our climate control business.

***There is intense competition in the climate control and chemical industries.***

Substantially all of the markets in which we participate are highly competitive with respect to product quality, price, design innovations, distribution, service, warranties, reliability and efficiency. We compete with a number of established companies that have greater financial, marketing and other resources than we have and are less highly leveraged than we are. Competitive factors could require us to reduce prices or increase spending on product development, marketing and sales that would have a material adverse effect on our business, results of operation and financial condition.

***We are effectively controlled by the Golsen Group.***

Jack E. Golsen, our Chairman of the Board and CEO, members of his immediate family (spouse and children), including Barry H. Golsen, our Vice Chairman and President, entities owned by them and trusts for which they possess voting or dispositive power as trustee (the Golsen Group ) owned as of September 30, 2007, an aggregate of 3,653,143 shares of our common stock and 1,020,000 shares of our voting preferred stock (1,000,000 of which shares have .875 votes per share, or 875,000 votes), which together represented approximately 21.1% of the voting power of our issued and outstanding voting securities as of that date. At such date, the Golsen Group also beneficially owned options and rights that allowed its members to acquire an additional 293,000 shares of our common stock within 60 days of September 30, 2007. If the Golsen Group were to acquire the additional 293,000 shares of common stock, the Golsen Group would, in the aggregate, beneficially own 4,841,143 shares of voting securities representing approximately 22.2% of the issued and outstanding shares of our voting securities (common and preferred). Thus, the Golsen Group may be considered to effectively control us. As a result, the ability of other stockholders to influence our management and policies could be limited.

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***Loss of key personnel could negatively affect our business.***

We believe that our performance has been and will continue to be dependent upon the efforts of our principal executive officers. We cannot promise you that our principal executive officers will continue to be available. Jack E. Golsen has an employment agreement with us. No other principal executive has an employment agreement with us. The loss of one or more of our principal executive officers could have a material adverse effect on us. We believe that our future success will depend in large part on our continued ability to attract and retain highly skilled and qualified personnel.

***We may have inadequate insurance.***

While we maintain liability insurance, including certain coverage for environmental contamination, it is subject to coverage limits and policies may exclude coverage for some types of damages. Although there may currently be sources from which such coverage may be obtained, it may not continue to be available to us on commercially reasonable terms or the possible types of liabilities that may be incurred by us may not be covered by our insurance. In addition, our insurance carriers may not be able to meet their obligations under the policies or the dollar amount of the liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, results of operations, financial condition and liquidity.

***Our warranty claims are not generally covered by our insurance.***

The development, manufacture, sale and use of products by our climate control business involve a risk of warranty and product liability claims. Warranty claims are not generally covered by our product liability insurance and there may be types of product liability claims that are not covered by our product liability insurance. A successful warranty or product liability claim not covered by our insurance could have a material adverse effect on our business, results of operations, financial condition and liquidity.

***We have not paid dividends on our outstanding common stock in many years.***

We have not paid cash dividends on our outstanding common stock in many years, and we do not anticipate paying cash dividends on our outstanding common stock in the foreseeable future. We intend to retain most of our future earnings, if any, to provide funds for our operations and/or expansion of our business.

In September 2007, we paid an aggregate of approximately $2.0 million in accrued and unpaid dividends due as of December 31, 2006, on our outstanding Series B 12% Cumulative Convertible Preferred ( Series B Preferred ), and our Series D, 6% Cumulative, Convertible Class C Preferred Stock, no par value ( Series D Preferred ), utilizing a portion of the net proceeds from the sale of the debentures. In addition, in September 2007 we paid an aggregate of approximately $0.3 million in cash dividends due for 2007 on our outstanding Series B Preferred, Series D Preferred and our Convertible, Noncumulative Preferred Stock ( Noncumulative Preferred ), utilizing funds from our working capital. All of the issued and outstanding shares of our Series B Preferred and Series D Preferred are owned by the Golsen Group. As a result of these payments, we have no accrued and unpaid dividends due on our outstanding cumulative preferred stock as of the date of this prospectus. See A substantial stockholder has threatened to bring legal proceedings against us in connection with the redemption of our Series 2 Preferred .

There are no assurances that we will in the future pay any quarterly dividends on any of our outstanding shares of preferred stock. If, in the future, accrued and unpaid dividends exist on our preferred stock, no dividends may be paid on our common stock. In the event of our liquidation, winding up or dissolution, there can be no distributions on our common stock unless and until all of the liquidation preference and stated value amounts of our outstanding preferred stock and all accrued and unpaid dividends, if any, due on our outstanding cumulative preferred stock are paid in full. Further, not paying dividends that accrue on our outstanding preferred stock could adversely affect the marketability of our common stock and our ability to raise additional equity capital.

***Terrorist attacks and other acts of violence or war, including the military conflict in Iraq and natural disasters (such as hurricanes), have and could negatively impact U.S. and foreign companies, the financial markets, the industries where we operate and our operations and profitability.***

Terrorist attacks and natural disasters (such as hurricanes) have in the past, and can in the future, negatively affect our operations and your investment. We cannot predict further terrorist attacks and natural disasters in the United States and elsewhere. These attacks or natural disasters have contributed economic instability in the United States and elsewhere, and further acts of terrorism, violence, war or natural disasters could further affect the industries where we operate, our ability to purchase raw materials, and our business, results of operations and financial condition. In addition, terrorist attacks and natural disasters may directly impact our physical facilities, especially our chemical facilities, or those of our suppliers or

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customers and could impact our sales, our production capability and our ability to deliver products to our customers. In the past, hurricanes affecting the Gulf Coast of the United States have resulted in damages to, or shutdown of, the gas pipeline to our Cherokee facility, resulting in that facility being shut down for several weeks. Terrorist attacks or hostilities or natural disasters and their consequences are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations or your investment.

***Our net loss carryovers are subject to various limitations and have not been approved by the Internal Revenue Service.***

Our net loss carryovers have resulted from certain losses in prior years, and we anticipate they may be used to reduce the federal income tax payments which we would otherwise be required to make with respect to income, if any, generated in future years. We had available regular-tax net operating loss carryovers of approximately $51.2 million at December 31, 2006. The use of the net operating loss carryovers is, however, subject to certain limitations and will expire to the extent not utilized, beginning in 2019. In addition, the amount of these carryovers has not been audited or approved by the Internal Revenue Service, and, accordingly, the amount of such carryovers could be reduced as a result of audits in the future.

***Restatements and amendments to our 2004 audited financial statements and certain matters related to our disclosure controls and procedures may lead to legal exposure.***

In response to comments from the SEC, and as a result of changes we made internally, we restated and amended our 2004 audited financial statements and on December 30, 2005 filed a Form 10-K/A (Amendment No. 1) for the year ended December 31, 2004. As a result of the restatement and amendments to our 2004 audited financial statements and SEC comments, we also filed on December 30, 2005, an amended Form 10-Q/A for each of the quarters ended March 31, 2005 and June 30, 2005.

As a result of this restatement to our 2004 financial statements, we also revised our 2004 Form 10-K and first two quarters 2005 Form 10-Qs to provide that our disclosure controls and procedures were not effective as of December 31, 2004, March 31, 2005 and June 30, 2005, in our Form 10-K/A and Forms 10-Q/A, as a result of assessing that the change from the LIFO method to the FIFO method of accounting was not material resulting in the decision at the time of the change not to disclose and not to restate the prior years financial statements. We believe that during December 2005, we addressed the weakness to our disclosure controls and procedures by, among other things, establishing a Disclosure Committee to maintain oversight activities and to examine and reevaluate our policies, procedures and criteria to determine materiality of items relative to our financial statements taken as a whole.

In addition, the SEC is conducting an informal inquiry of us relating to the change in inventory accounting from LIFO to FIFO resulting in the restatement of our financial statements, and, at this time, we do not know if the informal inquiry:

- will rise to the level of an investigation or proceeding, or

- will result in an enforcement action, if any, by the SEC.

***We are a holding company and depend, in large part, on receiving funds from our subsidiaries to fund our indebtedness.***

Because we are a holding company and operations are conducted through our subsidiaries, principally ThermaClime and its subsidiaries, our ability to make scheduled payments of principal and interest on our indebtedness depend on operating performance and cash flows of our subsidiaries and the ability of our subsidiaries to make distributions and pay dividends to us. Under its loan agreements, ThermaClime and its subsidiaries may only make distributions and pay dividends to us under limited circumstances and in limited amounts. If ThermaClime is unable to make distributions or pay dividends to us, or the amounts of such distributions or dividends are not sufficient for us to service our debts, we may not be able to pay the principal or interest, or both, due on our indebtedness.

***We are subject to a variety of factors that could discourage other parties from attempting to acquire us.***

Our certificate of incorporation provides for a staggered board of directors and, except in limited circumstances, a two-thirds vote of outstanding voting shares to approve a merger, consolidation or sale of all, or substantially all, of our assets. In addition, we have entered into severance agreements with our executive officers and some of the executive officers of our subsidiaries that provide, among other things, that if, within a specified period of time after the occurrence of a change in control of our company, these officers are terminated, other than for cause, or the officer terminates his employment for good reason, we must pay such officer an amount equal to 2.9 times the officer s average annual gross income for the last five years preceding the change in control. We have further adopted a preferred share purchase rights plan.

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We have authorized and unissued (including shares held in treasury) 54,385,412 shares of common stock and 4,229,415 shares of preferred stock as of September 30, 2007. These unissued shares could be used by our management to make it more difficult, and thereby discourage an attempt to acquire control of us.

We have further adopted a preferred share purchase plan, which is designed to ensure that all of our stockholders receive fair and equal treatment in the event of a proposed takeover or abusive tender offer. See Description of Capital Stock Preferred share purchase rights.

The foregoing provisions and agreements are designed to discourage a tender offer or proxy contest for control of us and could have the effect of making it more difficult to remove incumbent management.

Delaware has adopted an anti-takeover law which, among other things, will delay for three years business combinations with acquirers of 15% or more of the outstanding voting stock of publicly-held companies (such as us), unless (a) the acquirer owned at least 85% of the outstanding voting stock of such company prior to commencement of the transaction, or (b) two-thirds of the stockholders, other than the acquirer, vote to approve the business combination after approval thereof by the board of directors, and (c) the stockholders decide to opt out of the statute.

***A substantial stockholder has threatened to bring legal proceedings against us in connection with the recent redemption of our Series 2 Preferred.***

On August 27, 2007, we completed the redemption of our outstanding shares of our $3.25 Convertible Exchangeable Class C Preferred Stock, Series 2 (the Series 2 Preferred ). The terms of our Series 2 Preferred required us to pay, in cash, a redemption price for each share redeemed of $50.00 per share (or $1.3 million in the aggregate as of the redemption date), plus $26.25, representing accrued and unpaid dividends thereon pro-rata to the date of redemption. As of the redemption date, approximately $0.7 million of dividends were accrued and unpaid on the 25,820 shares of Series 2 Preferred outstanding as of that date. The Certificate of Designations for the Series 2 Preferred provided, and it is our position, that the holders of the Series 2 Preferred that elected to convert shares of Series 2 Preferred into our common stock prior to the scheduled redemption pursuant to the terms of the Series 2 Preferred were not entitled to receive payment of any accrued and unpaid dividends on the shares so converted.

Kent C. McCarthy, an individual, Jayhawk Capital Management Company, LLC, a Delaware limited liability company, Jayhawk Investments Company, L.P., a Delaware limited partnership, and Jayhawk Institutional Partners, L.P., a Delaware limited partnership and a Selling Security Holder under this prospectus ( Jayhawk Institutional ) (collectively, the Jayhawk Group ) is one of our largest stockholders. See Selling Security Holders and Security Ownership of Certain Beneficial Owners and Management. After receiving the notice of redemption of our Series 2 Preferred, the Jayhawk Group converted 155,012 shares of Series 2 Preferred into 671,046 shares of our common stock pursuant to the terms of the Series 2 Preferred. Prior to conversion, approximately $4.0 million of dividends were accrued and unpaid on such shares of Series 2 Preferred. The Jayhawk Group has advised us that, in connection with the conversion by the Jayhawk Group of its holding of Series 2 Preferred, the Jayhawk Group may bring legal proceedings against us for all accrued and unpaid dividends on the shares of Series 2 Preferred converted by the Jayhawk Group after receiving the notice of redemption. In addition to the shares of Series 2 Preferred converted by the Jayhawk Group into our common stock, an additional 12,463 shares of Series 2 Preferred were converted into shares of our common stock by other holders of Series 2 Preferred after receiving notice of redemption.

**Risks related to the debentures and common stock:**

***We are a highly leveraged company, which could affect our ability to pay our outstanding indebtedness, obtain additional financing, and fund our operations, and may place us at a competitive disadvantage.***

We have a substantial amount of debt outstanding. At June 30, 2007, after giving effect to our sale of $60 million aggregate principal amount of the debentures, our aggregate consolidated debt was approximately $124.5 million, resulting in total debt as a percentage of total capitalization of 63.2%. The amounts of our indebtedness and the indebtedness of our subsidiaries and our total debt as a percentage of total capitalization, as of June 30, 2007, are based on unaudited numbers.

The degree to which we are leveraged could have important consequences to holders of the debentures, including the following:

- our ability to obtain additional financing in the future for refinancing indebtedness, acquisitions, working capital, capital expenditures or other purposes may be impaired;

funds available to us for our operations and general corporate purposes or for capital expenditures will be reduced because a substantial portion of our consolidated cash flow from operations could be dedicated to the payment of the principal and interest on our indebtedness;

we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

the agreements governing our long-term indebtedness, including indebtedness under the debentures, and those of our subsidiaries (including indebtedness under the debentures) and bank loans contain certain restrictive financial and operating covenants;

an event of default, which is not cured or waived, under financial and operating covenants contained in these debt instruments could occur and have a material adverse effect on us; and

we may be more vulnerable to a downturn in general economic conditions.

Our ability to make principal and interest payments, or to refinance indebtedness, including the debentures, will depend on our future operating performance and cash flow, which are subject to prevailing economic conditions and other factors affecting us, many of which are beyond our control.

***The debentures are contractually subordinated to all of our senior debt and are effectively subordinated to all of our secured debt and to all of the debt and other liabilities of our subsidiaries.***

The debentures are our general unsecured obligations and are contractually subordinated to all of our existing and future senior debt, including obligations relating to credit facilities of our subsidiaries that we have guaranteed. As of June 30, 2007, our senior debt, including our subsidiaries debt which we have guaranteed totaled approximately $122.6 million. Upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to us or our property, the holders of senior debt will be entitled to be paid in full in cash before any payment may be made with respect to the debentures. In addition, all payments on the debentures will be blocked in the event of a payment default on our senior debt and may be blocked for up to 179 days in the event of certain non-payment defaults on designated senior debt.

The debentures are not secured by any of our assets, and therefore will be effectively subordinated to all of our secured debt. In addition, future debt that we incur, including accounts payable and other liabilities incurred in obtaining goods and services, may be secured by our assets. If we become insolvent or are liquidated, or if payment of any of our secured debt is accelerated, the holders of that secured debt will be entitled to exercise the remedies available to secured lenders under applicable law, including the ability to foreclose on and sell the assets securing such debt to satisfy such debt. In any such case, our remaining assets may be insufficient to repay the debentures.

The debentures are obligations exclusively of LSB Industries, Inc. Since we are a holding company and most of our operations are conducted through our wholly owned subsidiaries, principally ThermaClime and its subsidiaries, the cash flow and the consequent ability to service debt, including the debentures, are dependent upon the earnings of such subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by, those subsidiaries to us. Our subsidiaries have no obligation to pay any amounts due pursuant to the debentures or to make any funds available therefore. Additionally, under its loan agreements, ThermaClime and its subsidiaries may only make distributions and pay dividends to us under limited circumstances and in limited amounts. If ThermaClime is unable to make distributions or pay dividends to us, or the amounts of such distributions or dividends are not sufficient for us to service our debts, we may not be able to pay the principal or interest, or both, due on our indebtedness, including the debentures.

Any right we have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of the debentures to participate in those assets) will be effectively subordinated to the claims of that subsidiary s creditors (including trade creditors). There are no restrictions in the indenture on the creation of additional senior indebtedness (or any indebtedness).

The amounts of our indebtedness and the indebtedness of our subsidiaries as of June 30, 2007, are based on unaudited numbers.

***We may be unable to purchase the debentures for cash following a designated event.***

Holders of the debentures have the right to require us to repurchase the debentures upon the occurrence of a designated event prior to maturity as described under the heading Description of Debentures Repurchase at option of the holder upon a designated event. Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the debentures may be limited by law or the terms of other agreements relating to our debt outstanding at the time. However, if we fail to repurchase the debentures as required by the indenture, it would constitute an event of default under the indenture governing the debentures which would cause a default in one or more of our senior credit facilities. Important corporate events, such as takeovers, recapitalizations or similar transactions, may not constitute a designated event under the indenture governing the debentures and thus not permit the holders of the debentures to require us to repurchase or redeem the debentures.

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***There is currently no public market for the debentures, and an active trading market may not develop for the debentures. The failure of a market to develop for the debentures could adversely affect the liquidity and value of the debentures.***

The debentures are a new issue of securities, and there is no existing market for the debentures. Although the debentures are eligible for trading in The PORTAL MarketSM, we do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures on any automated dealer quotation system. In addition, debentures sold using this prospectus will no longer be eligible for trading in the PORTAL MarketSM. A market may not develop for the debentures, and if a market does develop, it may not be sufficiently liquid for your purposes. If an active, liquid market does not develop for the debentures, the market price and liquidity of the debentures may be adversely affected. Debentures traded after their initial issuance may trade at a discount from their face amount.

The liquidity of the trading market, if any, and future trading prices of the debentures will depend on many factors, including, among other things, the market price of our common stock, our ability to register the resale of the debentures, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. The market for the debentures may be subject to disruptions, which could have a negative effect on the holders of the debentures, regardless of our operating results, financial performance or prospects.

***Resale of the debentures and the common stock issuable upon conversion of the debentures is subject to significant restrictions.***

Although we are required to register the resale by the holders of the debentures and the common stock into which the debentures are convertible, along with certain shares of common stock owned by Jayhawk Institutional and issuable to Jayhawk Institutional upon the exercise of warrants, such registration may not be available at all times. We are not currently eligible to register the resale of the debentures and the common stock included in this prospectus on Form S-3, and, therefore, registered the resale of these securities on Form S-1. As a result, under certain circumstances, we must update the registration statement for the resale of such debentures and common stock by filing post-effective amendments to the registration statement that will not be effective until each is declared effective by the SEC. Between the time it is determined that the registration statement must be updated by a post-effective amendment and the time the SEC declares the applicable post-effective amendment effective, the registration statement will not be available for use and the price of our common stock could decline during that time. The SEC has broad discretion to determine whether any registration statement (including and post-effective amendment) will be declared effective and may delay or deny the effectiveness of any registration statement or post effective amendment filed by us for a variety of reasons. Selling security holders also may be subject to restrictions and potential liability under the Securities Act. See Description of Debentures Registration rights of the debenture holders and Description of Capital Stock Registration rights.

***The debentures do not restrict our ability to incur additional debt, repurchase our securities or to take other actions that could negatively impact holders of the debentures.***

We are not restricted under the terms of the debentures from incurring additional debt, including secured debt, or repurchasing our securities. In addition, the limited covenants applicable to the debentures do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the debentures could have the effect of diminishing our ability to make payments on the debentures when due. Certain of our other debt instruments may, however, restrict these and other actions. See Description of Debentures - Subordination of debentures.

***Determination of debenture terms***

The conversion rate of the debentures is initially 36.4 shares per $1,000 principal amount of debentures, representing an initial conversion price of $27.47, subject to adjustment. There can be no assurance that the market price of our common stock will ever reach or exceed the representative price at which the debentures may be converted into shares of common stock. In addition, our right to redeem the debentures or pay the debentures at maturity in our common stock is not conditioned upon the closing sale price of our common stock exceeding the then effective conversion price of the debentures. Because the value of the common stock will be determined before the redemption date, or the maturity date, if we specify that we will make payment of the redemption price or a portion of the principal and accrued interest thereon of the debentures at the maturity date in shares of our common stock, holders of debentures bear the market risk that our common stock will decline in value between the date of such determination and the redemption date or the maturity date, whichever is applicable. In addition, holders will not know the exact number of shares of common stock to be received upon redemption or maturity until the fourth trading day prior to the redemption date or maturity date, whichever is applicable. The conversion price, redemption price and the other terms of the debentures have been determined by negotiation between the placement agent and us. See Description of the Debentures.

***The price of our common stock, and therefore of the debentures may fluctuate significantly; and this may make it difficult for you to resell the debentures and/or our common stock when you want or at prices you find attractive.***

The price of our common stock on the American Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate. In addition, because the debentures are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the debentures. This may make it difficult for you to resell the debentures and/or our common stock when you want or at prices you find attractive.

***Future issuances and sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock, the value of the debentures, our ability to raise funds in new stock offerings and may dilute your percentage interest in our common stock.***

Future issuances and sales of substantial amounts of our common stock or equity-related securities in the public market, or the perception that such issuances or sales could occur, could adversely affect prevailing trading prices of our common stock and the value of the debentures and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future issuances or sales of shares of common stock or the availability of shares of common stock for future issuance, will have on the trading price of our common stock or the value of the debentures. Such future issuances could also significantly reduce the percentage ownership of our existing common stockholders.

***Resale of shares offered by this prospectus could adversely affect the market price of our common stock and our ability to raise additional equity capital***

The sale, or availability for sale, of common stock in the public market pursuant to this prospectus may adversely affect the prevailing market price of our common stock and may impair our ability to raise additional capital by selling equity or equity-related securities. When the registration statement that includes this prospectus is declared effective, 2,746,500 shares being offered hereby will be available for resale (assuming the conversion of all of the debentures and exercise of the warrant for which the underlying shares of common stock are registered). The resale of a substantial number of shares of our common stock in the public market pursuant to this offering, and afterwards, could adversely affect the market price for our common stock and make it more difficult for you to sell our shares at times and prices that you feel are appropriate. Furthermore, we expect that, because there is a large number of shares offered hereby, the selling security holders may continue to offer shares covered by this prospectus for a significant period of time, the precise duration of which we cannot predict. Accordingly, the adverse market and price pressures resulting from this offering may continue for an extended period of time and continued negative pressure on the market price of our common stock could have a material adverse effect on our ability to raise additional equity capital.

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## FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements. All statements in this prospectus and such incorporated information other than statements of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which could cause actual results and performance of the Company to differ materially from such statements. Such forward-looking statements relate to statements about our business strategies, our expected financial position and operating results, the projected size of our markets and our financing plans and similar matters, including, but not limited to, the forward-looking statements described in the following, under the heading Special Note Regarding Forward Looking Statements, each of which is hereby incorporated herein by reference:

(a) the Special Note Regarding Forward Looking Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2006;

(b) the Special Note Regarding Forward Looking Statements contained in our Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2006;

(c) the Special Note Regarding Forward-Looking Statements contained in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007; and

(d) the Special Note Regarding Forward-Looking Statements contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

While we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this prospectus, including, but not limited to, the factors described in the above sections of our Annual Report on Form 10-K for the year ended December 31, 2006, Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2006, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

The words believe, may, will, estimate, continue, anticipate, intend, expect, project and similar expressions, as they relate to us, management, and our industry are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions about us that may cause actual results to differ from the results in these forward-looking statements are described in Risk Factors contained herein and/or in our Form 10-K for the year ended December 31, 2006, our Form 10-K/A for the year ended December 31, 2006, our Form 10-Q for the quarter ended March 31, 2007, or our Form 10-Q for the quarter ended June 30, 2007, each of which is incorporated by reference herein.

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not transpire.

## INCORPORATION BY REFERENCE

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we can disclose important information to you by referring you to another document we have filed separately with the Securities and Exchange Commission. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus. We incorporate by reference the documents listed below that we previously filed with the SEC:

Our 2006 Annual Report on Form 10-K, for the fiscal year ended December 31, 2006 ( 2006 10-K ), which includes, without limitation, information with respect to our business, properties, legal proceedings, certain stockholder matters, financial statements, selected financial data, supplementary financial information, management s discussion and analysis of financial condition and results of operations, dividend policy, and quantitative and qualitative disclosures about market risk;

Our Amendment No. 1 to 2006 Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2006 ( 2006 10-K/A );

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007;

Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007;

Our Current Reports on Form 8-K filed on January 12, January 29, February 9, March 6, March 13, March 26, May 1, May 7, June 29, July 16, August 9, August 20, August 30, September 11 and September 24;

Our Proxy Statement, filed on February 6, 2007, relating