FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-05-14** | Period of Report: **2002-03-31**
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FILER

LSB CORP
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SIC: **6021** National commercial banks

Business Address
C/O LSB CORP.
30 MASSACHUSETTS AVE.
NORTH ANDOVER MA 01845
9789757500

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20529

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the quarterly period ended March 31, 2002

[ ] Transition Report Pursuant to Section 13 or (15(d) of
The Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-32955

LSB CORPORATION
(Exact name of Registrant as specified in its Charter)

MASSACHUSETTS (State or other jurisdiction of incorporation or organization)	04-3557612 (I.R.S. Employer Identification Number)
30 MASSACHUSETTS AVENUE, NORTH ANDOVER, MA (Address of principal executive offices)	01845 (Zip Code)

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(978) 725-7500
(Registrant's telephone number, including area code)

Indicated by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 31, 2002
Common Stock, par value $.10 per share	4,382,243 shares

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LSB CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2002 (Unaudited)	December 31, 2001 (Audited) (In Thousands)
<S>	<C>	<C>
ASSETS		
Assets:		
Cash and due from banks	$ 8,611	$ 7,457
Federal funds sold	5,814	5,705
Total cash and cash equivalents	14,425	13,162
Investment securities held to maturity (market value of $125,732 in 2002 and $137,886 in 2001)	125,184	135,002
Investment securities available for sale (amortized cost of $52,664 in 2002 and $38,480 in 2001	53,077	38,766
Federal Home Loan Bank stock, at cost	5,950	5,950
Loans, net of allowance for loan losses (Notes 2 and 6)	227,540	232,327
Bank premises and equipment	3,101	3,167
Accrued interest receivable	2,745	2,604
Other real estate owned	19	22
Deferred income tax asset	5,296	5,737
Other assets	1,687	1,530
Total assets	$ 439,024	$ 438,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Interest bearing deposits (Note 3)	$ 259,124	$ 255,046
Non-interest bearing deposits	12,631	13,404
Federal Home Loan Bank advances	99,561	102,992
Securities sold under agreements to repurchase	5,032	4,220
Other borrowed funds	3,871	3,887
Advance payments by borrowers for taxes and insurance	609	573
Other liabilities	3,687	4,053
Total liabilities	384,515	384,175
Stockholders' equity:		
Preferred stock, $.10 par value per share; 5,000,000 shares authorized, none issued	--	--
Common stock, $.10 par value per share; 20,000,000 shares authorized; 4,382,243 and 4,379,550 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively	438	438
Additional paid-in capital	57,813	57,813
Accumulated deficit	(4,014)	(4,348)
Accumulated other comprehensive income	272	189
Total stockholders' equity	54,509	54,092
Total liabilities and stockholders' equity	$ 439,024	$ 438,267

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

LSB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	2002 <C>	2001 <C>
	Three months ended March 31, (In Thousands, except share data)	
Interest and dividend income:		
Loans (Note 4)	$ 4,256	$ 4,528
Investment securities held to maturity	1,654	2,042
Investment securities available for sale	415	439
Federal Home Loan Bank stock	55	106
Other interest and dividend income	41	283
Total interest and dividend income	6,421	7,398
Interest expense:		
Deposits (Note 5)	1,594	2,766
Borrowed funds	1,412	1,341
Securities sold under agreements to repurchase	15	-
Other borrowed funds	82	89
Total interest expense	3,103	4,196
Net interest income	3,318	3,202
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,318	3,202
Non-interest income:		
Loan servicing fees	76	58
Deposit account fees	156	132
Gains on sales of mortgage loans	111	4
Other income	86	87
Total non-interest income	429	281
Non-interest expense:		
Salaries and employee benefits	1,537	1,295
Occupancy and equipment expenses	199	214
Professional expenses	147	167
Data processing expenses	163	158
Other expenses	413	374
Total non-interest expenses	2,459	2,208
Income before income tax expense	1,288	1,275
Income tax expense	472	484
Net income	$ 816	$ 791
Average shares outstanding	4,381,974	4,369,546
Average diluted shares outstanding	4,550,976	4,516,683
Basic earnings per share	$ 0.19	$ 0.18
Diluted earnings per share	$ 0.18	$ 0.18

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

LSB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-In Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity
			(In Thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2000	$436	$57,711	$(5,956)	$122	$52,313
Net income	--	--	791	--	791
Other comprehensive income:					
Unrealized gain on securities available for sale (tax effect $94)	--	--	--	187	187
Total comprehensive income					978
Exercise of stock options	1	29	--	--	30
Dividends declared and paid ($0.10 per share)	--	--	(437)	--	(437)
Balance at March 31, 2001	$437	$57,740	$(5,602)	$309	$52,884
Balance at December 31, 2001	$438	$57,813	$(4,348)	$189	$54,092
Net income	--	--	816	--	816
Other comprehensive income:					
Unrealized gain on securities available for sale (tax effect $44)	--	--	--	83	83
Total comprehensive income					899
Dividends declared and paid ($0.11 per share)	--	--	(482)	--	(482)
Balance at March 31, 2002	$438	$57,813	$(4,014)	$272	$54,509

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

LSB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three months ended March 31, 2002	2001
	(In Thousands)	

<S> <C> <C>

CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 816	$ 791
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on sales of mortgage loans	(111)	(4)
Depreciation and amortization of premises and equipment, investments and other assets	255	25
Loans originated for sale	(5,911)	(1,006)
Proceeds from sales of mortgage loans and mortgage-backed securities	8,706	411
(Increase) decrease in accrued interest receivable	(141)	266
Decrease in deferred income tax asset	397	433
(Increase) decrease in other assets	(157)	96
Increase in advance payments by borrowers	36	107
(Decrease) increase in other liabilities	(366)	156
Net cash provided by operating activities	3,524	1,275
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities held to maturity	158,745	84,872
Proceeds from sales of investment securities available for sale	--	6,118
Purchases of investment securities held to maturity	(155,531)	(113,777)
Purchases of investment securities available for sale	(18,092)	--
Principal payments of securities held to maturity	6,593	3,497
Principal payments of securities available for sale	3,780	933
Decrease in loans, net	2,103	2,319
Proceeds from payments on OREO	3	3
Purchases of Bank premises and equipment	(50)	(139)
Net cash used in investing activities	(2,449)	(16,174)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	3,305	10,443
Additions to Federal Home Loan Bank advances	--	10,000
Payments on Federal Home Loan Bank advances	(3,431)	(385)
Increase in securities sold under agreement to repurchase	812	--
Decrease in other borrowed funds	(16)	(174)
Dividends paid	(482)	(437)
Proceeds from exercise of stock options	--	30
Net cash provided by financing activities	188	19,477
Net increase in cash and cash equivalents	1,263	4,578
Cash and cash equivalents, beginning of period	13,162	22,513
Cash and equivalents, end of period	$ 14,425	$ 27,091
Cash paid during the year for:		
Interest on deposits	$ 1,594	$ 2,767
Interest on borrowed funds	1,525	1,390
Supplemental Schedule of non-cash activities:		
Net change in valuation of investment securities available for sale	127	281

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements

LSB CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

1. BASIS OF PRESENTATION

LSB Corporation (the "Corporation" or the "Company"), a Massachusetts corporation, was organized by Lawrence Savings Bank (the "Bank") on July 1, 2001, to be a bank holding company and to convert all of the then outstanding common stock of the Bank (and accompanying preferred stock purchase rights) into shares of the Corporation's common stock (and accompanying preferred stock purchase rights). The Company has no significant assets other than the common stock of the Bank. For that reason, substantially all of the discussion in this Quarterly Report on Form 10-Q relates to the operations of the Bank and its subsidiaries.

The consolidated financial statements include the accounts of the Company and its wholly-owned Bank subsidiary and the Bank's wholly-owned subsidiaries Shawsheen Security Corporation, Shawsheen Security Corporation II, Sprucewood Realty Trust and Pemberton Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

The interim results of consolidated operations are not necessarily indicative of the results for any future interim period or for the entire year. These interim consolidated financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the annual consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2001 filed with the Securities and Exchange Commission.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and provision for income taxes.

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry and include all necessary adjustments (consisting of only normal recurring adjustments), that, in the opinion of management, are required for a fair presentation of the results and financial condition of the Company.

2. The following table reflects the loan portfolio at March 31, 2002 and December 31, 2001:

<TABLE>
<CAPTION>

	3/31/02	12/31/01 (Audited)
	(In Thousands)	
<S>	<C>	<C>
Residential mortgage loans	$ 77,715	$ 78,605
Loans held for sale	1,472	4,156
Equity loans	12,876	13,393
Construction loans	21,002	20,593
Commercial real estate loans	98,254	100,110
Commercial loans	19,359	18,549
Consumer loans	933	991
Total loans	231,611	236,397
Allowance for loan losses	(4,071)	(4,070)
Total loans, net	$ 227,540	$ 232,327

</TABLE>

3. The following table reflects the components of interest bearing deposits at March 31, 2002 and December 31, 2001:

<TABLE>
<CAPTION>

<S>	3/31/02 <C>	12/31/01 (Audited) <C>
	(In Thousands)	
NOW and Super NOW accounts	$ 33,840	$ 30,080
Savings accounts	45,448	42,531
Money market investment accounts	55,012	57,575
Certificates of deposit	97,675	97,828
Retirement accounts	27,149	27,032
Total interest bearing deposits	$259,124	$255,046

</TABLE>

4. The following table lists the components of loan interest income for the three months ended March 31, 2002 and 2001:

<TABLE>
<CAPTION>

<S>	Three months ended 3/31/02 <C>	3/31/01 <C>
	(In Thousands)	
Residential mortgage loans	$1,317	$1,441
Loans held for sale	47	2
Equity loans	212	300
Construction loans	320	386
Commercial real estate loans	2,046	1,925
Commercial loans	295	445
Consumer loans	19	29
Total loan interest income	$4,256	$4,528

</TABLE>

5. The following table lists the components of deposit interest expense for the three months ended March 31, 2002 and 2001:

<TABLE>
<CAPTION>

<S>	Three months ended 3/31/02 <C>	3/31/01 <C>
	(In Thousands)	
NOW and Super NOW accounts	$ 22	$ 38
Savings deposit accounts	107	189
Money market investment accounts	250	493
Certificates of deposit	916	1,660
Retirement accounts	299	386
Total deposit interest expense	$1,594	$2,766

</TABLE>

6. The following table summarizes changes in the allowance for loan losses for the three months ended March 31, 2002 and 2001:

<TABLE>
<CAPTION>

	Three months ended 3/31/02	3/31/01
	(In Thousands)	
<S>	<C>	<C>
Beginning balance	$4,070	$3,685
Provision charged to operations	--	--
Recoveries on loans previously charged-off	1	45
Loans charged-off	--	--
Ending balance	$4,071	$3,730

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company has made forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 as amended) in this document that are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations of the Company. Also, when words such as "believes," "expects," "anticipates" or similar expressions are used, forward-looking statements are being made. Stockholders should note that many factors, some of which are discussed elsewhere in this document and in the documents which we incorporate by reference, could affect the future financial results of the Company and could cause the results to differ materially from those expressed in or incorporated by reference in this document. Those factors include fluctuations in interest rate, inflation, government regulations and economic conditions and competition in the geographic and business areas in which the Company conducts its operations.

ASSET QUALITY

Risk assets consist of non-performing loans and other real estate owned. Non-performing loans consist of a) loans 90 days or more past due and b) loans placed on non-accrual because full collection of the principal balance is in doubt. Other real estate owned (OREO) is comprised of foreclosed properties where the Company has formally received title or has possession of the collateral. Properties are carried at the lower of the investment in the related loan or the estimated fair value of the property or collateral less selling costs. Fair value of such property or collateral is determined based upon independent appraisals and other relevant factors. Management periodically reviews property values and makes adjustments as required. Gains from sales of properties, net operating expenses and any subsequent provisions to increase the allowance for losses on real estate acquired by foreclosure are charged to other real estate owned expenses. Losses are charged to the allowance for losses on real estate acquired by foreclosure.

Total risk assets were $29 thousand at March 31, 2002. This represents a decrease of $944 thousand from December 31, 2001 and a decrease of $10 thousand from March 31, 2001. These changes were primarily attributable to a decrease in non-performing loans to $10 thousand at March 31, 2002 from $951 thousand at December 31, 2001.

There were no impaired loans at March 31, 2002. At December 31, 2001 impaired loans totaled $941 thousand, of which $210 thousand was allocated to the allowance for loan losses.

The following table summarizes the Company's risk assets at March 31, 2002, December 31, 2001 and March 31, 2001:

	3/31/02	12/31/01 (Audited)	3/31/01
	(Dollars in Thousands)		
Non-performing loans	$10	$951	$10
Other real estate owned	19	22	29
Total risk assets	$29	$973	$39
Risk assets as a percent of total assets	0.01%	0.22%	0.01%

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of funds is cash dividends from its wholly-owned subsidiary, Lawrence Savings Bank (the "Bank"). The Bank paid dividends to the Company in the amount of $1.0 million during the first three months of 2002. The Company made payments of dividends to stockholders in the amount of $482 thousand in the first quarter 2002. Prior to the reorganization on July 1, 2001, of the Bank into a subsidiary of the Company, the Bank paid dividends to stockholders of the Bank in the amount of $437 thousand in the first quarter of 2001.

The Bank's primary sources of funds include collections of principal payments and prepayments on outstanding loans, increases in deposits, advances from the Federal Home Loan Bank of Boston (FHLB) and securities sold under agreements to repurchase. The Bank has a line of credit of $6.8 million with the FHLB. The Bank also has a $5 million unsecured Federal Funds line of credit.

At March 31, 2002, the Company's stockholders' equity was $54.5 million as compared to $54.1 million at December 31, 2001. The increase during the first three months of 2002 occurred due to net income of $816 thousand, an $83 thousand increase in market value on securities available for sale, net of taxes and was reduced by the declaration to pay dividends of $482 thousand. The Company's leverage ratio at March 31, 2002 and December 31, 2001 was 12.18% and 11.46%. The Company exceeds all regulatory minimum capital ratio requirements as defined by the Board of Governors of the Federal Reserve Bank.

THREE MONTHS ENDED MARCH 31, 2002 AND 2001

OVERVIEW

The Company maintains its commitment to servicing the needs of the local community in the Merrimack Valley area. The investment securities portfolio increased by $4.5 million as of March 31, 2002 to $178.3 million from December 31, 2001, funded by deposit growth. Deposits increased by $3.3 million at March 31, 2002 from year end 2001, with the growth primarily in NOW and savings accounts. Risk assets have been below 1% of total assets for the past several years.

The Company reported net income of $816 thousand and $791 thousand for the three months ended March 31, 2002 and 2001, respectively. The increase in net income is primarily attributable to an increase in net interest income of $116 thousand and non-interest income of $148 thousand, partially offset by an increase of $251 thousand in non-interest expenses.

NET INTEREST INCOME

Net interest income for the three months ended March 31, 2002 and 2001 was $3.3 million and $3.2 million, respectively. The net interest rate spread increased to 2.74% for the quarter ended March 31, 2002 from 2.63% for the same quarter of 2001. This increase occurred because the average balances of interest earning assets increased $19.9 million in the first quarter 2002 compared to 2001.

The following table presents the components of net interest income and net interest spread:

<TABLE>
<CAPTION>

	Income/Expense		Yield/Rate	
	Quarters Ended			
	3/31/02	3/31/01	3/31/02	3/31/01
	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
Interest income and average yield:				
Loans	$4,256	$4,528	7.42%	8.39%
Investments, mortgage-backed securities and other earning assets	2,165	2,870	4.63	6.35
Total	6,421	7,398	6.17	7.46
Interest expense and average rate paid:				
Deposits	1,594	2,766	2.52	4.27
Federal Home Loan Bank advances	1,412	1,341	5.59	6.34
Securities sold under agreements to repurchase and other borrowed funds	97	89	4.64	9.67
Total	3,103	4,196	3.43	4.83
Net interest income	$3,318	$3,202		
Net interest rate spread			2.74%	2.63%

</TABLE>

INTEREST INCOME

Interest income for the first quarter of 2002 was $6.4 million as compared to $7.4 million for the same quarter of 2001. The decrease of $1.0 million in interest income is reflective of a $1.3 million decrease due to lower yields earned on loans and investment securities. The decrease in interest income due to lower yields was offset slightly by higher average balances, which increased interest income by $323 thousand.

Yields on loans were 7.42% and 8.39% for the quarters ended March 31, 2002 and 2001, respectively. The impact to interest income due to lower yields was $525 thousand. Higher average loan balances of $232.6 million versus $218.8 million for the quarters ended March 31, 2002 and 2001, respectively, increased interest income by $253 thousand.

Yields on investment securities were 4.63% and 6.35% for the quarters ended March 31, 2002 and 2001, respectively, decreasing interest income by $775 thousand. Higher average investment securities balances of $189.5 million versus $183.4 million for the same periods increased interest income by $70 thousand.

Other interest and dividend income declined to $41 thousand in the first quarter of 2002 from $283 thousand in the same period of 2001. The decrease is primarily attributed to a reduction in the average outstanding balances of Federal funds sold from $20.1 million at March 31, 2001 to $9.8 million at March 31, 2002 coupled with a decrease in rates.

INTEREST EXPENSE

Interest expense for the first quarter of 2002 totaled $3.1 million, a decrease of $1.1 million from the same quarter of 2001. This decrease is primarily due to lower rates paid on interest bearing liabilities, which impacted interest expense by $1.3 million. This was offset by the impact of higher average balances, which resulted in a $242 thousand increase in interest expense.

Yields on deposits were 2.52% and 4.27% for the quarters ended March 31, 2002 and 2001, respectively. This decrease resulted in interest expense decreasing by $1.1 million. Average deposit balances were $256.2 million versus $262.9 million for the same periods, which resulted in a $42 thousand decrease in interest expense.

Yields on FHLB advances were 5.59% and 6.34% for the first quarters of 2002 and 2001, respectively. The decrease in rates paid on FHLB advances resulted in interest expense decreasing by $158 thousand. The average balances of FHLB advances increased from quarter to quarter for the same periods to $102.4 million in the first quarter 2002 from $85.8 million for the first quarter of 2001, which resulted in an increase in interest expense of $229 thousand.

Yields on short term and other borrowed funds were 4.64% and 9.67% for the first quarters of 2002 and 2001, respectively. The decrease in rates paid on these interest bearing liabilities resulted in interest expense decreasing by $47 thousand. The average balance increased to $8.5 million in 2002 from $3.7 million in 2001, which increased interest expense by $55 thousand.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses was zero for the quarters ended March 31, 2002 and 2001.

The following table shows non-performing loans, the allowance for loan losses and the allowance for loan losses as a percent of total loans:

<TABLE>
<CAPTION>

	3/31/02	12/31/01 (Audited)	3/31/01
	(Dollars in Thousands)		
<S>	<C>	<C>	<C>
Non-performing loans	$ 10	$ 951	$ 10
Allowance for loan losses	$4,071	$4,070	$3,730
Allowance for loan losses as a percent of total loans	1.76%	1.72%	1.69%

</TABLE>

The allowance for the loan losses balance reflects management's assessment of losses and is based on a review of the risk characteristics of the loan portfolio. The Company considers many factors in determining the adequacy of the allowance for loan losses. Collateral value on a loan by loan basis, trends of loan delinquencies on a portfolio segment level, risk classification identified in the Company's regular review of individual loans, and economic conditions are primary factors in establishing allowance levels. Management believes the allowance level is adequate to absorb estimated credit losses associated with the loan and lease portfolio, including all binding commitments to lend and off-balance sheet credit instruments. The allowance for loan losses reflects information available to management at the end of each period.

The increase in the allowance since December 31, 2001, occurred because the Bank had recoveries of $1 thousand during the first quarter of 2002.

NON-INTEREST INCOME

Non-interest income amounted to $429 thousand and $281 thousand for the quarters ended March 31, 2002 and 2001, respectively. The increase in non-interest income was due to an increase in loan servicing fees of $18 thousand, an increase in deposit account fees of $24 thousand, an increase in the gains on sales of mortgage loans of $107 thousand and other items decreasing overall by $1 thousand in the first quarter 2002 as compared to the same quarter in 2001.

NON-INTEREST EXPENSE

Non-interest expense totaled $2.5 million and $2.2 million for the quarters ended March 31, 2002 and 2001, respectively. Salaries and employee benefits increased by $242 thousand in the first quarter 2002

mainly due to pension expense associated with the employees' defined benefit plan increasing $154 thousand in 2002 and normal raises, compared to the first quarter in 2001. Professional expenses decreased to $147 thousand in the first quarter 2002 compared to $167 thousand in the same period in 2001. The decrease was due to a reduction of legal expenses associated with collection efforts on non- performing loans and prior borrowers. Data processing expenses increased to $163 thousand in the first quarter 2002 compared to $158 thousand in the same quarter in 2001 due to increased service bureau charges. Other non-interest expenses increased $39 thousand from the first quarter of 2001 to the first quarter of 2002 resulting from an increase in operating expenses incurred relating to the holding company.

INCOME TAXES

The Company reported an income tax expense of $472 thousand for the quarter ended March 31, 2002 or an effective income tax rate of 36.6%. This compares to an income tax expense of $484 thousand for the quarter ended March 31, 2001 or an effective income tax rate of 38.0%.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The response is incorporated herein by reference to the discussion under the subcaption "Interest Rate Sensitivity" of the caption "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" on pages 13 and 14 of the LSB Corporation's Annual Report for the fiscal year ended December 31, 2001.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

The response is incorporated herein by reference to the discussion under the caption "CONTINGENCIES" on page 33 of the LSB Corporation's Annual Report for the fiscal year ended December 31, 2001.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LSB CORPORATION AND SUBSIDIARIES

May 13, 2002

/s/ Paul A. Miller

Paul A. Miller
President and
Chief Executive Officer

May 13, 2002

/s/ John E. Sharland

John E. Sharland
Senior Vice President
Chief Financial Officer
Treasurer