

LSB INDUSTRIES INC
Form DEF 14A
April 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

LSB Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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LSB INDUSTRIES, INC.

16 South Pennsylvania Avenue

Oklahoma City, OK 73107

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 2, 2016

To the Stockholders of

LSB Industries, Inc.

The 2016 Annual Meeting of the Stockholders of LSB Industries, Inc. (the Company) will be held at our offices located at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107, on June 2, 2016, at 8:30 a.m. (CDT), for the purpose of considering and voting upon the following matters:

- (1) Election of three nominees to the Board of Directors;
- (2) Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2016;
- (3) Advisory vote to approve named executive officer compensation; and
- (4) Approval of the LSB Industries, Inc. 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code.

The Board of Directors has fixed the close of business on April 15, 2016, as the record date for the determination of holders of the common stock and voting preferred stock of the Company who will be entitled to vote at the annual meeting.

Your vote is important. Please sign and promptly return the enclosed proxy card in the accompanying self-addressed envelope, which requires no postage if mailed in the United States. In addition, you can vote by telephone or internet. Instructions are included on the proxy card.

By order of the Board of Directors,

/s/ Michael J. Foster
Michael J. Foster
Senior Vice President,

Oklahoma City, Oklahoma

April 29, 2016

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 2, 2016.

The Proxy Statement for the Annual Meeting, along with the LSB 2016 Annual Report, are available free of charge on our website: www.lsbindustries.com.

YOUR VOTE IS IMPORTANT. You are urged to vote your shares by promptly marking, signing, dating and returning the proxy card or, in the alternative, by voting your shares electronically either over the Internet or by touch tone telephone. Please see **QUESTIONS & ANSWERS How Do I Cast My Vote?** in the Proxy Statement for further information and instructions.

PROXY STATEMENT SUMMARY

Below is a summary of certain information included in the Proxy Statement. Please review the entire Proxy Statement before you vote.

THE ANNUAL MEETING

TIME AND DATE: 8:30 a.m., Central Daylight Time (CDT), on June 2, 2016

PLACE: LSB Industries, Inc., 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107

MATTERS FOR STOCKHOLDER VOTE

| | Board Recommendation |
|---|---------------------------------|
| PROPOSAL 1: Election of three nominees to our Board of Directors | FOR each nominee |
| PROPOSAL 2: Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2016 | FOR |
| PROPOSAL 3: Advisory vote to approve named executive officer compensation | FOR |
| PROPOSAL 4: Approval of the LSB Industries, Inc. 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code | FOR |

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LSB INDUSTRIES, INC.

PROXY STATEMENT FOR

2016 ANNUAL MEETING OF STOCKHOLDERS

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LSB INDUSTRIES, INC.

16 South Pennsylvania Avenue

Oklahoma City, OK 73107

PROXY STATEMENT FOR

2016 ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 2, 2016

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation on behalf of the Board of Directors (the Board) of LSB Industries, Inc. (the Company, us, our, or we) for proxies to be voted at our Annual Meeting of Stockholders to take place on June 2, 2016, at 8:30 a.m. (CDT) at our offices located at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107 and at any adjournment thereof. This proxy statement and the proxy card are being first sent to our stockholders on or about April 29, 2016.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What matters are being considered?

You will be voting on each of the following items of business:

- (1) Election of three nominees to our Board;
- (2) Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2016;
- (3) Advisory vote to approve named executive officer compensation; and
- (4) Approval of the Company 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code.

The Board recommends a vote FOR each of the director nominees and FOR each of the proposals.

What is a proxy?

A proxy is your legal appointment of another person to vote the shares that you own in accordance with your instructions. The person you appoint to vote your shares is also called a proxy. On the enclosed proxy card, you will find the names of the persons designated by the Company to act as proxies to vote your shares at the annual meeting.

The designated proxies are required to vote your shares in the manner you instruct.

Will other matters be brought before the meeting?

The Board does not intend to bring any other matters before the annual meeting and does not expect any other items of business because the deadline for stockholder proposals and nominations has already past. However, if any other matter is properly brought before the annual meeting, the accompanying proxy gives discretionary authority to the persons named in the proxy with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy in accordance with their best judgment on such matter.

Who is entitled to vote at the meeting?

You may vote if you owned voting stock as of the close of business on April 15, 2016, which is the record date for determining who is eligible to vote at the annual meeting.

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As of the close of business on the record date, we had the following number of shares of common stock and voting preferred stock issued and outstanding which were eligible to be voted:

- (a) 23,860,518 shares of common stock, with each share entitling its holder to one vote;
- (b) 20,000 shares of Series B 12% Cumulative Convertible Preferred Stock (Series B Preferred), with each share entitling its holder to one vote;
- (c) 1,000,000 shares of Series D 6% Cumulative Convertible Preferred Stock (Series D Preferred), with each share entitling its holder to .875 of one vote; and
- (d) One (1) share of Series F Redeemable Class C Preferred Stock (Series F Preferred) entitling its holder to a number of votes equal to 4,559,971 shares of common stock, subject to adjustment.

Shares of our Series B Preferred, Series D Preferred and Series F Preferred are referred to as our voting preferred stock. All of our outstanding shares of common stock and voting preferred stock will vote together as a single class on all matters coming before the annual meeting.

What constitutes a quorum?

In order to conduct the annual meeting, we must have a quorum. Holders of a majority of all of the outstanding shares of common stock and voting preferred stock, represented as a single class, entitled to notice of, and to vote at, the annual meeting, represented in person or by proxy, will constitute a quorum for the meeting.

What vote is required to approve the items under consideration?

Directors are elected by the affirmative vote of a majority of votes cast by the holders of shares present in person or represented by proxy and entitled to vote at the annual meeting.

The ratification of the appointment of the independent registered public accounting firm requires the affirmative vote of a majority of votes cast by the holders of shares present in person or represented by proxy and entitled to vote at the annual meeting.

The advisory vote on executive compensation requires the affirmative vote of a majority of votes cast by the holders of shares present in person or represented by proxy and entitled to vote at the annual meeting.

Approval of the Company 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code requires the affirmative vote of a majority of votes cast by the holders of the shares present in

person or represented by proxy or entitled to vote at the annual meeting.

Are abstentions counted?

Abstentions occur when stockholders are present at the annual meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting. If your proxy indicates an abstention from voting on the proposal, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the annual meeting. If you abstain from voting, you have not cast a vote and the abstention will not be counted in determining the outcome of the proposals.

How do I cast my vote?

Registered Holders. If shares are registered in your name, you may vote those shares in person at the meeting or by proxy. If you decide to vote by proxy, you may do so in any ONE of the following three ways.

By telephone. After reading the proxy materials, you may call the toll-free number (800) 652-8683, using a touch-tone telephone. You will be prompted to enter your Control Number, which you can find on your Notice of Telephone Voting Availability or your proxy card. This number will identify you and the Company. You can then follow the simple instructions that will be given to you to record your vote. Telephone voting will be available through 1:00 a.m. Central Daylight Time on June 2, 2016.

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Over the Internet. After reading the proxy materials, you may use a computer to access the website www.envisionreports.com/lxu. You will be prompted to enter your Control Number, which you can find on your Notice of Internet Availability or your proxy card. This number will identify you and the Company. Then you can follow the simple instructions that will be given to you to record your vote. Internet voting will be available through 1:00 a.m. Central Daylight Time on June 2, 2016.

By mail. After reading the proxy materials, you may vote your shares by marking, signing, dating and returning the enclosed proxy card to the Company's proxy solicitor in the envelope provided. To best ensure timely receipt of your proxy, you are encouraged to mail your proxy card for arrival by June 1, 2016.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

Whether you choose to vote in person, by telephone, over the Internet or by mail, you can specify whether your shares should be voted for all, some or none of the director nominees. You can also specify whether you want to vote for or against, or abstain from voting on, the ratification of the appointment of the independent auditors, whether you want to vote for or against, or abstain from voting on, the advisory vote to approve the compensation of the Company's named executive officers, and whether you want to vote for or against, or abstain from voting on, the approval of the LSB Industries, Inc. 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code.

Beneficial Owner. If your stock is held in your brokerage account, you should instruct your broker how your shares should be voted. If you fail to give your broker instructions, in some cases but not others the broker may submit a broker non-vote.

If you are a beneficial owner whose shares are held of record by a broker, you will receive instructions from the broker describing how to vote your shares. If you do not instruct your broker how to vote your shares, it may vote your shares as it decides with respect to any matter for which it has discretionary authority under the rules of the New York Stock Exchange (NYSE).

There are also non-discretionary matters for which your broker does not have discretionary authority to vote unless it receives timely instructions from you. A broker non-vote results when a broker does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker should vote your shares and the broker indicates it does not have authority to vote such shares on its proxy. Although broker non-votes will be counted as present at the annual meeting for purposes of determining a quorum, they will be treated as not entitled to vote with respect to discretionary matters.

If your shares are held in street name and you do not give voting instructions, pursuant to NYSE Rule 452, the record holder will only be entitled to vote your shares in its discretion with respect to the ratification of the appointment of the Company's independent registered public accounting firm. Without voting instructions from you, the record holder will not be permitted to vote your shares with respect to the election of directors, the advisory vote on executive compensation and the approval of the Company 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code. Your shares would therefore be considered broker non-votes with respect to these proposals. Accordingly, it is important that beneficial owners instruct their brokers how they wish to vote their shares.

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Can I change my mind after I vote?

Yes, you may change your mind at any time before the polls close at the annual meeting. You can change your vote by:

executing and submitting a revised proxy;

providing a written revocation to the Secretary of the Company; or

voting in person at the annual meeting.

In the absence of a revocation, shares represented by the proxies will be voted at the annual meeting. Your attendance at the annual meeting will not automatically revoke your proxy. If you do not hold your shares directly, you should follow the instructions provided by your broker, bank or nominee to revoke your previously voted proxy.

What if I sign and return my proxy card but I do not include voting instructions?

A proxy card that is properly completed and submitted will be voted at the annual meeting in accordance with the instructions on the proxy card. If you properly complete and submit a proxy card, but do not indicate any contrary voting instructions, your shares will be voted as follows:

FOR the election of the three persons name in this proxy statement as the Board's nominees for election as directors.

FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2016.

FOR the advisory vote to approve named executive officer compensation.

FOR the approval of the LSB Industries, Inc. 2016 Long Term Incentive Plan, and approval of the material terms thereunder for purposes of complying with the stockholder approval requirements of Section 162(m) of the Internal Revenue Code.

If any other business properly comes before the stockholders for a vote at the annual meeting, your shares will be voted in accordance with the discretion of the holders of the proxy. The Board knows of no matters, other than those previously stated, to be presented for consideration at the annual meeting.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under

the same name and address. Our transfer agent is Computershare Trust Company, N.A., 211 Quality Circle, Suite 210, College Station, Texas 77845, (800) 884-4225 (US and Canada) and (781) 575-2879 (outside U.S. and Canada).

Will my shares be voted if I do not provide my proxy?

If your shares are registered in your name, they will not be voted unless you submit your proxy or vote in person at the meeting. If you hold your shares directly in your own name, you must vote, either by completing, signing and delivering a proxy, voting by telephone or the Internet, or attending the meeting and voting at the meeting.

Who will count the votes?

All votes will be tabulated by our transfer agent, Computershare Trust Company, N.A., who will serve as the inspector of election for the annual meeting.

What is the deadline for submission of stockholder proposals for the 2017 annual meeting?

If you wish to submit proposals to be included in our proxy statement for our 2017 annual meeting, proposals must be received at our principal executive offices in writing not later than December 30, 2016. Proposals must satisfy the requirements set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act) and as set out in the Bylaws. Proposals should be addressed to Michael J. Foster, Secretary, LSB Industries, Inc., 16 South Pennsylvania Avenue, Post Office Box 754, Oklahoma City, Oklahoma 73101.

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Other than matters properly brought under Rule 14a-8, the deadline for providing us with timely notice of matters that you otherwise desire to introduce at our next annual meeting of stockholders, other than those that will be included in our proxy materials, is not later than December 30, 2016, but not before November 30, 2016; provided that if the date of the annual meeting is more than 30 days before or more than 60 days after April 29, 2017, the notice must be received not later than the 90th day prior to such annual meeting, or if later, the 10th day following the date on which the public disclosure of the date of such annual meeting was made. The written notice must set forth the information specified in the Bylaws.

If you wish to present a proposal, but you fail to notify us by such deadline, you will not be entitled to present the proposal at the meeting.

For more information regarding stockholder proposals, please see [Stockholder Proposals](#) below.

Who is soliciting proxies?

We will pay for preparing, printing and mailing this proxy statement. Proxies may be solicited on our behalf by our directors, officers or employees, without additional consideration, in person or by telephone, electronic transmission and facsimile transmission. We will reimburse banks, brokers and other custodians, nominees and fiduciaries for their out-of-pocket costs of sending the proxy materials to our beneficial owners. We have also retained and will pay for the services of Georgeson, LLC to assist in the solicitation of proxies for a fee of \$8,000, plus reasonable charges and out-of-pocket expenses incurred by them.

Stockholder List

A list of stockholders entitled to vote at the annual meeting will be open to the examination by any stockholder for any purpose germane to the annual meeting during ordinary business hours commencing 10 days before the annual meeting. The list will be maintained at our principal executive offices located at 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107.

PROPOSAL 1 ELECTION OF DIRECTORS

General

Our Certificate of Incorporation and Bylaws provide for the division of the Board into three classes, each class consisting as nearly as possible of one-third of the whole. The term of office of one class of directors expires each year; with each class of directors elected for a term of three years and until the stockholders elect their qualified successors.

Agreements as to Certain Directors and Committees

2015 Starboard Agreement

On April 26, 2015, we entered into an agreement (the [2015 Agreement](#) and collectively with the [2014 Agreement](#), the [Starboard Agreements](#)) with Starboard Value L.P. and certain of its affiliates (collectively, [Starboard](#)). Pursuant to the terms of the [2015 Agreement](#), among other things, we agreed to appoint Mr. Lynn F. White, Ms. Marran H. Ogilvie, and Mr. Richard W. Roedel (collectively, the [Starboard Directors](#)) to our Board at our 2015 annual meeting. Additionally, the Company appointed Mr. White as a member of the Nominating and Corporate Governance Committee, Ms. Ogilvie as a member of the Nominating and Corporate Governance Committee, and Mr. Roedel as a

member of the Audit Committee and as a member of the Compensation Committee. Additionally, pursuant to the terms of the 2015 Agreement, we agreed to appoint Mr. Louis S. Massimo and Mr. Andrew K. Mittag to the Board, each of whom later resigned from the Board on March 3, 2016.

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The 2015 Agreement requires that the Company's nominations for election to the Board at this annual meeting be approved by a majority of the members of the Board who meet the NYSE standards of independence. Although the 2015 Agreement no longer requires the Company to appoint Starboard's designees going forward, none of the Starboard Directors is standing for reelection at the 2016 annual meeting.

Board Representation and Standstill Agreement

On December 4, 2015, the Company entered into the Board Representation and Standstill Agreement (the Board Representation and Standstill Agreement), by and among the Company, LSB Funding LLC (LSB Funding), Security Benefit Corporation (Security Benefit), Todd Boehly, Jack E. Golsen (J. Golsen), Steven J. Golsen (S. Golsen), Barry H. Golsen (B. Golsen), Linda Golsen Rappaport (L. Rappaport), Golsen Family LLC, an Oklahoma limited liability company (Family LLC), SBL LLC, an Oklahoma limited liability company (SBL LLC), and Golsen Petroleum Corp., an Oklahoma corporation (GPC), and together with J. Golsen, S. Golsen, B. Golsen, L. Rappaport, Family LLC, SBL LLC, each a Golsen Holder and, collectively, the Golsen Holders).

LSB Funding Designees

Pursuant to the Board Representation and Standstill Agreement, the Company has agreed to permit LSB Funding to appoint three nominees to the Board, at least one of which will meet the NYSE standards of independence. However, LSB Funding's right to designate director nominees may be reduced upon the occurrence of certain events specified below:

Until the Board Designation Termination Date (as defined below), so long as LSB Funding or its affiliates own the Series E cumulative redeemable Class C preferred stock (the Series E Preferred), LSB Funding will continue to be entitled to designate three directors.

From and after the redemption of the Series E Preferred, LSB Funding will only be entitled to designate two directors as long as it owns at least 25% of the warrants or any shares of common stock issuable thereunder.

If LSB Funding beneficially owns less than 25%, but at least 10% of the warrants as shares of common stock issuable thereunder, will be entitled to designate only one director nominee.

LSB Funding's rights to designate any directors will terminate when it and its affiliates collectively cease to beneficially own at least 10% of the common stock issued pursuant to the warrants (whether owned directly or as a right to acquire upon exercise of the warrants) (LSB Funding Board Designation Termination Date).

In connection with LSB Funding's rights under the Board Representation and Standstill Agreement, LSB Funding designated, and our Board appointed, (i) Jonathan S. Bobb, (ii) Joseph E. Reece and (iii) Mark R. Genender to the Board on December 4, 2015. Mr. Bobb is a nominee for election at this annual meeting.

Golsen Designees

Under the Board Representation and Standstill Agreement, the Golsen Holders, collectively, have the right to designate two directors; however, if the Golsen Holders, collectively, beneficially own less than 5% but at least 2.5%

of the then outstanding common stock, the Golsen Holders will be entitled to designate up to one director. These designation rights will terminate immediately on the first date on which the Golsen Holders, collectively, no longer beneficially own at least 2.5% of the then outstanding common stock.

Other Governance Matters

Our Bylaws provide that the Board, by resolution from time to time, may fix the number of directors that shall constitute the whole Board so long as the number of directors is not less than 3 nor more than 14. The Board has set the number of directors at 11.

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In order to balance membership among classes of directors as required by our Certificate of Incorporation and Bylaws, the Board requested that one of the directors from the class with a term expiring at the 2018 annual meeting of stockholders move to the class with a term expiring at the 2016 annual meeting of stockholders and one of the directors from the class with a term expiring at the 2018 annual meeting of stockholders move to the class with a term expiring at the 2017 annual meeting of stockholders. Accordingly, on March 3, 2016, Richard Sanders, Jr. resigned as a director from the class with a term expiring at the 2018 annual meeting of stockholders and was immediately appointed to the Board as a director to the class with a term expiring at the 2016 annual meeting of stockholders, and Ms. Ogilvie resigned as a director from the class with a term expiring at the 2018 annual meeting of stockholders and was immediately appointed to the Board as a director to the class with a term expiring at the 2017 annual meeting of stockholders. The resignations and reappointments of Ms. Ogilvie and Mr. Sanders were effected solely to rebalance the Board classes and were not due to any disagreement with the Board, the Company or its management on any matter relating to the Company's operations, policies or practices.

As discussed under Corporate Governance Nominating Committee, our Nominating Committee reviews the composition of the Board to assess the Board performance, composition, and effectiveness. The Nominating Committee values certain characteristics in all Board members, including personal and professional integrity, reputation, outstanding professional achievement, and sound business judgment. The Nominating Committee evaluates each individual director in the context of the Board as a whole with the goal of recommending an effective group with a diversity of experience and skills that exercises sound business judgment in the interest of our business and our stockholders. Consistent with their responsibilities, members of the Nominating Committee have interviewed and evaluated each of the current nominees for director and has determined that each is highly qualified to serve as a member of our Board.

The following sets forth certain information regarding the director nominees and other directors whose term will continue after the annual meeting.

Nominees for the Class of Directors Whose Term will Expire in 2019

Jonathan S. Bobb, age 40, has been a director of the Company since December 4, 2015. Mr. Bobb is a Director at Eldridge Industries, an affiliate of Security Benefit. In this role, he is responsible for originating and executing both minority and control investments in operating companies and assets in a range of industries. Mr. Bobb previously served in the same capacity at Guggenheim Partners. Prior to joining Guggenheim, Mr. Bobb was a member of the investment banking division at Goldman Sachs & Co. from 2007 to 2013. His other previous business experience includes financial planning roles at Gap Inc. and investment banking positions with J.P. Morgan and Deutsche Bank. Mr. Bobb received a B.A. in Economics from Stanford University and an M.B.A. from the University of Michigan.

Mr. Bobb was nominated to the Board under the Board Representation and Standstill Agreement. Mr. Bobb's extensive financial background and corporate investment and advisory experience, among other factors, led the Board to conclude that he should serve as a director.

Jack E. Golsen, age 87, has been a director of the Company since he founded it in 1969. Mr. Golsen has served as the Executive Chairman of the Company's Board since January 1, 2015. He formerly served as the Company's Chairman of the Board and Chief Executive Officer from 1969 until 2014, as well as the Company's President from 1969 until 2004. In 1996, he was inducted into the Oklahoma Commerce and Industry Hall of Honor as one of Oklahoma's leading industrialists. Mr. Golsen is a Trustee of Oklahoma City University and has served on its Finance Committee for many years. During his career, he acquired or started the companies which formed the Company. He has served on the boards of insurance companies, several banks and was Board Chairman of Equity Bank for Savings N.A., which was formerly owned by the Company. In 1972, he was recognized nationally as the person who prevented a

widespread collapse of the Wall Street investment banking industry. Refer to "The Second Crash" by Charles Ellis. Mr. Golsen has a Bachelor of Science degree from the University of New Mexico.

Mr. Golsen was nominated to the Board under the Board Representation and Standstill Agreement. Mr. Golsen's demonstrated leadership skills, extensive entrepreneurial experience and expertise in all the industries in which we operate, financial experience and broad business knowledge, among other factors, led the Board to conclude that he should serve as a director.

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Richard S. Sanders, Jr., age 59, has been a director of the Company since 2014 and the Interim Executive Vice President, Chemical Manufacturing since September 2015. Mr. Sanders has been a nitrogen fertilizer manufacturing consultant since January 2011 as a self-employed consultant of Circle S. Consulting LLC, of which he is the sole owner. Previously, Mr. Sanders served as Vice President of Manufacturing of Terra Industries Inc. from 2003 until the acquisition of Terra Industries by CF Industries Holdings, Inc. in April 2010. On completion of the transaction, he worked on the integration of manufacturing operations, and as Vice President of Environmental Health and Safety, Engineering and Procurement. At Terra Industries Inc., Mr. Sanders was responsible for Terra's six manufacturing facilities' overall operations including production operations, environmental health and safety, project engineering, and technical services. He was also responsible for Terra's capital investment program of approximately \$250 million per year, including major expansion projects. Mr. Sanders was Plant Manager of Terra's Verdigris, Oklahoma nitrogen manufacturing complex for nine years prior to his role as Vice President of Manufacturing. Prior to Terra, Mr. Sanders served as Plant Manager at the Beaumont Methanol Corporation's 800,000 GPD methanol manufacturing facility and in management and engineering positions for Agrico Chemical Company. Mr. Sanders served as a Non-Executive Director of Open Joint Stock Company Mineral and Chemical Company EuroChem during 2013. Mr. Sanders received a Bachelor of Science degree in Chemical Engineering from Louisiana State University in 1980.

Mr. Sanders was nominated to the Board under the Starboard Agreements. Mr. Sanders' extensive experience in the chemical industry, his depth of knowledge and understanding of the chemical manufacturing facilities that we operate, and his demonstrated leadership skills throughout his career, among other factors, led the Board to conclude that he should serve as a director.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION
OF THE THREE NOMINEES AS DIRECTORS OF THE COMPANY**

Continuing Directors

The following eight directors will continue in office until the expiration of their respective terms and until their successors have been elected and qualified.

Mark R. Genender, age 51, has been a director of the Company since December 4, 2015. His term will expire in 2018. Mr. Genender is a Managing Director at Eldridge Industries, an affiliate of Security Benefit. He is responsible for originating and executing both minority and control investments in operating companies and assets in a range of industries. Mr. Genender previously served in the same role at Guggenheim Partners, a global investment and advisory firm. Prior to Guggenheim, Mr. Genender served in senior positions at investment firms Red Mountain Capital, The Carlyle Group, Star Avenue Capital and Fenway Partners.

Earlier in his career, Mr. Genender spent six years in operating roles at Nabisco International and the Frito-Lay division of PepsiCo. Prior to PepsiCo, he was a member of the mergers and acquisitions department at Goldman Sachs & Co. Mr. Genender currently serves on the Board of Directors of Media Rights Capital and G-Form, LLC. Mr. Genender previously served on the Boards of Directors of Nature's Sunshine Products (NASDAQ:NATR) from 2011 to 2013 and Cost Plus World Market (NASDAQ:CPWM) from 2011 to 2012 as well as a number of private companies. Mr. Genender received his A.B. from the Woodrow Wilson School of Public and International Affairs at Princeton University and received his M.B.A. from INSEAD.

Mr. Genender's extensive financial experience, investment expertise and experience as a Board member of other publicly-traded companies, among other factors, led the Board to conclude that he should serve as a director.

Barry H. Golsen, J.D., age 65, has been a director of the Company since 1981. His term will expire in 2018. Barry H. Golsen served as the Vice-Chairman of the Board of the Company from 1993 until 2015. He previously served as the Company's President and Chief Executive Officer from January 2015 until September 2015 and as the Company's President and Chief Operating Officer from 2004 to 2014.

Mr. Golsen joined LSB Industries in 1978 as a product manager at International Environmental Corporation (IEC). He became Executive Vice President of IEC in 1979 and IEC's President in 1980. Mr. Golsen spearheaded the growth of LSB's Climate Control Business with a number of business startups as well as the acquisition of Climate Master, Inc. (and its merger with CHP Corporation and subsequent move to Oklahoma City). Under his

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leadership, LSB's Climate Control Business attained leading shares of the U.S. markets for water source and geothermal heat pumps and hydronic fan coils. A native of Oklahoma City, Mr. Golsen attended Cornell University College of Engineering prior to earning both his B.A. and J.D. degrees from the University of Oklahoma. He was admitted to the Oklahoma Bar in 1978. Mr. Golsen is a past Director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City. Mr. Golsen served on the Board of Directors of Equity Bank for Savings N.A., and on many of the bank's committees. His professional affiliations have included the Oklahoma Bar Association, the American Bar Association, and the American Society of Heating, Refrigeration and Air-conditioning Engineers, Young Presidents Organization, and World Presidents Organization.

Mr. Golsen's extensive experience in the climate control industry, his depth of knowledge and understanding of the businesses in which we operate, and his demonstrated leadership skills within the Company, among other factors, led the Board to conclude that he should serve as a director.

Daniel D. Greenwell, age 53, has been a director of the Company since 2014. His term will expire in 2017. Mr. Greenwell served as the Company's Interim Chief Executive Officer from September 2015 to December 2015 and has served as President and Chief Executive Officer since December 2015. Mr. Greenwell has served as a Partner of private equity firm, Shelby Monroe Group LLC, since 2014. Previously, he served as the Chief Financial Officer and Executive Vice President of Sabre Industries Inc., a private equity-held manufacturer of utility and cell towers, from April 2013 through April 2014. In that position, Mr. Greenwell focused on operational change and value creation opportunities and was responsible for all financial aspects of a fast-growing manufacturing and service business. From January 2012 until March 2013, Mr. Greenwell served as Senior Vice President and Chief Financial Officer of Tronox Limited, a leading global producer and marketer of titanium dioxide pigment. Prior to that, Mr. Greenwell served as Senior Vice President and Chief Financial Officer of Terra Industries, Inc., from 2005 until its acquisition by CF Industries Holdings, Inc. in April 2010. He also served on the Board of Directors of Terra Nitrogen Company, L.P., a Master Limited Partnership, from March 2008 until April 2010. Mr. Greenwell has over 25 years of industrial, financial and operational experience and has held various senior leadership positions at a number of public companies, including Belden Inc., Zoltek Companies Inc., and Sigma-Aldrich Corporation. He also served as Senior Manager of KPMG from 1985 to 1992. Mr. Greenwell is a Certified Public Accountant. Mr. Greenwell received a Bachelor of Science degree in Accounting from Truman State University.

Mr. Greenwell's leadership skills and extensive industrial and financial experience in the chemical business, among other factors, led the Board to conclude that he should serve as a director.

William F. Murdy, age 74, has been a director of the Company since 2014. His term will expire in 2017. Mr. Murdy retired as the Chairman of the Board of Directors of Comfort Systems USA, Inc. (NYSE: FIX) in May of 2014. Mr. Murdy previously served as the Chief Executive Officer of Comfort Systems from June 2000 until December 2011. Over the course of his career, Mr. Murdy has served in a variety of senior leadership roles, including as President and CEO of Club Quarters from 1999 to 2000, President, CEO, Co-Founder and Chairman of the Board of LandCare USA, Inc. from 1998 until it was acquired by The ServiceMaster Co. in 1999, President and CEO of General Investment and Development Company from 1989 through 1997. From 1981 to 1989, Mr. Murdy served as the Managing General Partner of the Morgan Stanley Venture Capital Fund. Mr. Murdy previously served as a director of UIL Holdings Corporation (NYSE: UIL), where he was the Chairman of the Compensation Committee and served on the Audit Committee, from 2012 to 2015. He also previously served as a director of Kaiser Aluminum Corp. (NASDAQ: KALU) from 2005 to 2015. Mr. Murdy currently serves as a director of Vectrus (NYSE: VEC), where he serves on the Audit and Nominating and Corporate Governance Committees. In addition, Mr. Murdy served on the Advisory Board of CapStreet Partners and is a former member of the Advisory Board of Chicago Growth Partners. He is also the Founder and former Chairman of Warrior Gateway (connecting Veterans with services), Vice-Chairman and a member of the Executive Committee of the Board of Business Executives for National Security

(BENS) and a member of the Board of the Vietnam Veterans Memorial. He is a former member of the Board of Visitors for West Point. At West Point today, he is an emeritus member of the Board of Trustees of the West Point Association of Graduates and a principal and Chairman of the Hotel Thayer and Chairman of its associated Thayer Leader Development Group, which provides corporate executive leader development. Mr. Murdy holds a Bachelor of Science degree in Engineering from the U.S. Military Academy, West Point, and a Master's degree in Business Administration from the Harvard Business School.

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Mr. Murdy's leadership skills, extensive financial experience and experience as a member of the Board of Directors of a publicly-traded company, among other factors, led the Board to conclude that he should serve as a director.

Marran H. Ogilvie, age 47, has been a director of the Company since April 26, 2015. Her term will expire in 2017. Ms. Ogilvie has served as an Advisor to the Creditors Committee for the Lehman Brothers International (Europe) Administration since 2008, as a director of Four Corners Property Trust, Inc. since November 2015, as a director of Seventy Seven Energy Inc., an oil field services company, since 2014, as a director of Zais Financial Corporation, a real estate investment trust, since 2013 and as a director for the Korea Fund, an investment company that invests in Korean public equities, since 2012. Previously, she was a director for Southwest Bancorp, a regional commercial bank from January 2012 to April 2015. Prior to that, Ms. Ogilvie was a member of Ramius, LLC, an alternative investment management firm, where she served in various capacities from 1994 to 2009 before the firm's merger with Cowen Group, Inc., a diversified financial services firm, including as Chief Operating Officer from 2007 to 2009 and General Counsel from 1997 to 2007. Following the merger, Ms. Ogilvie served as Chief of Staff at Cowen Group, Inc. until 2010. Ms. Ogilvie received a B.A. from the University of Oklahoma and a J.D. from St. John's University.

Ms. Ogilvie's substantial public business experience and financial background led the Board to conclude that she should serve as a director.

Joseph E. Reece, age 54, has been a director of the Company since December 4, 2015. His term will expire in 2017. Mr. Reece founded and is currently the President of Helena Capital, LLC, a Merchant Bank focused on principal investing across a number of sectors and on providing CEO level advice on capital structure, strategic initiatives and financial matters, with a focus on long term shareholder value. Previously, from 1997 to 2015, Mr. Reece was a member of Credit Suisse Securities (USA) LLC where he served in numerous senior leadership positions. From 2011 to 2014 Mr. Reece was the Global Head of Equity Capital Markets and was a member of the Investment Banking Management Committee, the Global Equities Management Committee, and the Bank Oversight Committee. Prior to joining Credit Suisse, Mr. Reece spent ten years as a practicing attorney. Mr. Reece began his career in 1987 at the United States Securities and Exchange Commission as Staff Counsel, ultimately becoming the Special Counsel for the SEC Division of Corporation Finance from 1989 to 1992. Mr. Reece also practiced law with Skadden Arps from 1993 to 1997 and Stretch Lang from 1992 to 1993, in their respective Corporate Practice Groups.

Mr. Reece also serves on the Board of Directors of CST Brands, Inc. (NYSE:CST), where he is a member of the Executive and Nominating and Governance Committees. He also serves as a member of the Board of Visitors of Georgetown University Law Center, and on the Board of the Foundation of the University of Akron. Mr. Reece holds an L.L.M in Securities & Financial Regulation from Georgetown University Law Center as well as a J.D., M.B.A. and B.S. degree from Ohio Polytechnic Institute/University of Akron.

Mr. Reece's extensive capital markets expertise, executive management experience and financial transactions experience in a wide variety of industries, led the Board to conclude that he should serve as a director.

Richard W. Roedel, age 66, has been a director of the Company since April 26, 2015. His term will expire in 2018. Mr. Roedel has served as a director of IHS, Inc. (NYSE: IHS) since 2004, Six Flags Entertainment Corporation (NYSE: SIX) since 2010 and Luna Innovations Incorporated (NASDAQ: LUNA) since 2005. Mr. Roedel serves as a member of the audit committee of Six Flags Entertainment Corporation and IHS, Inc., and as the Chairman of IHS, Inc.'s Risk Committee. Mr. Roedel also serves as the Non-executive Chairman of the Board of Luna Innovations Incorporated. As a director of public companies, Mr. Roedel has served as lead independent director and as the chairman of several governance, compensation, and special committees. Mr. Roedel is also a director of BrightView GP I, LLC and Beaulieu Group LLC, both private companies. From 1985 through 2000, Mr. Roedel was employed by the accounting firm BDO Seidman LLP, the United States member firm of BDO International, as an Audit Partner. He

was promoted in 1990 to Managing Partner in Chicago, then to Managing Partner in New York in 1994, and finally, in 1999, to Chairman and Chief Executive. Mr. Roedel joined the Board of Directors of Take-Two Interactive Software, Inc., a publisher of video games, in 2002, and served in various capacities with that company until 2005, including Chairman and Chief Executive Officer. Mr. Roedel served on the Boards of Directors of BrightPoint, Inc. from 2002 to 2012 and Sealy Corporation (NYSE: ZZ) from 2006 to 2013. He also served as a director and chairman of the audit committees of Lorillard, Inc. (NYSE: LO) until 2015, Dade

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Behring Holdings, Inc. (NYSE:DADE) until 2007 and Broadview Network Holdings, Inc., a private company, until 2012. Mr. Roedel is a member of the National Association of Corporate Directors Risk Oversight Advisory Council. He was appointed to the Public Accounting Oversight Board's Standing Advisory Group for a three-year term commencing January 1, 2014. He is also a director of the Association of Audit Committee Members, Inc., a non-profit association of audit committee members dedicated to strengthening audit committees by developing best practices. Mr. Roedel holds a B.S. in Accounting and Economics from The Ohio State University and he is a certified public accountant.

Mr. Roedel's extensive experience in finance, accounting, risk management, and public company governance led the Board to conclude that he should serve as a director.

Lynn F. White, age 63, has been a director since April 26, 2015. His term will expire in 2018. Mr. White founded and has served as the Managing Director of Twemlow Group LLC since 2013, and previously from 2008 until 2009. Twemlow Group LLC is a consulting firm that provides strategic, organizational and product development counsel to agriculturally related businesses. He also has been a director of Anuvia Plant Nutrients since January 12, 2016. From 2009 to 2013, Mr. White served as Vice President, Corporate Development of CF Industries Holdings, Inc. (NYSE:CF). While at CF Industries, he was responsible for external growth initiatives, including M&A and organic efforts, new product development and strategy, and led the integration of the \$4.6 billion acquisition of Terra, Inc. While at CF Industries he served as non-executive Chairman or Vice-Chairman of GrowHow UK Limited, the leading British nitrogen fertilizer producer and as a director of KEYTRADE AG, a major Swiss based fertilizer trading firm. Prior to that, he was the President of John Deere Agri Services, Inc., a subsidiary of Deere & Co. (NYSE:DE), where he was responsible for leading a new global business unit created to pursue growth opportunities in technology-based services for industries linked to agriculture. Mr. White was also Vice President of Global AgServices of Deere, where he was responsible for identifying, testing and developing new services for agriculture and food. Prior to that, he was Senior Vice President, Corporate Development of IMC Global Inc. (n/k/a The Mosaic Company), a producer of crop nutrients and salt, and served in various executive positions, including General Manager of the Food Ingredients Division, Director of the Flame Retardants & Fluids Business and Europe, Middle East, Africa Agricultural Chemicals Area Director of FMC Corporation (NYSE:FMC), a global producer of chemicals and machinery. Mr. White also currently serves as Vice Chair of the Dean's Advisory Council for the College of Agriculture, Food and Environmental Sciences at California Polytechnic State University, and until 2014 served as a Trustee of the Barrington Hills (IL) Police Pension Fund.

Mr. White holds a B.A. in History from California Polytechnic State University, San Luis Obispo and an M.B.A. in Finance and Multinational Enterprise from the Wharton Graduate School of Business at the University of Pennsylvania.

Mr. White's depth of experience serving in executive positions and his experience in business development led the Board to conclude that he should serve as a director.

Current Class Expiration Terms

The following sets forth the current members of the Board and current class expiration year:

| Name | Class |
|------------------|--------------|
| Jonathan S. Bobb | 2016 |
| Jack E. Golsen | 2016 |

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| | |
|----------------------|------|
| Richard Sanders, Jr. | 2016 |
| Daniel D. Greenwell | 2017 |
| William F. Murdy | 2017 |
| Marran H. Ogilvie | 2017 |
| Joseph E. Reece | 2017 |
| Mark R. Genender | 2018 |
| Barry H. Golsen | 2018 |
| Richard W. Roedel | 2018 |
| Lynn F. White | 2018 |

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Director Resignations and Reappointments

During 2015, the following directors resigned from the Board: Robert H. Henry, Gail Lapidus, Charles A. Burtch and Robert A. Butkin. On March 3, 2016, the following directors resigned from the Board: Webster L. Benham, Louis S. Massimo and Andrew K. Mittag. As discussed above in Other Governance Matters, Richard Sanders, Jr. resigned as a director from the class with a term expiring at the 2018 annual meeting of stockholders and was immediately appointed to the Board as a director to the class with a term expiring at the 2016 annual meeting of stockholders, and Marran H. Ogilvie resigned as a director from the class with a term expiring at the 2018 annual meeting of stockholders and was immediately appointed to the Board as a director to the class with a term expiring at the 2017 annual meeting of stockholders.

PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS

THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016

The Audit Committee has appointed the firm of Ernst & Young LLP, Independent Registered Public Accounting Firm (Ernst & Young), as the Company's auditors for 2016. Ernst & Young has served as our auditors for more than five years, including the fiscal year most recently completed. If the stockholders do not ratify the appointment of Ernst & Young, the Audit Committee will reconsider the appointment and may or may not consider the appointment of another independent registered public accounting firm for the Company for 2016 or future years.

Consistent with past practices, it is expected that one or more representatives of Ernst & Young will attend the annual meeting and will be available to respond to appropriate questions or make a statement should they desire to do so.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION

OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016.

PROPOSAL 3 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Section 14A of the Exchange Act requires public companies to conduct a separate shareholder advisory vote to approve the compensation of the Company's named executive officers, commonly known as a say-on-pay proposal. Accordingly, you are asked to vote on the following resolution at the annual meeting:

RESOLVED, that the stockholders of LSB Industries, Inc. approve, on an advisory basis, the compensation paid to the Company's named executive officers in 2015, as disclosed in the Proxy Statement for the 2016 Annual Meeting of Stockholders, pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative executive compensation disclosure including in the Proxy Statement for the 2016 Annual Meeting of Stockholders.

This is an advisory vote, which is not binding on the Board. The Board and the Compensation Committee, which is composed of independent directors, will review and take into account the outcome of this vote when considering future executive compensation decisions. Stockholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative executive compensation disclosure, in this proxy statement, which provide information about our compensation policies and the compensation of our named executive officers. The Board intends to hold this vote annually, and the next advisory vote to approve named

executive officer compensation will occur in 2017.

**THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL,
ON AN ADVISORY BASIS, OF THE RESOLUTION TO APPROVE
THE COMPANY S NAMED EXECUTIVE OFFICER COMPENSATION.**

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**PROPOSAL 4 APPROVAL OF THE LSB INDUSTRIES, INC. 2016 LONG TERM INCENTIVE PLAN,
AND APPROVAL OF THE MATERIAL TERMS THEREUNDER FOR PURPOSES OF COMPLYING
WITH THE STOCKHOLDER APPROVAL REQUIREMENTS OF SECTION 162(M) OF THE
INTERNAL REVENUE CODE**

Overview

Our board has unanimously approved and adopted the LSB Industries, Inc. 2016 Long Term Incentive Plan, which we refer to as the 2016 LTIP, and our board unanimously recommends that our stockholders approve both (i) the 2016 LTIP and (ii) the material terms of the 2016 LTIP, including the reservation of 2,750,000 shares of common stock thereunder, in accordance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). Set forth below is a description of the 2016 LTIP, which is qualified in its entirety by reference to the 2016 LTIP, which is attached as Appendix A to this proxy statement. We recommend that our stockholders read the entire 2016 LTIP carefully before voting on this proposal.

Background and Purpose of Proposal

The use of stock-based awards under the predecessor LSB Industries, Inc. 2008 Incentive Stock Plan (the Prior Plan) has been a key component of our compensation program since its original adoption on June 5, 2008. Stock-based compensation awards assist us in attracting and retaining capable, talented individuals to serve in the capacity of employees, officers and consultants. The Prior Plan originally authorized us to issue up to 1,000,000 shares of common stock. An additional 975,000 shares of common stock became available in connection with the amendment and restatement of the Prior Plan effective June 5, 2014. As of December 31, 2015, 212,931 shares of common stock remained available for us to issue as awards under the Prior Plan, and 802,780 shares are subject to outstanding awards under the Prior Plan. If the 2016 LTIP is approved, no more awards will be made under the Prior Plan on and after the April 19, 2016 effective date of the 2016 LTIP. Any Awards that remain outstanding under the Prior Plan will be governed by its terms and the terms of the specific award agreement, as applicable.

In addition, the Outside Directors Stock Purchase Plan, effective June 24, 1999 (the Director Equity Plan), under which non-employee directors may elect to receive all or any portion of his or her director fees in shares of our common stock, has been an integral component of our total mix of director compensation. We believe that equity compensation for directors is a significant element of attracting and retaining experienced non-employee directors and also plays a crucial function in aligning director interests with those of our stockholders. As of December 31, 2015, 278,456 shares remained available for us to issue as awards under the Director Equity Plan, and no shares were subject to outstanding awards under the Director Equity Plan. If the 2016 LTIP is approved, no more awards will be made under the Director Equity Plan on and after the April 19, 2016 effective date of the 2016 LTIP. Thus, all stock-based Awards, whether granted to employees, officers, directors or consultants, will be granted under the 2016 LTIP if it is approved by the stockholders. Any Awards that remain outstanding under the Director Equity Plan will be governed by its terms and the terms of the specific award agreement, as applicable.

Our board of directors has unanimously adopted the 2016 LTIP, and we are asking our stockholders pursuant to this Proposal No. 4 to approve (i) the 2016 LTIP and (ii) the material terms of the 2016 LTIP for purposes of complying with the requirements of Section 162(m).

Our board has determined that adoption of the 2016 LTIP is necessary and desirable in order to ensure that there are sufficient shares available to meet our needs for future grants during the coming years. The ability to grant stock-based compensation is critical for meeting the Company's compensation objectives and for enabling the Company to attract and retain highly qualified employees, directors and consultants. In addition, the 2016 LTIP will add flexibility to our compensation program by giving us the ability to grant different types of awards pursuant to updated performance criteria while, at the same time, consolidating our historical employee and director grant practices under a single plan. Furthermore, the 2016 LTIP will help facilitate our compensation program's compliance with evolving best practices in executive compensation and legal developments since the adoption of the Prior Plan and the Director Equity Plan.

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Our successful operation and our ability to create long-term value for our stockholders depend on the efforts of over 1,900 employees, including management, and we believe that it is in the best interest of our stockholders for those individuals to have the opportunity to earn an ownership interest in us in recognition of their present and potential contributions and to align their interests with those of our stockholders. In considering the number of shares of common stock to reserve for issuance under the 2016 LTIP, the Compensation Committee considered, among other things, our historical grant rates and practices, our historical burn rate, share-based compensation overhang, the effects awards under the 2016 LTIP would have on the Company's share dilution, and the role the 2016 LTIP would play in our compensation philosophy going forward.

We believe approval of the 2016 LTIP will give us flexibility to grant stock-based awards and other awards permitted under the 2016 LTIP over the next three years in amounts determined appropriate by the Compensation Committee, which administers the 2016 LTIP (as discussed more fully below); however, this timeline is simply an estimate used by us to determine the number of new shares to ask our stockholders to approve and future circumstances may require us to change our expected equity grant practices. These circumstances include, but are not limited to, the future price of our common stock and award levels/amounts provided by our competitors and hiring activity during the next few years. We currently intend to establish the practice of granting stock-based compensation awards to key employees and non-employee directors on an annual basis based upon the criteria determined by the Compensation Committee in its sole discretion. Fluctuations in our stock price may result in stock-based awards for a given year requiring a larger or smaller number of shares in order to capture the same grant date value as a prior year's award, which impacts the rate at which we utilize shares for compensation purposes. The closing market price of our common stock on the record date was \$13.41 per share, as reported on the NYSE.

In addition to the general approval of the 2016 LTIP, our stockholders are also being asked to approve the material terms of the 2016 LTIP so that certain awards granted under the 2016 LTIP that are intended to qualify as performance-based compensation within the meaning of Section 162(m) may be fully deductible by the Company and its Subsidiaries. Under Section 162(m), the federal income tax deductibility of compensation paid to the Chief Executive Officer and the three other most highly compensated officers (other than the principal financial officer) (Covered Employees) determined pursuant to the SEC's executive compensation disclosure rules may be limited to the extent such compensation exceeds \$1,000,000 in any taxable year. However, compensation paid to Covered Employees may be deducted in excess of that amount if it qualifies as performance-based compensation as defined in Section 162(m).

In addition to certain other requirements, in order for awards under the 2016 LTIP to constitute performance-based compensation, the material terms of the 2016 LTIP must be disclosed to and approved by our stockholders. Under the Section 162(m) regulations, the material plan terms of the 2016 LTIP are (i) the employees eligible to receive compensation under the 2016 LTIP, (ii) the maximum amount of compensation that may be paid to a Covered Employee under the 2016 LTIP during a specified period, and (iii) the list of business criteria on which performance goals may be based. Each of these material terms is discussed in more detail below. Although the Compensation Committee retains the ability and discretion to grant certain compensation that may not qualify for the exemption under Section 162(m), the 2016 LTIP is designed to allow certain Awards to qualify for exemption from the deduction limitations of Section 162(m) by providing performance-based compensation to Covered Employees within the meaning of Section 162(m). Accordingly, we are asking stockholders to approve the material plan terms of the 2016 LTIP for Section 162(m) purposes so that awards under the 2016 LTIP that are intended to qualify as performance-based compensation within the meaning of Section 162(m) may be deductible by us.

If this proposal is not approved, the Company will be unable to grant certain stock-based awards under the 2016 LTIP to employees, directors and consultants, including but not limited to awards that qualify as performance-based compensation under Section 162(m) (which are fully deductible by the Company and its Subsidiaries). This may limit

the compensation that the Company otherwise intended to provide its employees, directors and consultants.

Description of the LTIP

The following is a description of the principal features of the 2016 LTIP. This description does not purport to be a complete description of all of the provisions of the LTIP and is qualified in its entirety by reference to the full text of the 2016 LTIP, which is attached as Appendix A to this Proxy Statement. Capitalized terms used in this description, but not otherwise defined, have the meanings given to them in the 2016 LTIP.

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The purpose of the 2016 LTIP is to provide a means to attract and retain employees, directors and consultants through affording such individuals a means to acquire and maintain stock ownership or awards, the value of which is tied to the performance of the Company. The 2016 LTIP also provides additional incentives and reward opportunities designed to strengthen such individuals' concern for the welfare of the Company and their desire to remain in its employ.

The 2016 LTIP is intended to achieve this purpose by permitting the grant of a number of different types of awards, including the grant of (i) incentive stock options intended to comply with Section 422 of the Code (Incentive Options), (ii) stock options that do not constitute Incentive Options (Nonstatutory Options and, together with Incentive Options, Options), (iii) stock appreciation rights (SARs), (iv) restricted stock awards (Restricted Stock Awards), (v) restricted stock units (RSUs), (vi) dividend equivalents (Dividend Equivalents), (vii) awards of unrestricted shares of common stock (Stock Awards), (viii) other awards related to the Company's common stock (in terms of being valued, denominated, paid or otherwise defined by reference to common stock) (Other Stock-Based Awards), (ix) cash awards (Cash Awards), (x) conversion awards (Conversion Awards), (xi) awards, the grant, exercise, vesting or settlement of which are subject to one or more performance standards (Performance Awards), and (xii) any combination of such awards (collectively referred to as Awards).

Administration

The Board has appointed the Compensation Committee to administer the 2016 LTIP pursuant to its terms and all applicable state, federal, or other rules or laws, except in the event the Board chooses to take action under the 2016 LTIP. Our Board may also take any action designated to the Compensation Committee unless it is determined that administration of the 2016 LTIP by outside directors is necessary with respect to Awards intended to qualify as performance-based compensation under Section 162(m). Unless otherwise limited by the 2016 LTIP, Rule 16b-3 of the Exchange Act, any provisions of the Code or other applicable laws, the Compensation Committee has broad discretion to administer the 2016 LTIP, interpret its provisions, and adopt policies for implementing the 2016 LTIP. This discretion includes the power to designate Eligible Persons as Participants in the 2016 LTIP, determine when and to whom Awards will be granted, determine the type or types of Awards to be granted to each Eligible Person and the amount of such Awards (measured in shares of common stock, cash or as otherwise designated), prescribe and interpret the terms and provisions of each Award agreement (the terms of which may vary), delegate duties under the 2016 LTIP, terminate, modify or amend any Award granted under the 2016 LTIP, and execute all other responsibilities permitted or required under the 2016 LTIP. Any action of the Compensation Committee shall be final, conclusive and binding on all persons, including the Company and its Subsidiaries, stockholders, Participants and permitted transferees claiming rights from or through a Participant.

Eligibility

Consistent with certain provisions of Section 162(m) and the accompanying regulations, the employees eligible to receive compensation must be set forth in the 2016 LTIP and approved by our stockholders. Any officer and employee of the Company or any of its Subsidiaries, and other persons who provide services to the Company or any of its Subsidiaries, including non-employee directors of and consultants for the Company (an Eligible Person), may be granted Awards under the 2016 LTIP. As of the record date, we had approximately 14 officers, 11 directors and 1,926 total employees. It is not our practice to grant awards to consultants. The Company currently has no outstanding awards under the Prior Plan that were granted to consultants, and we do not currently intend to make awards to consultants under the 2016 LTIP. Any person who is designated by the Compensation Committee to receive an Award under the 2016 LTIP will be a Participant. An employee on leave of absence may be considered still employed by the

Company or a Subsidiary for purposes of determining eligibility for participation under the 2016 LTIP. Any individual granted an Award which remains outstanding under the 2016 LTIP, including an individual who is no longer an Eligible Person, will continue to be a Participant for purposes of the 2016 LTIP. Although Section 162(m) only limits the deductibility for compensation paid to a Covered Employee who is employed as of the end of the year, the performance goals described further below may be applied to other senior officers in the event that any of them could be deemed to be a Covered Employee under the Section 162(m) regulations during the time that they hold an Award intended to constitute qualified performance-based compensation under Section 162(m).

Table of Contents**Number of Shares**

The maximum aggregate number of shares of common stock reserved and available for issuance with regard to any and all Awards under the 2016 LTIP shall not exceed 2,750,000 shares of common stock plus any shares of common stock that become available for reissuance under the share counting provisions of the Prior Plan following the effective date of the 2016 LTIP, in each case subject to any adjustment due to recapitalization or reorganization as permitted under the 2016 LTIP. No Awards may be granted under the 2016 LTIP if the total number of shares of common stock to be delivered in connection with such Award exceeds the number of shares of common stock remaining available under the 2016 LTIP, including any shares of common stock that may become available for reissuance under the share counting provisions of the Prior Plan. The number of shares of common stock remaining available under the 2016 LTIP does not include the shares of common stock that are issuable in settlement of any then-outstanding Awards previously granted under the 2016 LTIP.

Shares of common stock subject to any Award that is canceled, forfeited, expires unexercised, is settled in cash in lieu of common stock or is otherwise terminated without a delivery of shares to a Participant will again be available for Awards under the 2016 LTIP to the extent allowable by law. Notwithstanding the foregoing, (a) shares tendered or withheld in payment of any exercise or purchase price or related taxes, (b) shares that were subject to an Option or an SAR but were not issued or delivered as a result of net settlement or net exercise, and (c) shares repurchased on the open market with the proceeds of an Option's exercise price, in each case, will not be available for future Awards under the 2016 LTIP. If an Award may be settled only in cash, such Award need not be counted against the share limits in the 2016 LTIP. In addition, although no further awards will be granted under the Prior Plan if the shareholders approve the 2016 LTIP, shares subject to Awards granted under the Prior Plan that are outstanding as of the April 19, 2016 effective date of the 2016 LTIP, may become available for re-issuance under the 2016 LTIP if such shares would have again become available for issuance pursuant to the share usage provisions of the Prior Plan. The number shares subject to outstanding awards under the Prior Plan as of April 19, 2016 is 60,509. If the 2016 LTIP is approved by stockholders, none of the shares under the Director Equity Plan including unissued shares or shares subject to outstanding awards will become available for issuance under the 2016 LTIP.

The shares to be delivered under the 2016 LTIP shall be made available from authorized but unissued shares of stock, stock held in the treasury of the Company or previously issued shares of stock reacquired by the Company, including shares purchased on the open market. The fair market value of the common stock on a given date will be the closing price of a share of common stock as reported by the NYSE on the most recent date on which shares of common stock were publicly-traded preceding the date with respect to which the fair market value determination is made (or if no sales occur on that date, on the last preceding date on which such sales of the common stock are so reported).

Limitations on Awards to Covered Employees.

Consistent with certain provisions of Section 162(m) and the accompanying regulations, the 2016 LTIP contains restrictions on the maximum amount of compensation that may be awarded to an individual in a specified period. In each calendar year during any part of which the 2016 LTIP is in effect, a Covered Employee may not be granted Awards intended to be performance-based compensation (within the meaning of Section 162(m) of the Code) (a) to the extent such Award is based on a number of shares of stock (other than such an Award designated to be paid only in cash), relating to more than 1,000,000 shares of stock, subject to adjustment as provided in the 2016 LTIP, and (b) to the extent such Award is designated to be paid only in cash or the settlement of such Award is not based on a number of shares of stock, having a value determined on the date of grant in excess of \$5,000,000. These limits are not intended to suggest that the amount of compensation received by any Covered Employee or other participant will be limited by maximum amounts set forth in the 2016 LTIP. Although the 2016 LTIP has been drafted to permit the grant of Awards intended to satisfy the requirements for the performance-based compensation exception, the

Compensation Committee may determine that it is in the Company's best interests to award compensation that is not intended to satisfy the requirements for the exception.

Limitations on Awards to Non-Employee Directors.

In each calendar year during any part of which the 2016 LTIP is in effect, a non-employee member of the Board may not be granted Awards of any type having a total cumulative value (determined, if applicable, pursuant to FASB ASC 718) greater than \$500,000; except that, the foregoing limits shall be without regard to grants of Awards made to any non-employee director in any capacity other than in the capacity as a director of the Company.

Table of Contents**Types of Awards***Stock Options.*

The Company may grant Options to Eligible Persons, including (i) Incentive Options, which comply with Section 422 of the Code and (ii) Nonstatutory Options. The exercise price of each Option granted under the 2016 LTIP will be stated in the Option agreement and may vary between individuals and between grants; provided, however, that the exercise price for an Option must not be less than the greater of (a) 100% of the fair market value per share of the common stock as of the date of grant of the Option or (b) the par value per share of common stock. With respect to a grant of an Incentive Option which complies with Section 422 of the Code, a Participant must be an employee of the Company (or its parent or Subsidiaries), and, immediately before the time the Incentive Option is granted, the Participant may not own stock possessing more than 10% of the total combined voting power or value of all classes of stock of the Company or a Subsidiary unless, at the time the Incentive Option is granted, the exercise price of the Incentive Option is at least 110% of the fair market value of the common stock underlying the Incentive Option. Options may be exercised as the Compensation Committee determines, but not later than ten years from the date of grant (or five years from the date of grant in the case of Incentive Options granted to an individual who owns stock possessing more than 10% of the total combined voting power or value of all classes of stock of the Company or a Subsidiary). The Compensation Committee will determine the methods and form of payment for the exercise price of an Option (including, in the discretion of the Compensation Committee, payment in common stock, other Awards, or other property) and the methods and forms in which common stock (including common stock issuable pursuant to the Option) will be delivered to a Participant. The 2016 LTIP prohibits the Company from repricing Options without the approval of the Company's stockholders.

SARs.

An SAR is the right to receive an amount equal to the excess of the fair market value of one share of common stock on the date of exercise over the grant price of the SAR, as determined by the Compensation Committee; provided, however, that the grant price of the SAR must not be less than the greater of (a) 100% of the fair market value per share of the common stock as of the date of grant of the SAR or (b) the par value per share of common stock. SARs may be either free-standing or in tandem with other Awards. SARs may be awarded in connection with or separate from an Option. SARs awarded in connection with an Option will entitle the holder, upon exercise, to surrender the related Option or portion thereof relating to the number of shares for which the SAR is exercised. The surrendered Option or portion thereof will then cease to be exercisable. However, an SAR awarded in connection with an Option is exercisable only to the extent that the related Option is exercisable. SARs granted independently of an Option will be exercisable as the Compensation Committee determines. The term of an SAR will be for a period determined by the Compensation Committee but will not exceed ten years. SARs may be paid in cash, stock or a combination of cash and stock, as the Compensation Committee provides in the Award agreement governing the SAR. The 2016 LTIP prohibits the Company from repricing SARs without the approval of the Company's stockholders.

Restricted Stock Awards.

A Restricted Stock Award is a grant of shares of common stock subject to a risk of forfeiture, restrictions on transferability, and any other restrictions imposed by the Compensation Committee in its discretion. Restrictions may lapse at such times and under such circumstances as determined by the Compensation Committee. Except as otherwise provided under the terms of the 2016 LTIP or an Award agreement, the holder of a Restricted Stock Award will have rights to receive dividends on the common stock subject to the Restricted Stock Award (subject to any mandatory reinvestment or other requirements imposed by the Compensation Committee). Unless otherwise determined by the Compensation Committee, common stock distributed in connection with a stock split or stock dividend, and other

property distributed as a dividend, will be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock Award with respect to which such common stock or other property has been distributed. During the restricted period applicable to the Restricted Stock Award, the restricted stock subject to the Restricted Stock Award may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

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Restricted Stock Units.

RSUs are rights to receive common stock, cash, or a combination of both at the end of a specified period. The Compensation Committee may subject RSUs to restrictions (which may include a risk of forfeiture) to be specified in the Award agreement, and those restrictions may lapse at such times determined by the Compensation Committee. RSUs may be satisfied by delivery of common stock, cash equal to the fair market value of the specified number of shares of common stock covered by the RSUs, or any combination thereof determined by the Compensation Committee at the date of grant or thereafter.

Stock Awards.

The Compensation Committee is authorized to grant Stock Awards under the 2016 LTIP to any Eligible Person as a bonus, as additional compensation, or in lieu of cash or other compensation the individual is otherwise entitled to receive, in such amounts and subject to such other terms as the Compensation Committee in its discretion determines to be appropriate.

Dividend Equivalents.

Dividend Equivalents may be granted to an Eligible Person, entitling such Eligible Person to receive cash, stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of stock or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award (other than a Restricted Stock Award or a Stock Award). Dividend Equivalents may be paid or distributed when accrued or reinvested in additional shares of common stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Compensation Committee may specify. Absent a contrary provision in an applicable Award agreement, Dividend Equivalents will be subject to the same restrictions and risk of forfeiture as any Award with respect to which the dividends accrue and shall not be paid unless and until such Award has vested and been earned.

Other Stock-Based Awards.

Eligible Persons may be granted, subject to applicable legal limitations, other Awards related to common stock (in terms of being valued, denominated, paid or otherwise defined by reference to common stock). Such Other Stock-Based Awards may include, but are not limited to, convertible or exchangeable debt securities, other rights convertible or exchangeable into common stock, purchase rights for common stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Compensation Committee, and Awards valued by reference to the book value of common stock or the value of securities of or the performance of specified Subsidiaries. The Compensation Committee will determine the terms and conditions of all such Other Stock-Based Awards, including without limitation, the method of delivery, consideration to be paid, the timing and methods of payment, and any performance criteria associated with an Award.

Cash Awards.

The Compensation Committee is authorized to grant Cash Awards, on a free-standing basis or as an element of or supplement to, or in lieu of, any other Award to Eligible Persons in such amounts and subject to such other terms (including the achievement of performance goals and/or future service requirements) as the Compensation Committee in its discretion determines.

Conversion Awards.

Awards may be granted under the 2016 LTIP in substitution for similar awards held by individuals who become Eligible Persons as a result of the merger, consolidation or acquisition of another entity or the assets of another entity by or with the Company or an affiliate of the Company. Such Conversion Awards that are Options or SARs may have an exercise price that is less than the fair market value of a share of stock on the date of the substitution if such substitution complies with the requirements of Section 409A of the Code and other applicable laws and exchange rules.

Table of Contents*Performance Awards.*

The Compensation Committee may designate that any Award granted under the 2016 LTIP shall constitute a Performance Award. A Performance Award is any Award, the grant, exercise, vesting or settlement of which is subject to one or more performance conditions. Additionally, a Performance Award may be an Award intended to qualify as performance-based compensation under Section 162(m) that is granted to a person designated by the Compensation Committee, at the time of grant of the Performance Award, as likely to be a Covered Employee for the fiscal year (a Section 162(m) Award). The performance period applicable to any Performance Award will be set by the Compensation Committee in its discretion but will not exceed ten years.

If the Compensation Committee determines that a Performance Award granted to a Covered Employee is intended to be a Section 162(m) Award, the grant, exercise, vesting and/or settlement of such Performance Award will be contingent upon achievement of a pre-established performance goal or goals based on one or more of the business criteria described below and other terms as set forth in the 2016 LTIP; provided, however, that nothing in the 2016 LTIP prevents the Compensation Committee from granting Awards to Covered Employees that are not intended to constitute performance-based compensation under Section 162(m) or from determining that it is no longer necessary or appropriate for an Award to qualify as such. Further, for Awards intended to be Section 162(m) Awards, the Compensation Committee may, in its discretion, reduce the amount of a payment or settlement otherwise to be made in connection with such Award, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Section 162(m) Award.

Consistent with certain provisions of Section 162(m) and accompanying regulations, the business criteria on which performance goals for Section 162(m) Awards may be based must be provided for in the 2016 LTIP and approved by our stockholders. With respect to Section 162(m) Awards, performance goals will be designed to be objective, substantially uncertain of achievement at the date of grant and to otherwise meet the requirements of Section 162(m) and regulations thereunder. Performance goals may vary among Section 162(m) Award recipients or among Section 162(m) Awards to the same recipient. Performance goals will be established not later than 90 days after the beginning of any performance period applicable to such Section 162(m) Awards, or at such other date as may be required or permitted under Section 162(m). All determinations by the Compensation Committee as to the establishment, amount and certification of achievement of performance goals will be made in writing.

One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Subsidiaries or business or geographical units of the Company (except with respect to the total shareholder return and earnings per share criteria) shall be used by the Compensation Committee in establishing performance goals applicable to Section 162(m) Awards: (a) earnings per share; (b) revenues; (c) cash flow; (d) cash flow from operations; (e) cash flow return; (f) return on net assets; (g) return on assets; (h) return on investment; (i) return on capital; (j) return on equity; (k) economic value added; (l) operating margin; (m) contribution margin; (n) net income; (o) net income per share; (p) earnings; (q) earnings before interest, depreciation and amortization; (r) operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; (s) total stockholder return; (t) debt reduction or management; (u) market share; (v) change in the Fair Market Value of the Stock; (w) operating income; (x) share price; (y) effective equipment utilization; (z) achievement of savings from business improvement projects; (aa) capital projects deliverables; (bb) performance against environmental targets; (cc) safety performance and/or incident rate; (dd) human resources management targets, including medical cost reductions and time to hire; and (ee) satisfactory internal or external audits.

Any of the above goals may be determined pre-tax or post-tax, on an absolute or relative basis, as compared to the performance of a published or special index deemed applicable by the Compensation Committee including, but not limited to, the S&P 500 or a group of comparable companies. The terms are used as applied under generally accepted

accounting principles, as applicable.

The Compensation Committee may, at the time the performance goals in respect of a Section 162(m) Award are established, provide for the manner in which actual performance and performance goals with regard to the business criteria selected will reflect the impact of specified events during the relevant performance period, which may mean excluding the impact of any or all of the following events or occurrences for such performance period: (a) asset write-downs or impairments to assets; (b) litigation, claims, judgments or settlements; (c) the effect of changes in tax law or other such laws or regulations affecting reported results; (d) accruals for reorganization and restructuring programs; (e) any unusual or infrequent items as described in the Accounting Standards Codification Topic 225, as

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amended by Accounting Standards Update 2015-01, and as the same may be further amended or superseded from time to time; (f) any change in accounting principles as defined in the Accounting Standards Codification Topic 250, as the same may be amended or superseded from time to time; (g) any loss from a discontinued operation as described in the Accounting Standards Codification Topic 360, as the same may be amended or superseded from time to time; (h) goodwill impairment charges; (i) operating results for any business acquired during the calendar year; (j) third party expenses associated with any investment or acquisition by the Company or any Subsidiary; (k) any amounts accrued by the Company or its Subsidiaries pursuant to management bonus plans or cash profit sharing plans and related employer payroll taxes for the fiscal year; (l) any discretionary or matching contributions made to a savings and deferred profit-sharing plan or deferred compensation plan for the fiscal year; (m) interest, expenses, taxes, depreciation and depletion, amortization and accretion charges; and (n) marked-to-market adjustments for financial instruments. The Compensation Committee may also adjust Section 162(m) Awards to reflect the occurrence of certain corporate transactions and events as provided in the 2016 LTIP. With respect to Awards intended be Section 162(m) Awards, all of the foregoing adjustments are permitted only to the extent permitted under Section 162(m) and the regulations promulgated thereunder without adversely affecting the treatment of any Section 162(m) Award as performance-based compensation.

Other Provisions*Tax Withholding.*

A Participant's tax withholding obligations with respect to an Award may be satisfied by such means and subject to such conditions as the Compensation Committee may determine, in its sole discretion, including, without limitation, the delivery of cash or cash equivalents, stock (including previously owned shares, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to the Award), other property, or any other legal consideration the Compensation Committee deems appropriate.

Subdivision or Consolidation of Shares.

If any change is made to the Company's capitalization, such as a stock split, stock combination, stock dividend, exchange of shares or other recapitalization, appropriate adjustments will be made by the Compensation Committee, in its discretion in certain circumstances, as to the number and price of shares subject to an Award under the 2016 LTIP, the securities covered by such Award, the aggregate number of shares of common stock available for the issuance of Awards under the 2016 LTIP and the maximum annual per person compensation limits on share-based Awards.

Change of Control.

Except to the extent otherwise provided in any applicable Award agreement, vesting of any Award will not occur solely upon the occurrence of a Change of Control (as defined in the 2016 LTIP). In the event a Change of Control should occur at any time when there is any outstanding Award under the 2016 LTIP, the Compensation Committee, in its discretion, may, but shall not be required to, take any one or more of the following actions, which may vary among individual holders and among Awards held by any individual holder: (a) remove any applicable forfeiture restrictions on any Award, (b) accelerate in whole or in part the time of exercisability of an Award so that such Award may be exercised for a limited period of time on or before a date specified by the Compensation Committee, before or after such Change of Control, after which specified date all unexercised Awards shall terminate, (c) cause the surviving entity to assume, substitute, or continue any one or more of the outstanding Awards, (d) redeem in whole or in part any one or more of the outstanding Awards by requiring the mandatory surrender to the Company by selected holders of some or all of the outstanding Awards held by such holders for cash consideration, (e) cancel Awards that remain

subject to a restricted period as of the date of a change of control without payment of any consideration to the holder of such Awards, or (f) make such other adjustments to Awards then outstanding as the Compensation Committee deems appropriate to reflect such Change of Control. The foregoing alternatives may be without the consent or approval of any Award holder and may vary among individual Participants and each Participant's individual Awards.

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Effect of Termination of Employment or Director Service.

Except as otherwise provided in the 2016 LTIP, the treatment of an Award upon a termination of employment or any other service relationship of a Participant with the Company will be specified in the Award agreement, the terms of which are subject to the discretion of the Compensation Committee.

Term of the 2016 LTIP.

No Awards may be granted under the 2016 LTIP on and after the tenth anniversary of its effective date, which is April 19, 2026.

Amendment.

Without stockholder or Participant approval, the Board may amend, alter, suspend, discontinue or terminate the 2016 LTIP or the Compensation Committee's authority to grant Awards under the 2016 LTIP, except that any amendment or alteration to the 2016 LTIP, including any increase in any share limitation, shall be subject to the approval of the Company's stockholders not later than the next annual meeting if stockholder approval is required by any state or federal law or regulation or the rules of the NYSE. The Board may otherwise, in its discretion, determine to submit other such changes to the 2016 LTIP to stockholders for approval. The Compensation Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in the 2016 LTIP; provided, that without the consent of an affected Participant, no such Compensation Committee action may materially and adversely affect the rights of such Participant under such Award.

Transferability of Awards.

In accordance with any rules it may prescribe, the Compensation Committee may permit a person to transfer Awards, in the form of a gift, or may authorize all or a portion of Awards to be granted to an Eligible Person on terms which permit transfer by such Participant to certain immediate family members or related trusts, foundations or entities, or pursuant to a domestic relations order. Other than as described above, Awards will not be transferable other than by will or the laws of descent and distribution. Notwithstanding any provision to the contrary, Incentive Options will not be transferable other than by will or the laws of descent and distribution.

No Repricing of Options or SARs.

Other than in connection with a change in capitalization or other transaction where an adjustment is permitted or required under the terms of the 2016 LTIP, the Compensation Committee is prohibited from making any adjustment or approving any amendment that reduces or would have the effect of reducing the exercise price of an Option or SAR previously granted under the 2016 LTIP, whether through amendment, cancellation and exchange for cash or replacement grants, or other means, unless the Company's stockholders shall have approved such adjustment or amendment.

Clawback.

The 2016 LTIP is subject to any written clawback policies that the Company, with the approval of the Board, may adopt, either prior to or following the effective date, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Company determines should apply to 2016 LTIP. Any such policy may subject a Participant's Awards and amounts

paid or realized with respect to such Awards to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur, including but not limited to an accounting restatement due to the Company's material noncompliance with financial reporting regulations or other events or wrongful conduct specified in any such clawback policy.

Certain United States Federal Income Tax Aspects

The following discussion is for general information only and is intended to summarize briefly the U.S. federal income tax consequences of certain transactions contemplated under the 2016 LTIP. This description is based on current laws in effect on the record date, which are subject to change (possibly retroactively). The tax treatment of

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Participants may vary depending on each Participant's particular situation and may, therefore, be subject to special rules not discussed below. No attempt has been made to discuss any potential foreign, state or local tax consequences. Participants are advised to consult with a tax advisor concerning the specific tax consequences of participating in the 2016 LTIP.

Tax Consequences to Participants under the 2016 LTIP*Options and SARs.*

Participants will not realize taxable income upon the grant of an Option or a SAR. Upon the exercise of a Nonstatutory Option or a SAR, a Participant will recognize ordinary compensation income (subject to withholding if the Participant is an employee) in an amount equal to the excess of (i) the amount of cash and the fair market value of the common stock received, over (ii) the exercise or grant price of the Award. A Participant will generally have a tax basis in any shares of common stock received pursuant to the exercise of a Nonstatutory Option or a SAR that equals the fair market value of such shares on the date of exercise. Subject to the discussion under Tax Consequences to the Company below, we will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules. When a Participant sells the common stock acquired as a result of the exercise of a Nonstatutory Option or a SAR, any appreciation (or depreciation) in the value of the common stock after the exercise date is treated as long- or short-term capital gain (or loss) for federal income tax purposes, depending on the holding period. The common stock must be held for more than 12 months to qualify for long-term capital gain treatment.

Participants eligible to receive an Option intended to qualify as an Incentive Option under Section 422 of the Code will not recognize taxable income on the grant of an Incentive Option. Upon the exercise of an Incentive Option, a Participant will not recognize taxable income, although the excess of the fair market value of the shares of common stock received upon exercise of the Incentive Option (ISO Stock) over the exercise price will increase the alternative minimum taxable income of the Participant, which may cause such Participant to incur alternative minimum tax. The payment of any alternative minimum tax attributable to the exercise of an Incentive Option would be allowed as a credit against the Participant's regular tax liability in a later year to the extent the Participant's regular tax liability is in excess of the alternative minimum tax for that year.

Upon the disposition of ISO Stock that has been held for the required holding period (generally, at least two years from the date of grant and one year from the date of exercise of the Incentive Option), a Participant will generally recognize capital gain (or loss) equal to the excess (or shortfall) of the amount received in the disposition over the exercise price paid by the Participant for the ISO Stock. However, if a Participant disposes of ISO Stock that has not been held for the requisite holding period (a Disqualifying Disposition), the Participant will recognize ordinary compensation income in the year of the Disqualifying Disposition in an amount equal to the amount by which the fair market value of the ISO Stock at the time of exercise of the Incentive Option (or, if less, the amount realized in the case of an arm's length disposition to an unrelated party) exceeds the exercise price paid by the Participant for such ISO Stock. A Participant would also recognize capital gain to the extent the amount realized in the Disqualifying Disposition exceeds the fair market value of the ISO Stock on the exercise date. If the exercise price paid for the ISO Stock exceeds the amount realized (in the case of an arm's-length disposition to an unrelated party), such excess would ordinarily constitute a capital loss.

We will generally not be entitled to any federal income tax deduction upon the grant or exercise of an Incentive Option, unless a Participant makes a Disqualifying Disposition of the ISO Stock. If a Participant makes a Disqualifying Disposition, we will then, subject to the discussion below under Tax Consequences to the Company, be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by a

Participant under the rules described in the preceding paragraph.

Under current rulings, if a Participant transfers previously held shares of common stock (other than ISO Stock that has not been held for the requisite holding period) in satisfaction of part or all of the exercise price of an Option, whether a Nonstatutory Option or an Incentive Option, no additional gain will be recognized on the transfer of such previously held shares in satisfaction of the Nonstatutory Option or Incentive Option exercise price (although a Participant would still recognize ordinary compensation income upon exercise of a Nonstatutory Option in the manner described above). Moreover, the number of shares of common stock received upon exercise which equals the number of shares of previously held common stock surrendered in satisfaction of the Nonstatutory Option or

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Incentive Option exercise price will have a tax basis that equals, and a capital gains holding period that includes, the tax basis and capital gains holding period of the previously held shares of common stock surrendered in satisfaction of the Nonstatutory Option or Incentive Option exercise price. Any additional shares of common stock received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the Participant, plus the amount of compensation income recognized by the Participant under the rules described above.

The 2016 LTIP allows the Compensation Committee to permit the transfer of certain Awards in limited circumstances. For income and gift tax purposes, certain transfers of Nonstatutory Options should generally be treated as completed gifts, subject to gift taxation.

The Internal Revenue Service has not provided formal guidance on the income tax consequences of a transfer of Nonstatutory Options (other than in the context of divorce) or SARs. However, the Internal Revenue Service has informally indicated that after a transfer of Options (other than in the context of divorce pursuant to a domestic relations order), the transferor will recognize income, which will be subject to withholding, and FICA/FUTA taxes will be collectible at the time the transferee exercises the Options. If a Nonstatutory Option is transferred pursuant to a domestic relations order, the transferee will recognize ordinary income upon exercise by the transferee, which will be subject to withholding, and FICA/FUTA taxes (attributable to and reported with respect to the transferor) will be collectible from the transferee at such time.

In addition, if a Participant transfers a vested Nonstatutory Option to another person and retains no interest in or power over it, the transfer is treated as a completed gift. The amount of the transferor's gift (or generation-skipping transfer, if the gift is to a grandchild or later generation) equals the value of the Nonstatutory Option at the time of the gift. The value of the Nonstatutory Option may be affected by several factors, including the difference between the exercise price and the fair market value of the stock, the potential for future appreciation or depreciation of the stock, the time period of the Nonstatutory Option and the illiquidity of the Nonstatutory Option. The transferor will be subject to a federal gift tax, which will be limited by (i) the 2016 annual exclusion amount of \$14,000 per donee (subject to adjustment in future years), (ii) the transferor's lifetime unified credit, or (iii) the marital or charitable deductions. The gifted Nonstatutory Option will not be included in the Participant's gross estate for purposes of the federal estate tax or the generation-skipping transfer tax.

This favorable tax treatment for vested Nonstatutory Options has not been extended to unvested Nonstatutory Options. Whether such consequences apply to unvested Nonstatutory Options or to SARs is uncertain and the gift tax implications of such a transfer is a risk the transferor will bear upon such a disposition.

Other Awards.

A Participant will recognize ordinary compensation income upon receipt of cash pursuant to a Cash Award or, if earlier, at the time the cash is otherwise made available for the Participant to draw upon. Individuals will not have taxable income at the time of grant of a RSU, but rather, will generally recognize ordinary compensation income at the time he or she receives cash or shares of common stock in settlement of the RSU award, as applicable, in an amount equal to the cash or the fair market value of the common stock received. The Dividend Equivalents, if any, received with respect to a RSU or other Award will be taxable as ordinary compensation income, not dividend income, when paid.

A recipient of a Restricted Stock Award or Stock Award generally will be subject to tax at ordinary income tax rates on the fair market value of the common stock when it is received, reduced by any amount paid by the recipient; however, if the common stock is not transferable and is subject to a substantial risk of forfeiture when received, a Participant will recognize ordinary compensation income in an amount equal to the fair market value of the common

stock (i) when the common stock first becomes transferable and is no longer subject to a substantial risk of forfeiture, in cases where a Participant does not make a valid election under Section 83(b) of the Code, or (ii) when the Award is received, in cases where a Participant makes a valid election under Section 83(b) of the Code. If a Section 83(b) election is made and the shares are subsequently forfeited, the recipient will not be allowed to take a deduction for the value of the forfeited shares. If a Section 83(b) election has not been made, any dividends received with respect to Restricted Stock that is subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient; otherwise the dividends will be treated as dividends.

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A Participant who is an employee will be subject to withholding for federal, and generally for state and local, income taxes at the time he or she recognizes income under the rules described above. The tax basis in the common stock received by a Participant will equal the amount recognized by him or her as compensation income under the rules described in the preceding paragraph, and the Participant's capital gains holding period in those shares will commence on the later of the date the shares are received or the restrictions lapse. Subject to the discussion below under Tax Consequences to the Company, we will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules.

Internal Revenue Code Section 409A.

Awards under the 2016 LTIP are generally intended to be designed, granted and administered in a manner that is either exempt from the application of or complies with the requirements of Section 409A of the Code in an effort to avoid the imposition of taxes and/or penalties. To the extent that payment of an Award under the 2016 LTIP is subject to additional taxes and interest under Section 409A, receipt of payments or benefits under such Award will, to the extent possible, be modified to comply with such requirements.

Tax Consequences to the Company

Reasonable Compensation.

In order for the amounts described above to be deductible by the Company (or a Subsidiary), such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses.

Golden Parachute Payments.

The ability of the Company (or the ability of one of our Subsidiaries) to obtain a deduction for future payments under the 2016 LTIP could also be limited by the golden parachute rules of Section 280G of the Code, which prevent the deductibility of certain excess parachute payments made in connection with a change in control of an employer-corporation.

Performance-Based Compensation.

The ability of the Company (or the ability of one of our Subsidiaries) to obtain a deduction for amounts paid under the 2016 LTIP could be limited by Section 162(m) of the Code. Section 162(m) limits our ability to deduct compensation, for federal income tax purposes, paid during any year to a Covered Employee in excess of \$1,000,000. However, an exception applies to this limitation in the case of certain performance-based compensation. In order to exempt Section 162(m) Awards from the \$1,000,000 deductibility limitation, certain requirements, including stockholder approval requirements must be met. In addition, the grant, vesting, exercise or settlement of any Award intended to be exempt from Section 162(m) must be based on the satisfaction of one or more performance goals selected by the Compensation Committee. To allow Awards to qualify as performance-based compensation, we are seeking stockholder approval of the material terms of the 2016 LTIP, including the maximum amount of compensation that may be paid under the 2016 LTIP, pursuant to Proposal 4. Performance Awards intended to be Section 162(m) Awards may not be granted in a given period if such Awards relate to a number of shares of common stock that exceeds the specified limitations discussed above or, alternatively, result in cash compensation that exceeds the specified limitations discussed above. Under the terms of the 2016 LTIP, in each calendar year during any part of which the 2016 LTIP is in effect, a Covered Employee may not be granted Section 162(m) Awards: (i) to the extent such Award is based on a number of shares of Stock (other than such an Award designated to be paid only in cash),

relating to more than 1,000,000 shares of Stock, subject to adjustment as provided in the 2016 LTIP, and (ii) to the extent such Award is designated to be paid only in cash, having a value determined on the date of grant in excess of \$5,000,000. Although the 2016 LTIP has been drafted to satisfy the requirements for the performance-based compensation exception, we may determine that it is in the Company's best interests not to satisfy the requirements for the exception in certain situations.

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THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF UNITED STATES FEDERAL INCOME TAXATION WITH RESPECT TO THE GRANT, EXERCISE, VESTING AND/OR SETTLEMENT OF AWARDS UNDER THE 2016 LTIP. IT IS NOT AND DOES NOT PURPORT TO BE COMPLETE AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH ANY ELIGIBLE PARTICIPANT MAY RESIDE.

New Plan Benefits and Awards Outstanding

The Awards, if any, that will be granted under the 2016 LTIP are at the discretion of the Compensation Committee, and, as such, it is not possible to determine the benefits or number of shares subject to Awards that may be granted in the future to Eligible Persons. Further, since the 2016 LTIP is a new compensation plan, no Awards have yet been granted under the 2016 LTIP. Therefore, the New Plan Benefits Table is not provided.

Vote Required for Approval

The affirmative vote of holders of at least a majority of the votes cast on this proposal is required to approve the 2016 LTIP and the material terms thereunder for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended. Brokers do not have discretionary authority to vote on this proposal. Failure to vote by proxy or to vote in person at the special meeting, an abstention from voting, or a broker non-vote will have no effect on the outcome of the vote on this proposal.

Equity Compensation Plan Information

The following table shows, as of December 31, 2015, information with respect to our equity compensation plans under which shares of Common Stock are authorized for issuance. *If the LSB Industries, Inc. 2016 Long Term Incentive Plan is approved by our stockholders, no further awards will be granted under the equity compensation plans reflected in the below table. All shares represented in the below table that are not subject to outstanding awards will immediately cease to be available for issuance as of the April 19, 2016 effective date of the 2016 Long Term Incentive Plan.*

| Plan Category | Number of securities to be issued upon exercise of outstanding options (a)(1) | | Weighted-average exercise price of outstanding options (b) | | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(2) |
|--|---|---------|--|--|--|
| | options (a)(1) | (\$)(b) | | | (c)(2) |
| Equity compensation plans approved by stockholders (3) | 842,780 | \$ | 31.93 | | 491,387 |
| Equity compensation plans not approved by stockholders (4) | | \$ | | | |

| | | | | |
|-------|---------|----|-------|---------|
| Total | 842,780 | \$ | 31.93 | 491,387 |
|-------|---------|----|-------|---------|

- (1) Represents the number of underlying shares of common stock associated with outstanding options under stockholder approved plans and is comprised of the 802,780 shares underlying options granted under the 2008 Incentive Stock Plan and 40,000 shares underlying non-qualified options granted in 2006 that were approved by our stockholders on June 14, 2007. There are currently no outstanding options under the Outside Directors Stock Purchase Plan.
- (2) Represents the number of shares available for issuance under the 2008 Incentive Stock Plan and the Outside Directors Stock Purchase Plan and is comprised of 212,931 shares available for issuance under the 2008 Incentive Stock Plan and 278,456 shares available for issuance under the Outside Directors Stock Purchase Plan. This column excludes securities to be issued upon exercise of outstanding options. ***Notwithstanding the number of shares represented in this column, if the LSB Industries, Inc. 2016 Long Term Incentive Plan is approved by our stockholders pursuant to Proposal 4 of this proxy statement, no further awards will be granted under either of the LSB Industries, Inc. 2008 Incentive Stock Plan, originally effective June 5, 2008 and most recently amended and restated, effective June 5, 2014 or the Outside Directors Stock Purchase Plan, effective June 24, 1999. For the avoidance of doubt, all remaining available shares under the 2008 Incentive Stock Plan and the Outside Directors Stock Purchase Plan that are not the subject of outstanding awards will automatically and immediately cease to be available for issuance as of the April 19, 2016 effective date of the 2016 Long Term Incentive Plan.***
- (3) Includes the LSB Industries, Inc. 2008 Incentive Stock Plan, originally effective June 5, 2008 and most recently amended and restated, effective June 5, 2014 and the Outside Directors Stock Purchase Plan, effective June 24, 1999, both of which have been approved by our stockholders. No more awards will be granted under such plans if the 2016 Long Term Incentive Plan is approved by the stockholders, and such plans shall only operate to govern the terms of any then-outstanding awards made under such prior plans.
- (4) We do not have any equity compensation plans that have not been approved by our stockholders.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE LSB INDUSTRIES, INC. 2016 LONG TERM INCENTIVE PLAN, AND THE APPROVAL OF THE MATERIAL TERMS THEREUNDER FOR PURPOSES OF COMPLYING WITH THE STOCKHOLDER APPROVAL REQUIREMENTS OF SECTION 162(M) OF THE INTERNAL REVENUE CODE.

CORPORATE GOVERNANCE

Meetings of the Board

Our Board held 29 meetings in 2015. During 2015, for the period during which such director was on the Board, each director attended at least 75% of the combined total of the meetings held by the Board and the meetings held by all committees of the Board on which such director served. Although we do not currently have a policy with respect to the attendance of our directors at the annual meeting, the Company encourages each of its directors to attend whenever possible. 11 of the 13 directors then serving attended the Company's 2015 annual meeting of stockholders.

Board Leadership Structure and Lead Director

At the end of 2014, our Board determined to separate the positions of Board Chairman and Chief Executive Officer given the composition of our Board and its committees, and the fact that a majority of our directors are independent directors who are qualified and experienced and all members of the Board's key committees are independent directors. Jack Golsen was named to the role of Executive Chairman of the Board, and Barry Golsen was named to serve as President and Chief Executive Officer of the Company. On September 1, 2015, Barry Golsen resigned from the office of Chief Executive Officer and President and Daniel Greenwell was named Interim Chief Executive Officer. On December 22, 2015, Mr. Greenwell was named to serve as President and Chief Executive Officer.

The responsibilities of the Executive Chairman of the Board generally include assisting the President and Chief Executive Officer in providing leadership and developing overall corporate strategy and, in conjunction with the President and Chief Executive Officer, building consensus in the development of the Company's overall strategic plan, capital markets activities and corporate development initiatives within the context of the corporate strategy. In addition, among other responsibilities, the Executive Chairman chairs all Board of Director meetings, serves as the spokesperson for the Board, manages the Board's functions, coordinates with management to keep the Board informed, and assists senior management with employee, customer, and stockholder relations.

The Board annually appoints a lead independent director (the "Lead Director") from among the independent directors to coordinate the activities of the other independent directors and enhance the role of the independent directors in the overall corporate governance of the Company. Robert H. Henry, a former director, served as Lead Director from June 5, 2014 until his resignation as a director on April 26, 2015. At that time, Daniel D. Greenwell was named the new Lead Director in accordance with the 2015 Agreement. When Mr. Greenwell was named Interim Chief Executive Officer on September 1, 2015, Mr. Murdy was named as Lead Director and continues to serve in this role.

The Lead Director:

presides at meetings of the Board at which the Executive Chairman is not present, including executive sessions of the independent directors and non-management directors;

serves as a liaison between the Executive Chairman and the independent directors;

oversees the Board's stockholder communications policies;

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has the authority to call meetings of the independent directors or non-management directors and to prepare agendas for such meetings; and

consults with the Executive Chairman on meeting agendas and other information provided to the Board, has the authority to add items to the agendas for any Board meeting, and reviews and approves meeting schedules.

Committees of the Board of Directors and Committee Charters

The Board has three separately-designated active standing committees: a Nominating and Corporate Governance Committee, an Audit Committee, and a Compensation Committee. The Board has adopted written charters for each of these committees. The Board has determined that all members of these committees are independent directors and satisfy the Securities and Exchange Commission (SEC) and NYSE requirements for independence. A current copy of the following charters and the corporate governance guidelines are available on our website at www.lsbindustries.com and are also available from the Company upon request to the Secretary:

Nominating and Corporate Governance Committee Charter

Audit Committee Charter

Compensation Committee Charter

Corporate Governance Guidelines

The Board also has a separately designated Strategic Committee, which remains a standing, but dormant, committee. The Strategic Committee was formed pursuant to the Starboard Agreements to evaluate certain strategic proposals previously made by Starboard and certain of its affiliates and provided the Board with recommendations related to such proposals. A copy of the Strategic Committee Charter is available from the Company upon request to the Secretary.

Committee

Membership

Nominating and Corporate Governance Committee

Marran H. Ogilvie (Chair)
Mark R. Genender
Lynn F. White

Audit Committee

Richard W. Roedel (Chair)
Marran H. Ogilvie
Joseph E. Reece

Compensation Committee

William F. Murdy (Chair)
Jonathan S. Bobb
Richard Roedel

Nominating Committee

The Nominating Committee consists entirely of independent directors who were appointed by the Board to serve until their successors are appointed and qualified. The current members of the Nominating Committee are Ms. Ogilvie (Chair) and Messrs. White and Genender. Mr. Sanders was appointed to the Nominating Committee following the 2014 annual meeting and resigned from the Nominating Committee when he was engaged as interim Executive Vice President of Chemical Manufacturing on September 29, 2015. Ms. Lapidus and Mr. Henry served as members of the Nominating Committee until their resignations on April 26, 2015, at which time Ms. Ogilvie and Mr. White were appointed to the Committee pursuant to the 2015 Agreement. Messrs. Benham and Burtch were also appointed to the Nominating Committee on April 26, 2015. Mr. Benham served as Nominating Committee Chairman until his resignation from the Board on March 3, 2016. Mr. Burtch served as a member of the Nominating Committee until his resignation on December 4, 2015. Mr. Butkin was appointed to the Nominating Committee on June 25, 2015 and served until his resignation on December 4, 2015. The Board has determined that each member of the Nominating Committee is independent in accordance with the listing standards of the NYSE.

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The Nominating Committee's primary responsibility is the annual identification and presentation to the Board of a list of qualified individuals recommended for nomination for election to the Board at the annual meeting of stockholders. The Nominating Committee periodically assesses the skills and experience needed for the Board to properly direct the business and affairs of the Company. The Nominating Committee looks for its directors collectively to have a diverse mix of skills, qualifications and experience, some of which include business leadership, financial expertise, corporate governance, chemical expertise, HVAC expertise, legal and risk management. The Nominating Committee seeks a mix of directors with the qualities that will achieve the ultimate goal of a well-rounded, diverse Board that thinks critically and functions effectively by reaching informed decisions. The Nominating Committee and the Board believe that a boardroom with a wide array of talents and perspectives leads to innovation, critical thinking and enhanced discussion. Additionally, the Committee expects each of the Company's directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company. In evaluating candidates for nomination to the Board, the Nominating Committee considers a variety of factors. These include each nominee's independence, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company. The Nominating Committee evaluates the skills, qualifications, experience and expertise of candidates to determine director nominees. For incumbent directors, the factors also include past performance on the Board and contributions to their respective committees.

In addition to its primary responsibility, the Nominating Committee is also responsible for:

developing criteria for, and identify individuals qualified to become, members of the Board and recommend to the Board nominees for election at the annual meetings of shareholders or for appointment to fill vacancies;

recommending to the Board Director nominees for each committee of the Board;

advising the Board about the appropriate composition of the Board and its committees, including recommendations related to the Board's leadership structure and the designation of individuals to serve as Executive Chairman of the Board and Lead Independent Director (if any);

advising the Board about, and develop and recommend to the Board, appropriate corporate governance principles and practices and assist the Board in implementing those practices; and

leading the evaluation of the Board through an annual review of the performance of the Board and its committees.

During 2015, the Nominating Committee held nine meetings.

The Nominating Committee considers the qualifications of director candidates recommended by stockholders and evaluates each of them using the same criteria the Nominating Committee uses for incumbent candidates. Director candidate recommendations by stockholders must be made in compliance with the procedures set forth in our Bylaws by notice in writing delivered or mailed by first class U.S. mail, postage prepaid, to the Chairman of the Nominating Committee, in care of the Corporate Secretary of the Company, 16 South Pennsylvania Avenue, Oklahoma City, Oklahoma 73107. Please indicate "Nominating Committee" on the envelope.

Only persons who are nominated in accordance with the procedures set forth in our Bylaws are eligible for election as directors. Nominations of persons for election to the Board may be made at a meeting of stockholders at which directors are to be elected only (i) by or at the direction of the Board; or (ii) by any stockholder of the Company entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in our Bylaws. A director nomination made by a stockholder must be delivered or mailed to and received at our principal executive offices not less than 120 nor more than 150 days prior to the anniversary date of the 2016 annual meeting; provided, however, if the date of the annual meeting is more than 30 days before or more than 60 days after such date, notice by the stockholder to be timely must be so delivered, or mailed and received not later than the 90th day prior to such annual meeting, or if later, the 10th day following the date on which the public disclosure of the date of such annual meeting was so made. Pursuant to our Bylaws, the deadline for submitting nominations for directors for our annual meeting in 2017, is February 2, 2017, but no nominations may be submitted before January 3, 2017.

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The Bylaws also provide that a stockholder satisfying the above notice requirements may nominate an independent director for inclusion in our proxy statement, if the additional specified conditions set forth in our Bylaws, are satisfied. The following is a summary of the additional conditions:

the stockholder, together with the stockholder's affiliates, must have held at least 5% of the voting power of the Company's outstanding securities for at least one year (the Required Interest);

the stockholder must provide certain information relating to the proposed nominee;

the stockholder must agree to indemnify the Company for all liabilities arising out of the information provided by the stockholder;

the stockholder must undertake to continue to hold for one year following the election of directors at the annual meeting the greater of (i) the Required Interest or (ii) 75% of the stockholder's interest as of the last day on which stockholder nominations may be made under the Bylaws;

the stockholder must agree not to acquire the greater of (i) 10% of the Company's outstanding voting securities or (ii) an additional 5% of the voting power in the Company's securities in excess of the voting power held by the stockholder as of the last day on which stockholder nominations may be made under the Bylaws;

the sum of the number of directors serving on the Board as a result of the proxy access procedures, plus the number of directors to be included in the Company's proxy materials for the next annual meeting pursuant to the proxy access procedures may not exceed 25% of the total number of directors that constitute the whole Board; and

certain other conditions as set forth in the Bylaws.

For more information regarding stockholder proposals, please see [Stockholder Proposals](#) below.

Strategic Committee

The Strategic Committee was originally composed of four members of the Board: Messrs. Benham (Chairman), Burtch, Greenwell, and Murdy. The Strategic Committee was established pursuant to the 2014 Agreement for the purpose of assisting the Board in reviewing and evaluating potential strategic separations of our Chemical Business and Climate Control Business and reviewing and evaluating the possibility of placing some or all of our Chemical Business into a Master Limited Partnership structure. In accordance with the 2015 Agreement, the responsibilities of the Strategic Committee were expanded to include an evaluation of our corporate governance and management structure, related party transactions and any other governance practices of the Company deemed appropriate by the Strategic Committee. Mr. Benham served as Chairman of the Strategic Committee until his resignation from the Board on March 3, 2016. Mr. Burtch served as a member of the Strategic Committee until his resignation from the

Board on December 4, 2015. The Strategic Committee remains a standing committee of the Board but is currently dormant. To the extent that the Strategic Committee takes additional action in the future, the Nominating Committee will evaluate committee membership at that time.

Audit Committee

Our Audit Committee members are Messrs. Roedel (Chair) and Reece and Ms. Ogilvie. Ms. Ogilvie was appointed to the Audit Committee on June 25, 2015, and Mr. Reece was appointed to the Audit Committee on December 4, 2015. Messrs. Greenwell and Butkin were appointed to the Audit Committee following the 2014 annual meeting. On September 1, 2015, in connection with his appointment as Chief Executive Officer, Mr. Greenwell stepped down from the Audit Committee, including his position as chairman of the Audit Committee. Mr. Burtch served as a member of the Audit Committee until his resignation on December 4, 2015. Messrs. Benham and Burtch were members of the Audit Committee until resigning from the committee effective April 26, 2015, at which time, pursuant to the 2015 Agreement, Messrs. Massimo and Roedel were appointed to the Audit Committee. Mr. Massimo served as an Audit Committee member until his resignation on March 3, 2016. Mr. Burtch also served as Chairman of the Audit Committee until his resignation from the Audit Committee, at which time, pursuant to the

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2015 Agreement, Mr. Greenwell was named Chairman of the Audit Committee. Mr. Roedel was named Chairman of the Audit Committee when Mr. Greenwell was named as Interim Chief Executive Officer on September 1, 2015. The Board has determined that each member of the Audit Committee is independent, as defined in the listing standards of the NYSE as of our fiscal year end, December 31, 2015, and that Messrs. Roedel s and Reece s and Ms. Ogilvie s current simultaneous service on the audit committees of other publicly-held companies would not impair their ability to effectively serve on our Audit Committee. During 2015, the Audit Committee held six meetings.

The Audit Committee assists the Board in (i) discharging its oversight responsibility relating to the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company s financial statements, the stewardship of administration and financial controls and the Company s compliance with legal and regulatory requirements, the independent auditor s qualifications and independence, the performance of the Company s internal audit function and the Company s independent auditor and the Company s risk management system and processes and (ii) preparing the report required by the SEC to be included in the Company s annual proxy. In carrying out these purposes, the Audit Committee, among other things:

provides an open means of communications among the independent auditors, financial and senior management, the internal auditors and the Board;

appoints, evaluates, and approves the appointment, compensation, retention and oversight of our independent registered public accounting firm;

approves in advance all auditing services and permitted non-audit services to be provided by the independent auditor;

annually considers the qualifications, independence and performance of the independent registered public accounting firm;

reviews recommendations of the independent registered public accounting firm concerning our accounting principles, internal controls and accounting procedures and practices;

provides oversight of the internal audit function;

reviews and approves the scope of the annual audit;

reviews and discusses with management and the independent registered public accounting firm the annual audited and quarterly unaudited financial statements;

reviews legal matters and the Company's compliance programs and other systems in place designed to ensure that the Company's financial statements, reports and other financial information satisfy applicable legal, regulatory or NYSE requirements; and

performs such other duties as set forth in the Audit Committee Charter.

Audit Committee Financial Expert

In 2015, the Board evaluated the members of the Audit Committee and believes that each member of the Audit Committee is financially literate and that each member has sufficient background and experience to fulfill the duties of the Audit Committee. On April 30, 2015, the Board determined that Mr. Roedel satisfies the definition of "audit committee financial expert" under the NYSE listing standards and applicable SEC regulations. On April 18, 2016, the Board determined that Mr. Reece and Ms. Ogilvie satisfy the definition of "audit committee financial expert" under the NYSE listing standards and applicable SEC regulations.

Audit Committee Report

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The Audit Committee oversees our financial reporting process and discusses our audited financial statements with management on behalf of the Board. In fulfilling its oversight responsibilities for 2015, the Audit Committee reviewed and discussed the following:

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the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, practices and judgments;

the reasonableness of significant judgments; and the clarity of disclosures in the financial statements;