

SHEAR DAVID MICHAEL
Form 4
August 29, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SHEAR DAVID MICHAEL

(Last) (First) (Middle)

16 SOUTH PENNSYLVANIA AVENUE

(Street)

OKLAHOMA CITY, OK 73107

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
LSB INDUSTRIES INC [LXU]

3. Date of Earliest Transaction (Month/Day/Year)
08/25/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Senior VP/General Counsel/Sec

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | (A) or (D) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|------------|---|--|---|
| Common Stock | 08/25/2006 | | G | 11,146 | A | \$ 0 11,146 | D | |
| Common Stock | 08/25/2006 | | F | 11,146 | D | \$ 10.04 0 | D | |
| Common Stock | 08/25/2006 | | F | 6,268 | D | \$ 10.04 0 | I | By Trust (1) (2) |
| Common Stock | 08/25/2006 | | M | 42,385 | A | \$ 4.125 48,385 | I | By Trust and Spouse's Trust (1) (2) |

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Incentive Stock Option ⁽³⁾ | \$ 4.125 | 08/25/2006 | | M | 42,385 | <u>(3)</u> | 11/19/2006 | Common Stock | 42,385 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| SHEAR DAVID MICHAEL 16 SOUTH PENNSYLVANIA AVENUE OKLAHOMA CITY, OK 73107 | | | Senior VP/General Counsel/Sec | |

Signatures

David M. Shear 08/29/2006

__Signature of Date
Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The 6,268 shares transferred to the issuer as partial consideration for the incentive stock option exercise disclosed in the report were owned by Mr. Shear's revocable trust (the "Shear Trust"), of which Mr. Shear is the grantor and trustee. The shares issued upon such exercise were contributed by Mr. Shear to a joint account owned by the Shear Trust and the revocable trust of Mr. Shear's wife, Heidi Brown Shear (the "Brown Trust"). Heidi Brown Shear is the grantor and trustee of the Brown Trust. The outstanding shares jointly owned by the two trusts prior to this exercise was 6,000 shares. These shares are currently beneficially owned by the Shear Trust and the Brown Trust as joint owners.
- (2) This amount does not include, and Mr. Shear disclaims beneficial ownership of (a) shares held by two trust established for the benefit of each of the son and daughter of Mr. Shear and Heidi Brown Shear for which Heidi Brown Shear is trustee and exercises investment control over the trusts' portfolio securities, and (b) shares held by three trusts, each one established for the benefit of one of the three children of Jack E. Golsen and Sylvia H. Golsen for which Heidi Brown Shear is trustee and exercises investment control over the trusts'

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portfolio securities.

- (3) Incentive Stock Options ("ISO") granted by LSB Industries, Inc. (the "Issuer ") to Mr. Shear under the Issuer's Incentive Stock Option Plans. Each ISO allows the purchase of shares of the Issuer's common stock upon the exercise thereof. Each ISO is for a period of ten years from the date of grant and fully vested on or before December 31, 2005. As of the date of this report, the total number of shares underlying the ISOs held by Mr. Shear is 83,159.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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