

STERLING CHEMICALS INC

Form DEF 14A

March 24, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

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 Pursuant to §240.14a-12.

**STERLING CHEMICALS, 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:

(5) Total fee paid:

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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 24, 2009

Dear Stockholders:

We are pleased to invite you to attend the 2009 Annual Meeting of Stockholders of Sterling Chemicals, Inc. to be held at 10:00 a.m. (Houston time) on April 30, 2009, at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, 44<sup>th</sup> Floor, Houston, Texas 77002. A notice of the meeting, proxy statement and form of proxy are enclosed with this letter. During the meeting, we will report on our operations during 2008 and our plans for 2009. Representatives from our Board of Directors and our management team will be present to respond to appropriate questions from stockholders.

We hope that you will be able to attend the meeting. If you are unable to attend the meeting in person, it is very important that your shares be represented, and we request that you complete, date, sign and return the enclosed proxy at your earliest convenience. If you choose to attend the meeting in person, you may, of course, revoke your proxy and cast your votes personally at the meeting. We look forward to seeing you at the meeting.

Thank you for your ongoing support and continued interest in Sterling Chemicals, Inc.

Sincerely,

/s/ John V. Genova

John V. Genova  
*President and Chief Executive Officer*

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Sterling Chemicals, Inc.  
333 Clay Street, Suite 3600  
Houston, Texas 77002-4312  
(713) 650-3700  
Notice of Annual Meeting of Stockholders  
To Be Held April 30, 2009

To Our Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders to be held at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, 44<sup>th</sup> Floor, Houston, Texas 77002 at 10:00 a.m. (Houston time) on Thursday, April 30, 2009. At the Annual Meeting, the following proposals will be presented for consideration:

The election of seven directors, each of whom will hold office until our Annual Meeting of Stockholders in 2010 and until his successor has been duly elected and qualified.

The ratification and approval of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009 (the Grant Thornton Appointment ).

The ratification and approval of the amendment and restatement of our Amended and Restated 2002 Stock Plan (the 2002 Stock Plan Restatement ) to:

- increase the number of shares of our common stock, par value \$0.01 per share (our Common Stock ), available for issuance by 1,000,000 shares;
  - increase the maximum number of shares of our Common Stock with respect to which awards may be granted or measured to any participant by 1,000,000 shares;
  - include additional business criteria on which performance based-awards granted under the plan will be based;
  - provide guidance as to how such business criteria shall be applied;
  - extend the duration of the plan from December 12, 2012 to December 31, 2018;
  - provide that no amendment of the plan may be made without the approval of our stockholders if, among other things, such amendment will increase the aggregate number of shares of our Common Stock that may be delivered through stock options under the plan and approval by our stockholders is necessary to comply with any applicable tax or regulatory requirements; and
  - make other non-material changes.
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The approval of a proposal to amend our Second Amended and Restated Certificate of Incorporation (the Charter Amendment ) to increase the number of shares of Common Stock authorized for issuance from 20,000,000 shares to 100,000,000 shares.

You are entitled to vote at the meeting for some of our director nominees, on the proposals to ratify and approve the Grant Thornton Appointment and the 2002 Stock Plan Restatement and on the proposal to approve the Charter Amendment if you were the holder of record of any shares of our Common Stock or our Series A Convertible Preferred Stock at the close of business on March 6, 2009.

Our Board of Directors recommends that our stockholders vote FOR each nominated director for whom they are entitled to vote, FOR the ratification and approval of the Grant Thornton Appointment, FOR the ratification and approval of the 2002 Stock Plan Restatement and FOR the approval of the Charter Amendment. You may also be asked to consider and act upon any other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Your vote is very important. If you do not expect to attend the Annual Meeting in person, please sign, date and complete the enclosed proxy and return it without delay in the enclosed envelope, which requires no postage if mailed in the United States. Mailing your completed proxy will not prevent you from later revoking that proxy and voting in person at the Annual Meeting. If you want to vote at the Annual Meeting but your shares are held by an intermediary, such as a broker or bank, you will need to obtain proof of ownership of your shares as of March 6, 2009 from the intermediary.

March 24, 2009

By Order of the Board of Directors

/s/ Kenneth M. Hale

Kenneth M. Hale  
*Corporate Secretary*

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Sterling Chemicals, Inc.  
333 Clay Street, Suite 3600  
Houston, Texas 77002-4312  
(713) 650-3700  
Proxy Statement For  
Annual Meeting Of Stockholders  
To Be Held April 30, 2009

General Information

*Purpose of this Proxy Statement*

**We have prepared this Proxy Statement to solicit proxies on behalf of our Board of Directors for use at our 2009 Annual Meeting of Stockholders and any adjournment or postponement thereof.** We intend to mail this Proxy Statement and accompanying proxy card to all of our stockholders entitled to vote at the Annual Meeting on or about March 24, 2009.

*Time and Place of Annual Meeting*

The Annual Meeting will be held on Thursday, April 30, 2009, at 10:00 a.m. (Houston time) at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, 44<sup>th</sup> Floor, Houston, Texas 77002.

*Admission Rules*

Only stockholders of record as of March 6, 2009 and their accompanied guests, or the holders of their valid proxies, will be permitted to attend the Annual Meeting. Each person attending the Annual Meeting will be asked to present valid governmental-issued picture identification, such as a driver's license or a passport, before being admitted to the Annual Meeting. In addition, stockholders who hold their shares through a broker or nominee (*i.e.*, in street name) should provide proof of their beneficial ownership as of March 6, 2009, such as a brokerage statement showing their ownership of shares as of that date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting and attendees will be subject to security inspections.

*Lists of Stockholders*

Lists of our stockholders who are entitled to vote at the Annual Meeting will be available for inspection by any stockholder present at the Annual Meeting and, for ten days prior to the Annual Meeting, by any stockholder, for purposes germane to the meeting, at our offices located at 333 Clay Street, Suite 3600, Houston, Texas 77002. Any inspection of these lists prior to the Annual Meeting must be conducted between 8:00 a.m. and 4:30 p.m. (local time). Please contact our Corporate Secretary before coming to our offices to conduct an inspection prior to the Annual Meeting.

*Inspectors of Elections*

Our Board of Directors has appointed Katherine Holdsworth, our Assistant Secretary, and Kathryn Hall, one of our Executive Assistants, as inspectors of elections. The inspectors of elections will separately calculate affirmative, negative and withheld votes, abstentions and broker non-votes for each of the proposals.

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Arrangements Regarding Nomination and Election of Directors

The holders of our Series A Convertible Preferred Stock (Preferred Stock), voting separately as a class, are entitled to elect a percentage of our directors determined by the aggregate amount of shares of our Preferred Stock and our common stock, par value \$0.01 per share (our Common Stock) beneficially owned by Resurgence Asset Management, L.L.C. (Resurgence) and certain permitted transferees. Currently, the holders of our Preferred Stock are entitled to elect at least a majority of our directors. Messrs. Byron J. Haney, Karl W. Schwarzfeld and Philip M. Sivin are the nominees for election by the holders of shares of our Preferred Stock (the Preferred Stock Nominees).

With the exception of the Preferred Stock Nominees, our directors are elected by the holders of our Preferred Stock and Common Stock, voting together as a single class. Messrs. Richard K. Crump, John V. Genova, John W. Gildea and Dr. Peter Ting Kai Wu are the nominees for election by the holders of our Preferred Stock and Common Stock, voting together as a single class (the General Nominees).

Proposals on Which You May Vote

If you owned any shares of our Preferred Stock or our Common Stock on March 6, 2009, as reflected in our stock register, you may vote at the Annual Meeting on the following matters:

Securities Held of Record on March 6, 2009	Proposals on Which You May Vote
Preferred Stock	Preferred Stock Nominees for Director General Nominees for Director Approval of Grant Thornton Appointment Approval of 2002 Stock Plan Restatement Approval of Charter Amendment
Common Stock	General Nominees for Director Approval of Grant Thornton Appointment Approval of 2002 Stock Plan Restatement Approval of Charter Amendment



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**Voting In Person Or By Proxy**

*How Do I Vote My Shares of Stock?*

You may vote your shares of Preferred Stock or Common Stock in person at the Annual Meeting or you may give us your proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting you can always change your vote at the Annual Meeting.

You can vote your shares of stock by proxy over the telephone by calling a toll-free number, electronically by using the Internet or through the mail by signing and returning the enclosed proxy card. We have set up telephone and Internet voting procedures for your convenience and designed these procedures to authenticate your identity, allow you to give voting instructions and confirm that your voting instructions have been properly recorded. Telephone and Internet voting of shares of our stock will be available 24 hours a day until Noon (Houston time) on April 29, 2009. If you would like to vote your shares of stock by telephone or by using the Internet, please refer to the specific instructions set forth on the enclosed proxy card.

*How Are My Shares of Stock Voted If I Give You My Proxy?*

If you give us your proxy to vote your shares of stock, we will be authorized to vote your shares of stock, but only in the manner you direct. You may direct us to vote for or withhold authority to vote for all, some or none of the General Nominees and, if you hold Preferred Stock, all, some or none of the Preferred Stock Nominees. You may also direct us to vote your shares of stock for or against the proposal to ratify and approve the appointment of Grant Thornton LLP ( Grant Thornton ) as our independent registered public accounting firm for the fiscal year ending December 31, 2009 (the Grant Thornton Appointment ), for or against the proposal to ratify and approve the amendment and restatement of our Amended and Restated 2002 Stock Plan (the 2002 Stock Plan Restatement ) and for or against the proposal to approve an amendment to our Second Amended and Restated Certificate of Incorporation (the Charter Amendment ). You may also abstain from voting.

If you give us your proxy to vote your shares of stock and do not withhold authority to vote for the election of any of the nominees, all of your shares of stock will be voted for the election of each General Nominee and, if you hold Preferred Stock, each Preferred Stock Nominee. If you withhold authority to vote your shares of stock for any nominee, none of your shares of stock will be voted for that candidate, but all of your shares of stock will be voted for the election of each General Nominee for whom you have not withheld authority to vote and, if you hold Preferred Stock, each Preferred Stock Nominee for whom you have not withheld authority to vote.

If you give us your proxy to vote your shares of stock but do not specify how you want your shares voted, all of your shares of stock will be voted in favor of each of the General Nominees and, if you hold Preferred Stock, each of the Preferred Stock Nominees, and all of your shares of stock will be voted in favor of the proposals to ratify and approve the Grant Thornton Appointment and the 2002 Stock Plan Restatement and the proposal to approve the Charter Amendment.

If you give us your proxy to vote your shares of stock and any additional business properly comes before our stockholders for a vote at the Annual Meeting, the persons named in the enclosed proxy card will vote your shares of stock on those matters as instructed by our Board or, in the absence of any express instructions, in accordance with their own best judgment. As of the date of this Proxy Statement, we were not aware of any other matter that will be raised at the Annual Meeting.

*What If My Shares Are Held In Someone Else's Name?*

If you want to vote at the Annual Meeting but your shares are held by an intermediary, such as a broker or bank, you will need to obtain proof of

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ownership of your shares as of March 6, 2009, or obtain a proxy to vote your shares from the intermediary.

*Why Did I Receive More Than One Proxy Card?*

You may receive more than one proxy or voting card depending on how you hold your shares and the types of shares you own. If you hold your shares through someone else, such as a broker or a bank, you may receive materials from them asking you how you want your shares voted.

*What Happens If a Nominee Becomes Unavailable?*

If any of our director candidates becomes unavailable for any reason before the election, we may reduce the number of directors serving on our Board or a substitute candidate may be designated. We have no reason to believe that any of our director candidates will be unavailable. If a substitute candidate is designated for any of the Preferred Stock Nominees or any of the General Nominees, the persons named in the enclosed proxy card will vote your shares for such substitute if they are instructed to do so by our Board or, if our Board does not do so, in accordance with their own best judgment.

*What If I Change My Mind After I Give You My Proxy?*

You may revoke your proxy at any time before your shares of stock are voted at the Annual Meeting by providing us with either a new proxy with a later date (by any method available for giving your original proxy) or by sending us written notice of your desire to revoke your proxy at the following address: Sterling Chemicals, Inc., 333 Clay Street, Suite 3600, Houston, Texas 77002; Attention: Corporate Secretary. You may also revoke your proxy at any time prior to your shares of stock having been voted by attending the Annual Meeting in person and notifying either of the inspectors of elections of your desire to revoke your proxy. However, your proxy will not automatically be revoked merely because you attend the Annual Meeting.

**Solicitation of Proxies and Expenses**

We are asking for your proxy on behalf of our Board. We will bear the entire cost of preparing, printing and soliciting proxies. We will send proxy solicitation materials to all of our stockholders of record as of March 6, 2009, and to all intermediaries, such as brokers and banks, that held any of our shares on that date on behalf of others. These intermediaries will then forward solicitation materials to the beneficial owners of our shares and we will reimburse them for their reasonable forwarding expenses. Our directors, officers and employees may also solicit proxies in person or by telephone.

**Proposals By Stockholders**

Our Board does not intend to bring any other matters before the Annual Meeting and has not been informed that any other matters are to be presented by others. Our Bylaws contain several requirements that must be satisfied in order for any of our stockholders to bring a proposal before one of our annual meetings, including a requirement of delivering proper advance notice to us. Stockholders are advised to review our Bylaws if they intend to present a proposal at any of our annual meetings.

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Stockholder Communications with the Board

Any stockholder may contact our Board or any of its members through our Corporate Secretary. Our Corporate Secretary forwards any communication intended for our Board that is received from a stockholder to the individual directors specified by the stockholder or, if no directors are specified, to our entire Board. Stockholders may send communications to our Board through our Corporate Secretary by E-Mail or in any other type of writing to the follows addresses or numbers:

*By E-mail:* khale@sterlingchemicals.com

*By Mail:* Sterling Chemicals, Inc.  
Board of Directors  
Attention: Corporate Secretary  
333 Clay Street, Suite 3600  
Houston, Texas 77002

*By Fax:* (713) 654-9577  
Attention: Corporate Secretary

Stockholders wishing to submit proposals for inclusion in the proxy statement relating to our 2010 annual meeting of stockholders should follow the procedures specified below under the heading *Stockholder Proposals for Next Year's Annual Meeting*. Stockholders wishing to nominate directors for election at our 2010 annual meeting of stockholders should follow the procedures specified below under the heading *Director Nominations and Qualifications*.

*Director Nominations and Qualifications*

Our Corporate Governance Committee, in accordance with its Charter (a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com)) and subject to the terms of our Second Amended and Restated Certificate of Incorporation (our *Certificate of Incorporation*) and our Bylaws, reviews candidates recommended by our stockholders for positions on our Board. Our Bylaws provide that any stockholder entitled to vote for the election of directors at a meeting of stockholders who satisfies the eligibility requirements (if any) set forth in our Certificate of Incorporation, and who complies with the procedures set forth in our Certificate of Incorporation and Bylaws, may nominate persons for election to our Board, subject to any conditions, restrictions and limitations imposed by our Certificate of Incorporation or our Bylaws. These procedures include a requirement that our Corporate Secretary receive timely written notice of the nomination, which, for our 2010 annual meeting of stockholders, means that the nomination must be received on or after November 27, 2009 but no later than January 26, 2010. Each nomination must include, in addition to any other information or matters required by our Certificate of Incorporation or our Bylaws, the following:

the name and address of the stockholder submitting the nomination, as they appear on our books;

the nominating stockholder's principal occupation and business and residence addresses and telephone numbers;

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the number of shares of each class of our stock owned of record or beneficially by the nominating stockholder;

the dates upon which the nominating stockholder acquired such shares and documentary support for any claims of beneficial ownership;

the exact name of the nominee and such person's age, principal occupation and business and residence addresses and telephone numbers;

the number of shares of each class of our stock (if any) owned directly or indirectly by the nominee;

the nominee's written acceptance of such nomination, consent to being named in the proxy statement as a nominee and statement of intention to serve as a director if elected; and

any other information regarding the nominee that would be required to be included in a proxy statement pursuant to rules of the Securities and Exchange Commission.

Nominations of directors may also be made by our Board or as otherwise provided in our Certificate of Incorporation, the Restated Certificate of Designations, Preferences, Rights and Limitations for our Preferred Stock (our *Preferred Stock Designations*) or our Bylaws. Our Corporate Governance Committee uses the same process to evaluate director candidates, whether nominated by one of our stockholders or by our Board, after taking into account the restrictions, requirements and limitations contained in our Certificate of Incorporation, our Preferred Stock Designations, our Bylaws and any other agreements to which we are a party.

Our Corporate Governance Committee conducts appropriate inquiries into the background and qualifications of each director candidate. In determining whether it will recommend or support a particular candidate for a position on our Board, our Corporate Governance Committee considers those matters it deems relevant, which may include, but are not limited to, integrity, judgment, business specialization, technical skills, diversity, independence, potential conflicts of interest and the present needs of our Board. Under our Governance Principles (which are posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com)), our directors are expected to possess the highest personal and professional ethics, integrity and values, be committed to representing the long-term interests of our stockholders and be willing and able to devote sufficient time to carrying out their duties and responsibilities effectively. In addition, our directors are expected to be committed to serve on our Board for an extended period of time and not serve on the board of directors of any business entity that is competitive with us or on the board of directors of more than three other public companies (unless doing so would not impair the director's service on our Board). Our Corporate Governance Committee does not have a formal process for identifying nominees for directors.

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Important Notice Regarding The Availability of Proxy Materials For The Shareholder Meeting To Be Held On April 30, 2009.

Our annual report on Form 10-K (including financial statements and the financial statement schedules but without exhibits) for our fiscal year ended December 31, 2008 (our Form 10-K ) accompanies this Proxy Statement but does not constitute a part of our proxy solicitation materials. **Our Annual Report and this Proxy Statement is also available over the Internet at <http://materials.proxyvote.com/859166>. We will furnish additional copies of our Form 10-K, without charge, to any person whose vote is solicited by this Proxy Statement upon written request to the following address: Sterling Chemicals, Inc., 333 Clay Street, Suite 3600, Houston, Texas 77002; Attention: Chief Financial Officer.** In addition, upon written request, we will furnish a copy of any exhibit to our Form 10-K to any person whose vote is solicited by this Proxy Statement upon payment of our reasonable expenses incurred in connection with providing the copy of the exhibit.

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Election of Directors  
(Item 1 on the Proxy Card)

**General Information**

Our Board oversees our management, reviews our long-term strategic plans and exercises direct decision making authority in key areas. Each of our directors is elected annually to serve until our next annual meeting and until his or her successor is duly elected and qualified. Only non-employee directors are eligible to serve on our Audit Committee, our Compensation Committee or our Corporate Governance Committee.

All of our director candidates currently serve on our Board. We do not employ any of our current directors or any of our director candidates other than John V. Genova, who is our President and Chief Executive Officer, who was originally appointed to our Board in May of 2008. Mr. Crump was originally appointed to our Board in December of 2001, Messrs. Gildea and Haney were originally appointed to our Board on December 19, 2002 and Dr. Peter Ting Kai Wu was originally appointed to our Board on March 12, 2004. The holders of our Preferred Stock appointed Mr. Philip M. Sivin to our Board on July 28, 2004 and Mr. Karl W. Schwarzfeld to our Board on March 10, 2006, in each case to fill vacancies in seats previously held by designees of the holders of our Preferred Stock.

Our Board held nine meetings in 2008. On average, our directors attended over 90% of the meetings of our Board and any of our committees on which they served during 2008, with none of our directors attending less than 75% of such meetings. We do not have a specific policy regarding attendance by directors at annual meetings of our stockholders, but all of our directors are encouraged to attend if available. One of our directors, Mr. Richard K. Crump, attended our annual meeting of stockholders in 2008.

As discussed above in Arrangements Regarding Nomination and Election of Directors, the holders of our Preferred Stock, voting separately as a class, are currently entitled to elect a majority of our directors. All of our remaining directors are elected by the holders of our Preferred Stock and Common Stock, voting together as a single class. The procedures for these separate votes by the holders of our Preferred Stock and the holders of our Preferred Stock and our Common Stock (as a single class), together with information about the respective candidates, are presented below under the headings Preferred Stock Nominees and General Nominees.

**Director Independence**

Mr. Gildea and Dr. Wu are considered independent under the listing standards of the New York Stock Exchange. Each of Messrs. Haney, Schwarzfeld and Sivin are employed by Resurgence, which has beneficial ownership of a substantial majority of the voting power of our securities due to its investment and disposition authority over securities owned by its and its affiliates managed funds and accounts. As a result of this beneficial ownership, Resurgence may be considered our affiliate under Securities and Exchange Commission guidelines and, consequently, Messrs. Haney, Schwarzfeld and Sivin may be considered not independent under the listing standards of the New York Stock Exchange. Mr. Sivin is also the son-in-law of Martin Sass, the Chief Executive Officer of Resurgence and of M.D. Sass Investors Services, Inc., the owner of Resurgence. Mr. Genova is our President and Chief Executive Officer and Mr. Crump was formerly our President and Chief Executive Officer. Consequently, neither Mr. Genova nor Mr. Crump is considered independent under the listing standards of the New York Stock Exchange.

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**Board Committees**

Our Board has created various standing committees to help carry out its duties, including an Audit Committee, a Compensation Committee, a Corporate Governance Committee and an Environmental, Health & Safety Committee. Generally speaking, our Board Committees work on key issues in greater detail than would be possible at full Board meetings. Each of our Board Committees consults, from time to time, with outside experts concerning the performance of its duties. As part of its duties, our Corporate Governance Committee acts as our nominating committee.

*Audit Committee*

Our Audit Committee is currently comprised of two of our non-employee directors, Byron J. Haney (Chairman) and John W. Gildea, and met six times in 2008. Our Audit Committee operates under a written charter adopted by our Board, a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com) and filed as an Exhibit to our Form 10-K. Our Audit Committee oversees our accounting and financial reporting processes and the audits of our financial statements, and monitors the qualifications, independence and performance of our independent and internal auditors. Our Audit Committee is directly responsible for the appointment, compensation and oversight of our independent external and internal auditors, and approves the audit, audit-related or tax services to be provided by these auditors, as well as all non-audit related services to be provided by our independent external auditors. In addition, our Audit Committee reviews our Form 10-K and Form 10-Q reports, our practices in preparing published financial statements and our internal and disclosure controls. Upon the recommendation of our Audit Committee, our Board adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers, a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com). This Code of Ethics, which applies to our Chief Executive Officer, our Chief Financial Officer, our Vice President and Corporate Controller and anyone performing similar functions on our behalf, is administered by our Audit Committee and provides for the reporting of violations to our Audit Committee on a confidential and anonymous basis.

Mr. Gildea is considered independent under the listing standards of the New York Stock Exchange for purposes of serving on our Audit Committee, while Mr. Haney may be considered not independent under these listing standards due to his employment by Resurgence. However, as Mr. Haney qualifies as a financial expert, as discussed below, our Board determined that it was appropriate to appoint Mr. Haney to our Audit Committee. Under the charter of our Audit Committee, each member of our Audit Committee must:

be independent of management and be free from any relationship that, in the opinion of our Board, would interfere with the exercise of his independent judgment;

have, in the opinion of our Board and in the opinion of each member of our Audit Committee, sufficient time available to devote reasonable attention to the responsibilities of our Audit Committee;

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be financially literate (*i.e.*, have the ability to read and understand fundamental financial statements, including a balance sheet, income statement and statement of cash flows, and the ability to understand key financial risks and related controls and control processes); and

not simultaneously serve on the audit committee of more than three public companies.

In addition, at least one member of our Audit Committee must, in the opinion of our Board, be an audit committee financial expert or have accounting or related financial management expertise. Our Board has determined that Mr. Haney is an audit committee financial expert within the meaning ascribed to such term under the rules promulgated under the Sarbanes-Oxley Act of 2002, due to his education, training and employment as a certified public accountant, service as a member of the audit committee of other companies and other relevant experience acquired through his work at Resurgence and other companies.

*Compensation  
Committee*

Our Compensation Committee is currently comprised of two of our non-employee directors, John W. Gildea (Chairman) and Karl W. Schwarzfeld, and met three times in 2008. Our Compensation Committee operates under a written charter adopted by our Board, a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com). Our Compensation Committee is responsible for discharging the compensation responsibilities of our Board, including:

reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer, evaluating our Chief Executive Officer's performance in light of those goals and objectives and determining and approving our Chief Executive Officer's compensation level based on this evaluation;

determining and approving the compensation levels for our other executive officers;

making recommendations to our Board with respect to the adoption, amendment or termination of our incentive compensation plans and equity-based plans;

administering our compensation programs for executive officers (including bonus plans, stock option and other equity-based programs, deferred compensation plans and other cash or stock incentive programs);

reviewing and making recommendations to our Board with respect to other significant employee benefit programs; and

reviewing and approving our annual merit budget.

In addition, our Compensation Committee establishes the annual fees and meeting fees to be paid to our non-employee directors.



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The roles of our executive officers and of consultants in determining compensation of our executive officers and directors, and the ability of the Compensation Committee to delegate its authority, are discussed under Compensation Discussion and Analysis.

As discussed above, Mr. Gildea is considered independent under the listing standards of the New York Stock Exchange, while Mr. Schwarzfeld may be considered not independent under these listing standards due to his employment by Resurgence. Under the Charter of our Compensation Committee, each member of our Compensation Committee must be independent of management and be free from any relationship that, in the opinion of our Board, would interfere with the exercise of his independent judgment, and have, in the opinion of our Board and in the opinion of each member of our Compensation Committee, sufficient time available to devote reasonable attention to the responsibilities of our Compensation Committee.

*Corporate  
Governance  
Committee*

Our Corporate Governance Committee is currently comprised of two of our non-employee directors, Dr. Peter T.K. Wu (Chairman) and John W. Gildea, and met three times in 2008. Our Corporate Governance Committee operates under a written charter adopted by our Board, a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com). Our Corporate Governance Committee considers all matters related to our corporate governance. In discharging its duties, our Corporate Governance Committee makes recommendations to our Board with respect to changes to our Certificate of Incorporation, Bylaws, committee structure and corporate governance guidelines, reviews all stockholder proposals, considers questions of independence of our Board members and possible conflicts of interest, reviews succession plans relating to positions held by our senior executive officers and reviews our insurance and indemnity arrangements for our directors and officers. Our Corporate Governance Committee also provides oversight with respect to the establishment of and adherence to corporate compliance programs, codes of conduct and other policies and procedures concerning our business and our compliance with all relevant laws.

Our Corporate Governance Committee also acts as our "*nominating committee*". In this capacity, our Corporate Governance Committee considers, recommends and recruits candidates to fill new or vacant positions on our Board and conducts inquiries into the backgrounds and qualifications of possible candidates for positions on our Board (unless any person or entity has the power to designate the individual to fill such position under our Certificate of Incorporation, any contract to which we are a party or the terms of any series of our preferred stock). As more fully described in Directors, Nominations and Qualifications, our Corporate Governance Committee, in accordance with its Charter and subject to the terms of our Certificate of Incorporation and Bylaws, reviews candidates recommended by our stockholders for positions on our Board.

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As discussed above, Mr. Gildea and Dr. Wu are considered independent under the listing standards of the New York Stock Exchange. Under the Charter of our Corporate Governance Committee, each member of our Corporate Governance Committee must be independent of management and be free from any relationship that, in the opinion of our Board, would interfere with the exercise of his independent judgment, and have, in the opinion of our Board and in the opinion of each member of our Corporate Governance Committee, sufficient time available to devote reasonable attention to the responsibilities of our Corporate Governance Committee.

*Environmental,  
Health & Safety  
Committee*

Our Environmental, Health & Safety Committee is currently comprised of two of our directors, Richard K. Crump (Chairman) and Dr. Peter T.K. Wu, and met twice in 2008. Our Environmental, Health & Safety Committee establishes policies, practices and procedures for employee safety and health, environmental protection and product safety to ensure that our operations are conducted in compliance with environmental laws, rules, regulations, permits and licenses. Our Environmental, Health & Safety Committee also conducts ongoing environmental planning activities and makes recommendations to our Board concerning the selection of external environmental auditors, including their compensation and the proposed terms of their engagement.

In addition to the standing Committees of our Board, on August 8, 2008, our Board established a special committee of our Board (the Independent Committee ) to represent the interests of the holders of our Common Stock in connection with possible solutions to issues associated with the dividends that are payable on our shares of Preferred Stock. Our Board appointed Messrs. Gildea and Crump and Dr. Wu as members of the Independent Committee, with Mr. Gildea serving as chairman.

Compensation Committee Interlocks and Insider Participation

During 2008, Mr. John W. Gildea and Mr. Steven L. Gidumal, one of our directors until his resignation in October 2008, served on our Compensation Committee. Following Mr. Gidumal's resignation, Karl W. Schwarzfeld replaced Mr. Gidumal as a member of the Compensation Committee. None of these directors has ever been one of our officers or employees. With the exception of those matters described below under Related Person Transactions pertaining to Messrs. Schwarzfeld and Gidumal, none of our directors serving on our Compensation Committee in 2008 had any relationship that requires disclosure in this Proxy Statement as a transaction with a related person. During 2008:

none of our executive officers served as a member of the compensation committee of another entity, one of whose executive officers served on our Compensation Committee;

none of our executive officers served as a director of another entity, one of whose executive officers served on our Compensation Committee; and

none of our executive officers served as a member of the compensation committee of another entity, one of whose executive officers served as one of our directors.

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**Governance Principles**

Acting on the recommendation of our Corporate Governance Committee, our Board adopted formal Governance Principles in August of 2005, a current copy of which is posted on our website at [www.sterlingchemicals.com](http://www.sterlingchemicals.com) and filed as an Exhibit to our Form 10-K. Our Governance Principles contain policies and guidelines related to:

the respective roles and functions of our Board and management;

the size of our Board, our Board Committees and criteria for membership;

compensation paid to our directors;

executive sessions of independent directors;

self-evaluations by our Board and our Board Committees;

ethics and conflicts of interest;

annual compensation reviews of our senior executive officers;

access to management and independent advisors; and

director orientation and education.

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Preferred Stock Nominees

*Who May Vote*

If you owned any shares of our Preferred Stock on March 6, 2009, as reflected in our stock register, you may vote in the election for the Preferred Stock Nominees. Our shares of Common Stock do not vote in the election for the Preferred Stock Nominees.

*Outstanding Shares*

On March 6, 2009, there were 5,606,704 shares of our Preferred Stock outstanding (currently convertible into 5,606,704 shares of our Common Stock at the option of the holders), none of which were owned by us or any of our subsidiaries.

*Quorum*

In order to conduct the election for the Preferred Stock Nominees, we must have a quorum. This means that we must have at least a majority of the shares of our Preferred Stock represented at the Annual Meeting, either in person or by proxy. Any shares of Preferred Stock owned by us or by any of our subsidiaries are not counted for purposes of determining whether a quorum is present. Shares of our Preferred Stock held by intermediaries that are voted for at least one matter at the Annual Meeting are counted as being present for the election for the Preferred Stock Nominees, even if the beneficial owner's discretion has been withheld for voting on some or all of the other matters (commonly referred to as a broker non-vote).

*Votes Needed*

Each share of our Preferred Stock has the right to cast one vote for each of the Preferred Stock Nominees. Directors are elected by a plurality and the three Preferred Stock Nominees who receive the most votes cast by the shares of our Preferred Stock will be elected to our Board. Under this format, abstentions and broker non-votes will not affect the outcome of the election.

*Designation of Nominees*

Under our Preferred Stock Designation, the holders of our Preferred Stock, voting separately as a class, are entitled to elect a percentage of our directors determined by the aggregate amount of shares of our Preferred Stock and Common Stock beneficially owned by Resurgence and certain permitted transferees. Currently, the holders of our Preferred Stock are entitled to elect at least a majority of our directors. Each year, the holders of our Preferred Stock send us a designation of the individuals that these holders would like us to include in our proxy statement as nominees for the director seats for which they are entitled to vote.

*Information about each of the Preferred Stock Nominees is provided below.*

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**Our Board of Directors recommends that the holders of shares of our Preferred Stock vote FOR the election to our Board of each of the following candidates:**

*Byron J. Haney*  
Age 48  
Director Since  
December 2002

Mr. Haney is a Managing Director and Chief Investment Officer of Resurgence, which beneficially owns a substantial majority of the voting power of our securities. Prior to becoming a Managing Director and Chief Investment Officer in 2006, Mr. Haney served as Managing Director of Resurgence since 1994. Mr. Haney also currently serves as a member of the Board of Directors of Furniture.com, Inc. and Fifth Street Finance Corp. and as an executive officer and member of the Board of Directors of First Commercial Credit Corp.

*Karl W. Schwarzfeld*  
Age 32  
Director Since March 2006

Mr. Schwarzfeld is a Vice President of Resurgence, which beneficially owns a substantial majority of the voting power of our securities. Prior to becoming Vice President in 2006, Mr. Schwarzfeld held several positions at Resurgence, including Director of Operations from 2004 through 2006, Vice President of Operations from 2003 through 2004, Assistant Vice President of Operations from 2002 through 2003, Operations Manager from August of 2000 through 2002 and Portfolio Administrator from August of 1998 through July of 2000.

*Philip M. Sivin*  
Age 37  
Director Since July 2004

Mr. Sivin is Senior Vice President of M.D. Sass - Macquarie Financial Strategies Management Company, LLC and a Vice President of Resurgence, which beneficially owns a substantial majority of the voting power of our securities. Mr. Sivin joined Resurgence in 2004 and became a Vice President in 2005. Prior to becoming Senior Vice President of M.D. Sass - Macquarie Financial Strategies Management Company, LLC in 2005, Mr. Sivin had served as Senior Vice President and General Counsel of M.D. Sass Investors Services, Inc. and M.D. Sass Associates, Inc. since 2000. Prior to joining M.D. Sass in 2000, Mr. Sivin was an attorney at Sullivan & Cromwell LLP in New York specializing in corporate, securities, real estate and investment management transactions. Mr. Sivin also currently serves as a member of the Board of Directors and an executive officer of M.D. Sass Investor Services, Inc. (which owns Resurgence) and M.D. Sass Associates, Inc., and as a member of the Board of Directors of Furniture.com, Inc., First Commercial Credit Corp., M.D. Sass Management, Inc., Taurus Fund Management Pty Limited, Taurus SM Holdings Pty Limited and New Holland Capital Pty Limited.

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General Nominees

*Who May Vote*

If you owned any shares of our Preferred Stock or Common Stock on March 6, 2009, as reflected in our stock register, you may vote in the election for the General Nominees.

*Outstanding Shares*

On March 6, 2009, there were 5,606.704 shares of our Preferred Stock outstanding (currently convertible into 5,606,704 shares of our Common Stock at the option of the holders), and 2,828,460 shares of our Common Stock outstanding, none of which were owned by us or any of our subsidiaries.

*Quorum*

In order to conduct the vote for the General Nominees, we must have a quorum. This means that we must have at least a majority of the voting power of our outstanding shares of Preferred Stock and Common Stock represented at the Annual Meeting, either in person or by proxy.

In the election for the General Nominees, our shares of Preferred Stock and Common Stock vote together as a single class. For purposes of class voting, each share of our Common Stock has the right to one vote and each share of our Preferred Stock has the right to one vote for each share of our Common Stock into which such share of Preferred Stock is convertible on the record date for such vote. Each share of our Preferred Stock was convertible into 1,000 shares of our Common Stock on the record date for the election of the General Nominees, which means that each share of our Preferred Stock that is represented at the Annual Meeting is the equivalent of 1,000 shares of our Common Stock being represented at the Annual Meeting for purposes of determining whether a quorum is present. Any shares owned by us or by any of our subsidiaries are not counted for purposes of determining whether a quorum is present. Shares of our stock held by intermediaries that are voted for at least one matter at the Annual Meeting are counted as being present for the election of the General Nominees, even if the beneficial owner's discretion has been withheld for voting on some or all of the other matters (commonly referred to as a broker non-vote).

*Votes Needed*

Each share of our Common Stock has the right to cast one vote for each of the General Nominees and each share of our Preferred Stock has the right to cast 1,000 votes for each of the General Nominees. Directors are elected by a plurality and the four General Nominees who receive the most votes cast by the shares of our Preferred Stock and our Common Stock will be elected to our Board. Under this format, abstentions and broker non-votes will not affect the outcome of the election.

*Information about each of the General Nominees is provided below.*

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**Our Board of Directors recommends that the holders of shares of our Preferred Stock and Common Stock vote FOR the election to our Board of each of the following candidates:**

*Richard K. Crump*  
Age 62  
Director Since  
December 2001

Mr. Crump retired from his positions as our President and Chief Executive Officer in May of 2008, positions he had held since January of 2003. Prior to that time, Mr. Crump served as our Co-Chief Executive Officer from December of 2001 through January of 2003, our Executive Vice President Operations from May of 2000 through December of 2001, our Vice President Strategic Planning from December of 1996 through May of 2000, our Vice President Commercial from October of 1991 through December 1, 1996 and our Director Commercial from August of 1986 through October of 1991. Prior to joining us, Mr. Crump was Vice President of Sales for Rammhorn Marketing from 1984 through August of 1986 and Vice President of Materials Management for El Paso Products Company from 1976 through 1983.

*John V. Genova*  
Age 54  
Director Since May 2008

Mr. Genova became our President and Chief Executive Officer in May of 2008. Mr. Genova most recently served as Vice President of Corporate Planning for Tesoro Corporation, an independent refiner of oil and gas products, where he was responsible for business plan development, capital management programs and competitor assessment and benchmarking programs, as well as a corporate performance scorecard process. Prior to becoming Vice President at Tesoro in 2005, Mr. Genova served as Executive Vice President Refining at Holly Corporation since 2004. Mr. Genova began his career as an engineer at ExxonMobil Corporation in 1976, working in a variety of positions, including Executive Assistant to the Chairman and General Manager, Corporate Planning, responsible for development of ExxonMobil's corporate plans during 2002 and 2003. He also serves as a member of the Board of Directors of Encore Acquisition Company, which is engaged in the development of onshore North American oil and natural gas reserves. In addition, Mr. Genova has provided consulting services to investment banks, private equity companies and hedge funds.

*John W. Gildea*  
Age 65  
Director Since  
December 2002

Mr. Gildea has been a managing director and principal of Gildea Management Company since 1990. Gildea Management Company and its affiliates previously served as the investment advisor to The Network Funds, which specialized in distressed company and special situation investments. Mr. Gildea has served on the Board of Directors of a number of restructured or restructuring companies, including Amdura Corporation, American Healthcare Management, Inc., America Service Group Inc., GenTek, Inc., Konover Property Trust, Inc. and UNC Incorporated. Mr. Gildea also serves as a member of the Board of Directors of Shearer's Foods, Inc., a private company, and an United Kingdom based investment trust. He is also a director and a member of the Audit Committee and the Compensation Committee of America Service Group, Inc. and Misonix, Inc.

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*Dr. Peter Ting Kai Wu*  
Age 71  
Director Since March 2004

Dr. Wu currently serves as Chairman of the Board of Boston Life Science Venture Corp., a corporation based in Taiwan, and Chairman Emeritus of Continental Carbon India Limited. He is also a director and a member of the audit committee of TSRC Group, a synthetic rubber manufacturer in Taiwan and China, and a director of Genovate Biotechnology Co. Ltd., a drug discovery company based in Taiwan. Previously, Dr. Wu served as Vice Chairman and Chief Executive Officer of Continental Carbon Company, a Houston, Texas based subsidiary of China Synthetic Rubber Corporation, from 1995 until his retirement in 2004, and as the President and Chief Executive Officer of China Synthetic Rubber Corporation, a petrochemicals company based in Taipei, Taiwan, from 1992 until his retirement in 2004. Prior to that time, Dr. Wu served as President and Chief Executive Officer of Grand Pacific Petrochemical Corporation, a Taipei, Taiwan based producer of styrene, polystyrene and ABS plastics, from 1990 through 1992, and as Executive Vice President of USI Far East Corporation, a Taipei, Taiwan based producer of polyethylene, from 1989 through 1990. Dr. Wu was also a Vice President and General Director of Industrial Technology Research Institute Union Chemical Laboratories, an industrial chemical technology research organization in Hsin Chu, Taiwan, from 1985 through 1989, and held various positions related to polymer research at E.I. du Pont de Nemours & Company in Wilmington, Delaware from 1965 through 1985. The Chinese Institute of Chemical Engineers has awarded Dr. Wu the prestigious Chemical Engineering Medal for his contributions to the development of chemical industries in Taiwan, and Dr. Wu has also been awarded Distinguished Service Medals from both the Chinese Chemical Society and the Polymer Society of Taiwan. In 2005, Dr. Wu was bestowed a Life-Time Achievement Award at the 2005 Asia Pacific Carbon Black Conference in Suzhou, China and in 2006 was bestowed a similar award by the Polymer Society of Taiwan for his life time contributions to the polymers industry.

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**Ratification of Appointment of Independent Registered Public Accounting Firm  
(Item 2 on the Proxy Card)**

Our Audit Committee has appointed Grant Thornton as our independent registered public accounting firm for the fiscal year ending December 31, 2009. We are asking that our stockholders ratify the Grant Thornton Appointment. Grant Thornton has been our independent accounting firm since the dismissal of Deloitte & Touche LLP ( Deloitte & Touche ) by our Audit Committee on April 10, 2008, and we believe that they are well qualified. Representatives of Grant Thornton are expected to be present at the Annual Meeting to answer appropriate questions and to make a statement, if they desire to do so.

The audit report of Deloitte & Touche on our consolidated financial statements as of and for the year ended December 31, 2007 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles except for an explanatory paragraph relating to a change in the method of accounting for defined benefit pension and other postretirement plans as of December 31, 2006, and an explanatory paragraph relating to a restatement of our 2006 financial statements.

During our last two fiscal years and the subsequent interim period prior to the dismissal of Deloitte & Touche, there were:

no disagreements with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, that if not resolved to the satisfaction of Deloitte & Touche, would have caused them to make reference to such disagreements in its reports on our financial statements for such periods; and

no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K) except that during the 2007 audit, management and Deloitte & Touche reported to the Audit Committee an internal control matter which was concluded to be a material weakness as the term is defined in the applicable authoritative literature.

In particular, management disclosed a material weakness in Item 9A(T) of our December 31, 2007 Annual Report on Form 10-K relating to a lack of sufficient control procedures, as well as a lack of adequate involvement of knowledgeable technical accounting resources in the application of complex accounting guidance to significant, material transactions, which resulted in a restatement of our financial statements.

During our last two fiscal years and the subsequent interim period prior to the engagement of Grant Thornton, we did not consult with Grant Thornton regarding the application of accounting principles to any specific completed or proposed transaction, or the type of audit opinion that might be rendered on our financial statements, nor did Grant Thornton provide written or oral advice to us that Grant Thornton concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue. In addition, we did not consult with Grant Thornton regarding any matter that was either the subject of a disagreement or a reportable event, as those terms are described in Item 304(a)(1)(iv) and Item 304(a)(1)(v), respectively, of Regulation S-K under the Securities Act of 1933, as amended (the Securities Act ).

We have provided Grant Thornton and Deloitte & Touche with a copy of this disclosure, which was previously included in a Form 8-K filed on April 15, 2008 in response to the disclosures required by Item 304(a) of Regulation S-K under the Securities Act. Both accounting firms have been provided an opportunity to furnish us with a letter stating its agreement and absence of any disagreement with the statements made by us in our response, and both have agreed with the disclosures made herein and

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therein. The letter of Deloitte & Touche addressed to the Securities and Exchange Commission was attached as an exhibit to our Form 8-K.

*Who May Vote*

If you owned any shares of our Preferred Stock or Common Stock on March 6, 2009, as reflected in our stock register, you may vote at the Annual Meeting on the ratification and approval of the Grant Thornton Appointment.

*Outstanding Shares*

On March 6, 2009, there were 5,606,704 shares of our Preferred Stock outstanding (currently convertible into 5,606,704 shares of our Common Stock at the option of the holders), and 2,828,460 shares of our Common Stock outstanding, none of which were owned by us or any of our subsidiaries.

*Quorum*

In order to conduct the vote on the Grant Thornton Appointment, we must have a quorum of our stockholders. This means that we must have at least a majority of the voting power of our outstanding shares of Preferred Stock and Common Stock represented at the Annual Meeting, either in person or by proxy.

Our shares of Preferred Stock and Common Stock vote together as a single class on the Grant Thornton Appointment. For purposes of class voting, each share of our Preferred Stock has the right to one vote for each share of our Common Stock into which such share is convertible on the record date for such vote. Each share of our Preferred Stock was convertible into 1,000 shares of our Common Stock on the record date for the vote on the Grant Thornton Appointment, which means that each share of our Preferred Stock that is represented at the Annual Meeting is the equivalent of 1,000 shares of our Common Stock being represented at the Annual Meeting for purposes of determining whether a quorum is present.

Any shares owned by us or by any of our subsidiaries are not counted for purposes of determining whether a quorum is present. Shares of our stock held by intermediaries that are voted for at least one matter at the Annual Meeting are counted as being present for purposes of determining a quorum for the vote on the Grant Thornton Appointment, even if the beneficial owner's discretion has been withheld for voting on some or all of the other matters (commonly referred to as a broker non-vote).

*Votes Needed*

Each share of our Common Stock has the right to cast one vote on the Grant Thornton Appointment and each share of our Preferred Stock has the right to cast 1,000 votes on the Grant Thornton Appointment. Ratification and approval of the Grant Thornton Appointment requires the favorable vote of a majority of the voting power of the shares of our Preferred Stock and Common Stock that are entitled to vote and are present at the Annual Meeting, in person or by proxy. As a result, an abstention from voting on the Grant Thornton Appointment will have the same effect as a vote against the Grant Thornton Appointment. However, broker non-votes are considered not to be present for voting on the Grant Thornton Appointment and, consequently, do not count as votes for or against the Grant Thornton Appointment and are not considered in calculating the number of votes necessary for approval.

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Our Audit Committee has furnished the following report for inclusion in this Proxy Statement.

*Roles in Financial Reporting*

The management of Sterling Chemicals, Inc. (*Sterling*) is responsible for Sterling's internal controls and the financial reporting process. The independent registered public accounting firm hired by Sterling is responsible for performing an independent audit of Sterling's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (*PCAOB*) and issuing an opinion on the conformity of those financial statements with accounting standards generally accepted in the United States of America. The Audit Committee monitors and oversees these processes and reports to Sterling's Board of Directors with respect to its findings.

*Fiscal 2008 Financial Statements*

In order to fulfill our monitoring and oversight duties, we reviewed the audited financial statements included in Sterling's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and we met and held discussions with Sterling's management and Grant Thornton LLP (*Grant Thornton*), Sterling's independent registered public accounting firm for the fiscal year ended December 31, 2008, with respect to those financial statements. Management represented to us that all of these financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. We also discussed with Grant Thornton the matters required to be discussed by the Statement on Auditing Standards No. 114, as amended. Finally, we received and have reviewed the written disclosures and the letter provided to us by Grant Thornton, as required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and we discussed with Grant Thornton its independence. Based upon our review and our discussions with management and Grant Thornton, and our review of Grant Thornton's report and the representations of management, we recommended to Sterling's Board of Directors that the audited financial statements for the year ended December 31, 2008 be included in Sterling's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission.

*Incorporation by Reference*

No portion of this report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended (collectively, the *Acts*), through any general statement incorporating by reference the Proxy Statement in which this report appears in its entirety, except to the extent that Sterling specifically incorporates this report or a portion of this report by reference. In addition, this report shall not otherwise be deemed to be soliciting material or to be filed under either of the Acts.

Respectfully submitted,

The Audit Committee of the Board of Directors

Byron J. Haney (Chairman)

John W. Gildea

**Table of Contents***Audit Fees, Audit Related Fees, Tax Fees and Other Fees*

Grant Thornton has served as our independent public accountants since April of 2008. Prior to that time, Deloitte & Touche LLP had served as our independent public accountants for over nine years. We paid Grant Thornton and Deloitte & Touche the following fees for the years ended December 31, 2008 and December 31, 2007, respectively:

	Grant Thornton		Deloitte & Touche	
	2008	2007	2008	2007
Audit Fees	\$ 410,706	\$ 0	\$ 309,728	\$ 537,000
Audit Related Fees	239,103	0	232,700	336,000
Tax Fees	0	0	113,639	144,000
All Other Fees	0	0	0	0
<b>Total</b>	<b>\$ 649,809</b>	<b>\$ 0</b>	<b>\$ 656,067</b>	<b>\$ 1,017,000</b>

Audit Fees paid to Grant Thornton and Deloitte & Touche were for professional services consisting of the audit of the financial statements included in our Annual Report on Form 10-K and reviews of the financial statements included in our Quarterly Reports on Form 10-Q. Audit Related Fees for services provided by Grant Thornton during 2008 were primarily for audit services performed in connection with our exchange offer registration statement pertaining to our 10<sup>1</sup>/<sub>4</sub>% Senior Secured Notes issued in March of 2007. Audit Related Fees for services performed by Deloitte & Touche during 2008 were primarily for audit services performed in connection with our exchange offer registration statement pertaining to our 10<sup>1</sup>/<sub>4</sub>% Senior Secured Notes issued in March of 2007 and our transaction with INEOS NOVA LLC that was completed in late 2007. Audit Related Fees for services performed by Deloitte & Touche during 2007 were primarily for audit services performed in connection with our exchange offer registration statement pertaining to our 10<sup>1</sup>/<sub>4</sub>% Senior Secured Notes issued in March of 2007 and audit services related to various strategic transactions that were pursued during 2007. Tax Fees for services performed by Deloitte & Touche were for services including assistance with tax compliance and the preparation of tax returns, tax consultation services, assistance in connection with tax audits and tax advice related to mergers, acquisitions and dispositions.

Our Audit Committee considered whether the provision of non-audit services by Grant Thornton or Deloitte & Touche was compatible with maintaining their independence, and concluded that the independence of Grant Thornton and Deloitte & Touche was not compromised by the provision of such services. In addition, our Audit Committee requires pre-approval of all audit and non-audit services provided by Grant Thornton, Deloitte & Touche or any other accounting firm and pre-approved all of the services included in the table above. Our Audit Committee has not adopted any additional pre-approval policies and procedures but, consistent with its Charter, our Audit Committee may delegate to one or more of its members the authority to pre-approve audit and non-audit services as permitted by law, provided that such pre-approval is submitted for ratification by the full Audit Committee at its next scheduled meeting.

**Our Board of Directors recommends that you vote FOR this proposal.**

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Approval of 2002 Stock Plan Restatement  
(Item 3 on the Proxy Card)

Our Amended and Restated 2002 Stock Plan (our Existing 2002 Stock Plan ) was authorized and established under our Plan of Reorganization, which became effective on December 19, 2002. Our Plan of Reorganization provided that, without any further act or authorization, confirmation of our Plan of Reorganization and entry of the confirmation order was deemed to satisfy all applicable federal and state law requirements and all listing standards of any securities exchange for approval by our Board or our stockholders of our Existing 2002 Stock Plan.

On December 5, 2008, our Board and our Compensation Committee unanimously voted to further amend and restate our Existing 2002 Stock Plan, subject to stockholder approval, to:

increase the number of shares of our Common Stock available for issuance by 1,000,000 shares;

increase the maximum number of shares of our Common Stock with respect to which Benefits (as defined below) may be granted or measured to any participant by 1,000,000 shares;

include additional business criteria on which performance-based awards granted under the plan will be based;

provide guidance as to how such business criteria shall be applied;

extend the duration of the plan from December 12, 2012 to December 31, 2018;

provide that no amendment of the plan may be made without the approval of our stockholders if, among other things, such amendment will increase the aggregate number of shares of our Common Stock that may be delivered through stock options under the plan and approval by our stockholders is necessary to comply with any applicable tax or regulatory requirements; and

make such other non-material changes as it deemed appropriate.

We refer to our Existing 2002 Stock Plan, as further amended and restated, as our Restated 2002 Stock Plan.

Description of Our Restated 2002 Stock Plan

The description of our Restated 2002 Stock Plan summarized below is qualified, in its entirety, by reference to the text of our Restated 2002 Stock Plan set forth in Annex A.

Purpose

The purpose of our Restated 2002 Stock Plan is to enable us and our subsidiaries to attract, retain and motivate highly competent persons as officers, key employees and consultants by providing them with the opportunity to acquire shares of our Common Stock or to receive monetary payments based on the value of shares of our Common Stock through benefits granted under our Restated 2002 Stock Plan.

**Table of Contents****Administration**

Our Compensation Committee or, in the event that our Compensation Committee is not comprised solely of non-employee directors (as such term is defined in Rule 16b-3(b)(3) of the Exchange Act), our Board (in either case, the Administrator ), will administer our Restated 2002 Stock Plan. The Administrator will have full discretion to administer and interpret our Restated 2002 Stock Plan and to establish such rules and regulations as it deems necessary or advisable. In addition, the Administrator will have full discretion to determine, among other things, who will be granted Benefits under our Restated 2002 Stock Plan and the type and amount of such Benefits.

**Eligibility**

Benefits may be granted to our officers, key employees and consultants (or those of subsidiaries or affiliates), as the Administrator in its sole discretion determines to be significantly responsible for our success and future growth and profitability.

**Shares Subject to our Restated 2002 Stock Plan**

The maximum number of shares of our Common Stock that can be issued under our Restated 2002 Stock Plan has been increased by 1,000,000 shares from 379,747 to 1,379,747 shares. In addition, the maximum number of shares with respect to which Benefits may be granted or measured to any participant under our Restated 2002 Stock Plan during its term has been increased by 1,000,000 shares from 379,747 to 1,379,747 shares. As of March 6, 2009, there were 347,500 shares underlying outstanding Benefits and 15,833 shares of Common Stock had previously been issued on exercise of options, leaving 16,414 shares available for grant under our Existing 2002 Stock Plan. This number of available shares will be increased to 1,016,414 shares under our Restated 2002 Stock Plan.

**Grants of Benefits**

As under our Existing 2002 Stock Plan, the Administrator may grant benefits under our Restated 2002 Stock Plan of incentive stock options, nonqualified stock options, stock appreciation rights (SARs ), stock awards and stock units (each as described below and, collectively, Benefits ).

**Stock Options**

Our Restated 2002 Stock Plan continues to provide for the granting of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, as amended (the Code ), and nonqualified stock options. Incentive stock options may be granted only to our employees or employees of a Parent Corporation or Subsidiary Corporation (as such terms are defined in Sections 424(e) and (f) of the Code, respectively) at the date of grant. Incentive stock options may not be granted to any participant who, at the date of grant, owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any Parent Corporation or Subsidiary Corporation, unless the exercise price is at least 110% of the fair market value of a share of Common Stock on the date of grant and the exercise of such option is prohibited after the expiration of five years from the date of grant.

As is the case under our Existing 2002 Stock Plan, a stock option granted under our Restated 2002 Stock Plan provides a participant with the right to purchase a number of shares of our Common Stock at set terms. The per-share exercise price applicable to a stock option may not be less than 100% of the fair market value of a share of our Common Stock on the date of grant. In

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addition, the aggregate fair market value of shares of our Common Stock with respect to which incentive stock options can be exercisable for the first time by a participant during any calendar year may not exceed \$100,000.

Stock options will vest in accordance with the terms of the applicable award agreement; *provided, however*, that the exercise of any option will be prohibited after the expiration of 10 years from the date of grant (or, in the case of incentive stock options, five years, as described above). Stock options will become fully vested and exercisable upon a participant's death, in which case the exercise period may be extended but may not be any later than one year after such participant's death. Payment of the exercise price of a stock option may be made by cash, the withholding of shares of our Common Stock for which the stock option is exercisable or any other method prescribed by the Administrator.

*Stock Appreciation Rights*

A SAR gives a participant the right at some specific time in the future to receive a payment equal to the appreciation in value of a certain number of shares of our Common Stock. Under our Restated 2002 Stock Plan, SARs may be settled in cash, shares of our Common Stock or a combination thereof, and will be granted upon such terms and conditions as the Administrator may determine. Upon exercise, an SAR entitles the holder to receive a payment equal to the positive difference between the fair market value of the shares of our Common Stock covered by the SAR on the date the SAR is exercised and the fair market value of such shares of our Common Stock on the date the right is granted. SARs will vest in accordance with the terms of the applicable award agreement; *provided, however*, that no SAR will be exercisable (i) earlier than the date of a participant's death or disability, the date of the participant's termination of employment with us or our subsidiaries or affiliates or at a fixed date set forth at the date of grant or (ii) later than 10 years after the date on which the SAR is granted.

*Stock Awards*

Our Restated 2002 Stock Plan authorizes the grant of stock awards, which consist of shares of our Common Stock that are issued or transferred to participants with or without other payments therefor. If a purchase price is established for the shares of our Common Stock subject to the stock award, such price may not be less than 100% of the fair market value of such shares on the date of grant and may be paid in any manner authorized by the Administrator. Holders of stock awards have 30 days after the date of grant to exercise the awards, and the terms of the awards will specify the holder's rights, including the right to receive dividends and to vote the shares. Additionally, stock awards may be subject to terms and conditions as the Administrator deems appropriate, including, without limitation, restrictions on the sale or other disposition of the shares and our right to reacquire such shares for no consideration upon the participant's termination of employment within specified periods.

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*Stock Units*

A stock unit is a notional account representing one share of our Common Stock. The Administrator will determine the vesting criteria for stock units, may issue the awards with or without other payments therefor and determine whether a participant granted a stock unit will be entitled to the right to receive the dividend paid on the share of our Common Stock underlying the stock unit. Upon vesting of a stock unit, the award will be settled in shares of our Common Stock unless the Administrator provides for settlement in cash equal to the value of shares of our Common Stock otherwise distributable to the participant or partly in cash and partly in shares of our Common Stock.

*Performance-Based Awards*

The Administrator, in its sole discretion, may grant any Benefits in a manner such that the Benefits qualify for the performance-based compensation exemption under Section 162(m) of the Code. The granting or vesting of performance-based awards will be based on the achievement of hurdle rates or growth rates established in one or more business criteria that apply to an individual participant, one or more business units or Sterling as a whole. Under our Restated 2002 Stock Plan, the business criteria may be used by the Administrator on an absolute or relative basis to measure our performance or one or more of our affiliates as a whole or any of our business units or one or more affiliates or any combination thereof, and may be compared to the performance of a selected group of comparison companies, a published or special index deemed appropriate by the Administrator or various stock market indices. The business criteria include the following:

net earnings or net income (before or after taxes)

basic or diluted earnings per share (before or after taxes)

net revenue or revenue growth

gross profit or gross profit growth

market share

operating profit (before or after taxes)

expense targets

working capital targets

cash flow

earnings before or after taxes, interest, depreciation and/or amortization (adjusted or unadjusted)

gross or operating margins

productivity ratios

share price

operating efficiency

objective measures of customer satisfaction



business development activities

measures of economic value added

inventory control

enterprise value

sales

debt levels and net debt

timely launch of new facilities

client retention

employee retention

timely completion of new product rollouts

objective measures of personal targets, goals or completion of projects

market share

return measures

planning accuracy (as measured by comparing planned results to actual results)

environmental, health and safety performance

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The Administrator must establish the terms of the performance goals applicable to a given period in writing and the employees or class of employees to which such performance goals apply no later than 90 days after the commencement of the performance period (but in no event after 25% of that period has elapsed).

**Changes in Capital Structure**

Our Restated 2002 Stock Plan provides that proportionate adjustments to each outstanding stock option and SAR will be made to reflect any change in our Common Stock due to any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, split up, spin-off, combination of shares, exchange of shares, dividend in kind or other similar change in capital structure or distribution (except for normal cash dividends).

**Change in Control**

In the event of a Change in Control (as defined in our Restated 2002 Stock Plan), all stock options, SARs and stock units then outstanding immediately vest and become exercisable and any restrictions on stock options or stock units immediately lapse. Thereafter, all Benefits are subject to the terms of any agreement effecting the Change in Control and may provide, without limitation, for the termination of each outstanding stock option or SAR within a specified number of days after notice to the holder, with the holder to receive, with respect to each share of our Common Stock subject to such stock option or SAR, an amount equal to the excess of the fair market value of such shares immediately prior to the Change in Control over the exercise price per share underlying such stock option or SAR, payable in cash, property or a combination thereof.

**Non-Transferability**

Each Benefit granted under our Restated 2002 Stock Plan is nontransferable other than by will or the laws of descent and distribution, and is exercisable, during a participant's lifetime, only by the participant. The Administrator, in its sole discretion, may determine the exercise period for stock options and SARs in the event of a participant's death at the time options and SARs are granted. In addition, the Administrator may permit a participant to transfer Benefits (other than incentive stock options) to certain permitted transferees.

**Duration, Amendment and Termination**

Under our Restated 2002 Stock Plan, no Benefits may be granted after December 31, 2018. The Administrator may amend or terminate our Restated 2002 Stock Plan at any time; *provided, however*, that no amendment can be made without approval of our stockholders if the amendment will (i) disqualify any incentive stock options granted under our Restated 2002 Stock Plan, (ii) increase the aggregate number of shares of our Common Stock deliverable through stock options if approval of our stockholders is necessary to comply with any applicable tax or regulatory requirements, (iii) increase the maximum number of shares of our Common Stock with respect to which Benefits may be granted or measured to any participant, (iv) change the types of business criteria on which performance-based awards are to be based under our Restated 2002 Stock Plan or (v) modify the eligibility requirements of our Restated 2002 Stock Plan.

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**U.S. Federal Income Tax Consequences**

The following is a general summary of the material U.S. federal income tax consequences of the grant and exercise and vesting of Benefits under our Restated 2002 Stock Plan and the disposition of shares acquired pursuant to the exercise of such Benefits and is intended to reflect the current provisions of the Code and the regulations thereunder. This summary is not intended to be a complete statement of applicable law, nor does it address foreign, state, local or payroll tax considerations. Moreover, the U.S. federal income tax consequences to any particular participant may differ from those described herein by reason of, among other things, the particular circumstances of such participant.

***Stock Options***

A participant will not recognize taxable income upon grant of an incentive stock option or a nonqualified stock option and we will not be entitled to a tax deduction with respect to the grant. On exercise of an incentive stock option, the holder will not recognize any income and we will not be entitled to a deduction. However, the amount by which the fair market value of the shares on the exercise date of an incentive stock option exceeds the exercise price generally will constitute an item of adjustment for alternative minimum tax purposes and may therefore result in alternative minimum tax liability to the holder. Generally, upon exercise of a nonqualified stock option, the excess of the fair market value of our Common Stock on the date of exercise over the exercise price will be taxable as ordinary income to the holder. Subject to any deduction limitation under Section 162(m) of the Code (which is discussed below), we will be entitled to a federal income tax deduction in the same amount and at the same time as the holder recognizes ordinary income (or if we comply with applicable income reporting requirements, when the holder should have reported the income). The holder's tax basis for the acquired shares will be the sum of the stock option exercise price and the taxable income recognized. A holder will recognize long-term or short-term capital gain or loss on the subsequent disposition of shares acquired upon exercise of a nonqualified stock option in an amount equal to the difference between the amount realized and the tax basis of such shares.

The disposition of shares acquired upon exercise of an incentive stock option will result in capital gain or loss if the applicable holding period with respect to such shares is satisfied. However, if the holder disposes of such shares within two years after the date of grant of the incentive stock option or one year after the date of exercise (a disqualifying disposition), the holder generally will recognize ordinary income in the amount of the excess of the fair market value of the shares on the date the option was exercised over the option exercise price. Any excess of the amount realized by the holder on the disqualifying disposition over the fair market value of the shares on the date of exercise of the option will generally be capital gain. We will generally be entitled to a tax deduction equal to the amount of ordinary income recognized by a holder.

Generally, the shares received on exercise of an option under our Restated 2002 Stock Plan are not subject to restrictions on transfer or risks of forfeiture and, therefore, the holder will recognize income on the date of exercise of a nonqualified stock option. Special rules may apply to treat shares acquired by a holder who is subject to restrictions under Section 16 of the Exchange Act as subject to a substantial risk of forfeiture.

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*Stock Awards*

Shares granted under our Restated 2002 Stock Plan may, as determined by the Administrator, be subject to forfeiture if service or performance conditions are not met and other restrictions. The tax consequences of shares granted under our Restated 2002 Stock Plan depend on whether the shares are subject to restrictions and, if so, whether the restrictions are deemed to create a substantial risk of forfeiture under Section 83 of the Code. For example, restricted stock that is subject to forfeiture if an employee is terminated prior to vesting is considered subject to a substantial risk of forfeiture under Section 83.

If shares *are not* subject to a substantial risk of forfeiture, the recipient will recognize taxable ordinary income equal to the fair market value of the shares at the time of grant less any amount paid for the shares. If the shares *are* subject to a substantial risk of forfeiture, the recipient normally will recognize taxable ordinary income as and when the substantial risk of forfeiture lapses, in the amount of the fair market value at the time the shares are no longer subject to the substantial risk of forfeiture, less any amount paid for such shares.

A recipient of shares subject to a substantial risk of forfeiture may make an election under Section 83(b) of the Code, referred to as a Section 83(b) election, to recognize ordinary income in the year the recipient purchases or receives the restricted shares, rather than waiting until the substantial risk of forfeiture lapses. If the recipient makes a Section 83(b) election, the recipient will recognize as ordinary income in the year the recipient purchases the shares the difference, if any, between the fair market value of the shares on the purchase date and the purchase price paid. The recipient will then not be required to recognize any income when the substantial risk of forfeiture lapses.

Generally, with respect to employees, we are required to withhold from compensation an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the recipient. Upon disposition of the shares, the recipient will recognize a capital gain or loss equal to the difference between the amount received and the sum of the amount paid for the shares plus any amount recognized as ordinary income upon grant or vesting of the shares. The gain or loss will be long-term or short-term depending on how long the recipient held the shares.

*Performance-Based Awards*

Performance-based awards will generally be treated in the same manner as restricted stock for federal income tax purposes. However, no Section 83(b) election is permitted with respect to performance-based awards granted in the form of units.

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*Section 162(m) of the Code* Section 162(m) of the Code generally disallows a federal income tax deduction to any publicly held corporation for compensation paid in excess of \$1.0 million in any taxable year to a covered employee. The Internal Revenue Service recently issued guidance under which it interprets the term covered employee as an employee who, as of the last day of the taxable year, is our chief executive officer or one of our three highest compensated executive officers for the taxable year (other than our chief executive officer or our chief financial officer). For this purpose, compensation attributable to Benefits under our Restated 2002 Stock Plan could be included in the \$1.0 million limitation. Section 162(m) provides an exception, however, for performance-based compensation, the material terms of which are disclosed to and approved by our stockholders. We have structured and intend to implement and administer our Restated 2002 Stock Plan so that compensation resulting from options, SARs and performance-based awards can qualify as performance-based compensation. However, we have not requested a ruling from the Internal Revenue Service or an opinion of counsel on this issue, and our Restated 2002 Stock Plan gives the Administrator discretion to grant Benefits that do not constitute performance-based compensation.

*Section 280G of the Code* Under certain circumstances, certain payments, including the value of the accelerated vesting or exercise of options or SARs or the accelerated lapse of restrictions with respect to other Benefits in connection with a Change in Control, might be deemed an excess parachute payment to certain participants for the purposes of the golden parachute tax provisions of Sections 280G and 4999 of the Code. In that event, the participant may be subject to a 20% excise tax on, and we may be denied a federal income tax deduction for, a substantial portion of such payments.

*Section 409A of the Code* Section 409A of the Code imposes restrictions on non-qualified deferred compensation plans. These requirements include restrictions on the timing of elections to defer and the timing of distributions, and prohibitions on the acceleration of distributions. Failure to satisfy these requirements could result in the immediate taxation of the arrangement, the imposition of an additional 20% income tax on the participant and the possible imposition of interest and penalties on the unpaid tax. Treasury regulations generally provide that the type of equity incentives provided under our Restated 2002 Stock Plan will not be considered non-qualified deferred compensation. However, some Benefits could be covered by Section 409A of the Code. For example, the grant or modification of a stock option or SAR with an exercise price below the fair market value of the underlying Common Stock at grant could constitute non-qualified deferred compensation, as could unrestricted stock awards that have been deferred by the participant. We make no representation as to whether any Benefit granted under our Restated 2002 Stock Plan will be subject to these rules.

**New Plan Benefits**

Because Benefits to be granted in the future under our Restated 2002 Stock Plan are at the discretion of the Administrator, it is not possible to determine the amounts received or that will be received under our Restated 2002 Stock Plan by our officers, non-executive directors or other employees.

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*Who May Vote*

If you owned any shares of our Preferred Stock or Common Stock on March 6, 2009, as reflected in our stock register, you may vote at the Annual Meeting on the approval and ratification of the 2002 Stock Plan Restatement.

*Outstanding Shares*

On March 6, 2009, there were 5,606.704 shares of our Preferred Stock outstanding (currently convertible into 5,606,704 shares of our Common Stock at the option of the holders), and 2,828,460 shares of our Common Stock outstanding, none of which were owned by us or any of our subsidiaries.

*Quorum*

In order to conduct the vote on the 2002 Stock Plan Restatement, we must have a quorum of our stockholders. This means that we must have at least a majority of the voting power of our outstanding shares of Preferred Stock and Common Stock represented at the Annual Meeting, either in person or by proxy.

Our shares of Preferred Stock and Common Stock vote together as a single class on the 2002 Stock Plan Restatement. For purposes of class voting, each share of our Preferred Stock has the right to one vote for each share of our Common Stock into which such share is convertible on the record date for such vote. Each share of our Preferred Stock was convertible into 1,000 shares of our Common Stock on the record date for the vote on the 2002 Stock Plan Restatement, which means that each share of our Preferred Stock that is represented at the Annual Meeting is the equivalent of 1,000 shares of our Common Stock being represented at the Annual Meeting for purposes of determining whether a quorum is present.

Any shares owned by us or by any of our subsidiaries are not counted for purposes of determining whether a quorum is present. Shares of our stock held by intermediaries that are voted for at least one matter at the Annual Meeting are counted as being present for purposes of determining a quorum for the vote on the 2002 Stock Plan Restatement, even if the beneficial owner's discretion has been withheld for voting on some or all of the other matters (commonly referred to as a broker non-vote).

*Votes Needed*

Each share of our Common Stock has the right to cast one vote on the 2002 Stock Plan Restatement and each share of our Preferred Stock has the right to cast 1,000 votes on the 2002 Stock Plan Restatement. Ratification and approval of the 2002 Stock Plan Restatement requires the favorable vote of a majority of the voting power of the shares of our Preferred Stock and Common Stock that are entitled to vote and are present at the Annual Meeting, in person or by proxy. As a result, an abstention from voting on the 2002 Stock Plan Restatement will have the same effect as a vote against the 2002 Stock Plan Restatement. However, broker non-votes are considered not to be present for voting on the 2002 Stock Plan Restatement and, consequently, do not count as votes for or against the 2002 Stock Plan Restatement and are not considered in calculating the number of votes necessary for approval.

**Our Board of Directors recommends that you vote FOR this proposal.**

**Table of Contents**Approval of Charter Amendment  
(Item 4 on the Proxy Card)

Our Board has determined that it would be in our best interests to increase our authorized capitalization. Under Delaware law, a corporation may only issue shares of stock to the extent such shares have been authorized for issuance under its certificate of incorporation. Our Certificate of Incorporation currently authorizes the issuance of up to 20,000,000 shares of Common Stock (of which, as of March 6, 2009, 2,828,460 shares were outstanding) and up to 125,000 shares of preferred stock, par value \$0.01 per share (of which, as of March 6, 2009, 5,606,704 shares were outstanding). On an as converted basis, if we issued all of the Common Stock underlying our various convertible and derivative securities, including granted employee stock options, the number of our outstanding shares of Common Stock would increase to 8,782,664 shares as of March 6, 2009. The approval of the Charter Amendment will increase our authorized shares of Common Stock to 100,000,000 shares, bringing the total number of our authorized shares of capital stock to 100,125,000 shares. The full text of the Certificate of Amendment to our Certificate of Incorporation is attached as Annex B and is incorporated herein by reference.

Upon filing the Certificate of Amendment to our Certificate of Incorporation to increase our authorized shares of Common Stock from 20,000,000 shares to 100,000,000 shares, section A of paragraph FOURTH will be as follows:

Authorized Capital Stock. The total number of shares of stock that the Corporation shall have the authority to issue is 100,125,000 shares of capital stock, consisting of (i) 125,000 shares of preferred stock, par value \$0.01 per share (the Preferred Stock ), and (ii) 100,000,000 shares of common stock par value \$0.01 per share (the Common Stock ).

The terms of the additional shares of Common Stock will be identical to those of the currently outstanding shares of our Common Stock. However, because holders of shares of our Common Stock do not have preemptive rights to purchase or subscribe for any of our unissued stock, the issuance of additional shares of our Common Stock will reduce the current stockholders' percentage ownership interest in the total outstanding shares of Common Stock.

The increase in the number of authorized but unissued shares of Common Stock would enable us, without further stockholder approval, to issue shares from time to time as may be required for proper business purposes, such as raising additional capital through the sale of equity securities, acquiring another company or its assets, providing equity incentives to employees and officers or for other corporate purposes. The availability of additional shares of Common Stock is particularly important in the event that our Board needs to undertake any of the foregoing actions on an expedited basis and avoid the time and expense of seeking stockholder approval in connection with the contemplated issuance of Common Stock. If an amendment is approved by our stockholders, and such amendment is filed with the Office of the Secretary of State of the State of Delaware, the Board does not intend to solicit further stockholder approval prior to the issuance of any additional shares of Common Stock, except as may be required by applicable law.

The proposed amendment could, under certain circumstances, have an anti-takeover effect, although this is not the intention of this proposal. For example, in the event of a hostile attempt to take over control of us, it may be possible for us to impede the attempt by issuing shares of Common Stock, which would dilute the voting power of the other outstanding shares and increase the potential cost to

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acquire control of us. The proposed amendment therefore may have the effect of discouraging unsolicited takeover attempts and potentially limiting the opportunity for our stockholders to dispose of their shares at a premium, which is often offered in takeover attempts, or that may be available under a merger proposal. The proposed amendment may have the effect of permitting our current management, including our current Board, to retain its position, and place it in a better position to resist changes that stockholders may wish to make if they are dissatisfied with the conduct of our business. However, the Board has not presented this proposal with the intent that it be utilized as a type of anti-takeover device.

If approved, this proposal will become effective upon the filing of a Certificate of Amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the Annual Meeting. However, at any time prior to the effectiveness of the filing of such Certificate of Amendment to increase the number of authorized shares of Common Stock, notwithstanding stockholder approval of the amendment, our Board may abandon the amendment without any further action by our stockholders.

\* \* \*

*Who May Vote*

If you owned any shares of our Preferred Stock or Common Stock on March 6, 2009, as reflected in our stock register, you may vote at the Annual Meeting on the approval of the Charter Amendment.

*Outstanding Shares*

On March 6, 2009, there were 5,606,704 shares of our Preferred Stock outstanding (currently convertible into 5,606,704 shares of our Common Stock at the option of the holders), and 2,828,460 shares of our Common Stock outstanding, none of which were owned by us or any of our subsidiaries.

*Quorum*

In order to conduct the vote on the Charter Amendment, we must have a quorum of our stockholders. This means that we must have at least a majority of the voting power of our outstanding shares of Preferred Stock and Common Stock represented at the Annual Meeting, either in person or by proxy.

Our shares of Preferred Stock and Common Stock vote together as a single class on the Charter Amendment. For purposes of class voting, each share of our Preferred Stock has the right to one vote for each share of our Common Stock into which such share is convertible on the record date for such vote. Each share of our Preferred Stock was convertible into 1,000 shares of our Common Stock on the record date for the vote on the Charter Amendment, which means that each share of our Preferred Stock that is represented at the Annual Meeting is the equivalent of 1,000 shares of our Common Stock being represented at the Annual Meeting for purposes of determining whether a quorum is present.

Any shares owned by us or by any of our subsidiaries are not counted for purposes of determining whether a quorum is present. Shares of our stock held by intermediaries that are voted for at least one matter at the Annual Meeting are counted as being present for purposes of determining a quorum for the vote on the Charter Amendment, even if the beneficial owner's discretion has been withheld for voting on some or all of the other matters (commonly referred to as a broker non-vote).

*Votes Needed*

Each share of our Common Stock has the right to cast one vote on the Charter Amendment and each share of our Preferred Stock has the right to cast 1,000 votes on the Charter Amendment. Approval of the Charter Amendment requires



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the favorable vote of a majority of the voting power of the shares of our Preferred Stock and Common Stock that are entitled to vote. As a result, an abstention from voting on the Charter Amendment and a broker non-vote will have the same effect as a vote against the Charter Amendment.

**Our Board of Directors recommends that you vote FOR this proposal.**

\* \* \*

Additional Proposals

Our Board does not intend to bring any other matters before the Annual Meeting in addition to those described above, and has not been informed that any other matters are to be presented by others. The accompanying proxy confers discretionary authority upon the persons named therein to vote your shares of Preferred Stock and/or Common Stock in accordance with their best judgment on any other matter that may be properly brought before the Annual Meeting.

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Executive Officers Of The Company

Personal information with respect to each of our executive officers is set forth below.

*John V. Genova*  
Age 54

Mr. Genova became our President and Chief Executive Officer in May of 2008. Mr. Genova most recently served as Vice President of Corporate Planning for Tesoro Corporation, an independent refiner of oil and gas products, where he was responsible for business plan development, capital management programs and competitor assessment and benchmarking programs, as well as a corporate performance scorecard process. Prior to becoming Vice President at Tesoro in 2005, Mr. Genova served as Executive Vice President Refining at Holly Corporation since 2004. Mr. Genova began his career as an engineer at ExxonMobil Corporation in 1976, working in a variety of positions, including Executive Assistant to the Chairman and General Manager, Corporate Planning, responsible for development of ExxonMobil's corporate plans during 2002 and 2003. He also serves as a member of the Board of Directors of Encore Acquisition Company, which is engaged in the development of onshore North American oil and natural gas reserves. In addition, Mr. Genova has provided consulting services to investment banks, private equity companies and hedge funds.

*John R. Beaver*  
Age 47

Mr. Beaver has been our Senior Vice President Finance and Chief Financial Officer since May 4, 2007. Prior to that time, Mr. Beaver served as our Corporate Controller since March of 2001 and one of our Vice Presidents since January of 2003. Prior to joining us, Mr. Beaver was Vice President and Corporate Controller for Pioneer Companies, Inc. from 1997 until December of 2000 and Corporate Controller for Borden Chemicals and Plastics Limited Partnership from 1995 through 1996. Mr. Beaver held several financial management positions with us from 1987 through 1995 and with Monsanto Company from 1981 through 1987.

*Kenneth M. Hale*  
Age 46

Mr. Hale has been our General Counsel since January of 2001, our Senior Vice President and Corporate Secretary since January of 2003 and the head of our Human Resources & Administration Department since January 1, 2005. Prior to becoming one of our Senior Vice Presidents, Mr. Hale served as one of our Vice Presidents from October of 2002 through January of 2003. Prior to becoming General Counsel, Mr. Hale served as our Senior Counsel from July of 2000 through January of 2001, and as Assistant General Counsel from December of 1997 through July of 2000. Prior to joining us, Mr. Hale was an associate attorney at the law firm of Andrews & Kurth L.L.P. from January of 1994 until December of 1997, and at the law firm of Honigman Miller Schwartz and Cohn from May of 1990 until December of 1993, where he specialized in mergers and acquisitions, finance, securities and general corporate matters.

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<i>Paul C. Rostek</i> Age 53	Mr. Rostek has been our Senior Vice President Commercial & Business Development since August of 2004. Prior to attaining this position, Mr. Rostek was our Vice President Nitriles from December of 1996 to December of 2002, and then served as our Vice President Corporate Alliances & New Ventures from January of 2003 to July of 2004. Mr. Rostek joined us in August of 1992 and initially served as our Vice President ERCO System Group based out of Toronto, Canada from August of 1992 through November of 1996.
<i>Walter B. Treybig</i> Age 52	Mr. Treybig joined us in 1993 and has been our Senior Vice President Manufacturing since January of 2003. Prior to that time, Mr. Treybig served as our Plant Manager since 1998 and our Manager of Environmental, Health & Safety. Before joining us, Mr. Treybig held various positions at PPG Industries, Inc., Cain Chemical Inc., Occidental Chemical Corporation and Ausimont USA Incorporated. Mr. Treybig also serves as a Director of the Galveston County Health District.
<i>Bruce E. Moore</i> Age 43	Mr. Moore has been our Vice President, Treasurer since September of 2008. Prior to becoming our Vice President, Treasurer, Mr. Moore served as our Treasurer from January of 2003 through August of 2008, our Director of Treasury Operations from May of 2001 through January of 2003 and our Petrochemicals Division Controller from November of 1998 through May of 2001. Prior to that time, Mr. Moore served in a variety of financial positions since joining us in December of 1989, including positions in internal audit, tax and financial reporting. Prior to joining us, Mr. Moore held various positions in the audit and tax departments of KPMG LLP.
<i>James R. Grannon</i> Age 52	Mr. Grannon has served as our Vice President Project Development since September 1, 2008. Prior to that, Mr. Grannon served as our Director of Operations from November of 2004 and our Manufacturing Manager from March of 2003 to November of 2004. He also previously held several management positions since joining us in August of 1986. Before joining us, Mr. Grannon held various positions with Monsanto Company from June of 1979 through July of 1986.
<i>Carla E. Stucky</i> Age 41	Ms. Stucky has been our Vice President and Corporate Controller since September of 2008. Prior to that time, Ms. Stucky served as our Corporate Controller from December of 2007 through August of 2008. Prior to joining us in December of 2007, Ms. Stucky served as Corporate Controller for Outsource Partners International, Inc. from July of 2006 through November of 2007, Director of Finance for Hempel A/S from April of 2005 to July of 2006, Assistant Controller for Nabors Industries, Ltd, from April of 2003 to March of 2005 and Director of Reporting and Corporate Accounting for Live Nation from May of 1999 to March of 2003. Ms. Stucky also held various positions in the audit practice of PricewaterhouseCoopers from January of 1994 through April of 1999.

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Compensation Committee Report

Our Compensation Committee has furnished the following report for inclusion in this Proxy Statement.

The Compensation Committee of Sterling Chemicals, Inc. (*Sterling*) is responsible for administering Sterling's executive compensation program and discharging most compensation responsibilities of Sterling's Board of Directors. Among other things, we review general compensation issues and determine the compensation of all of our senior executives and other key employees, and make recommendations regarding, and administer, all of Sterling's employee benefit plans that provide benefits to our senior executives.

We have reviewed the Compensation Discussion and Analysis included in the Proxy Statement in which this report appears, and we met and held discussions with Sterling's management with respect to that portion of the Proxy Statement. Based upon our review and discussions with management, we recommended to Sterling's Board of Directors that the Compensation Discussion and Analysis appearing in the Proxy Statement be included herein.

No portion of this report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended (collectively, the *Acts*), through any general statement incorporating by reference the Proxy Statement in which this report appears in its entirety, except to the extent that Sterling specifically incorporates this report or a portion of this report by reference. In addition, this report shall not otherwise be deemed to be soliciting material or to be filed under either of such Acts.

Respectfully submitted,

The Compensation Committee

of the Board of Directors

John W. Gildea (Chairman)

Karl W. Schwarzfeld

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Compensation Discussion and Analysis

Compensation Philosophy and Objectives

Our senior executive compensation program is designed to motivate, reward and retain the management talent needed to achieve our business goals and maintain a leadership position in the petrochemicals industry. Under our program, a significant portion of the potential compensation of our senior executives is dependent on our financial performance and increased stockholder value. Our program offers our senior executives salary levels and compensation incentives designed to:

attract, motivate and retain talented and productive executives;

recognize individual performance and our overall corporate performance relative to the performance of our competitors and other companies of comparable size; and

support our short-term and long-term goals.

We believe that this approach ensures an appropriate link between the compensation of our senior executives and the accomplishment of our goals and our stockholders' objectives.

Processes and Procedures for Determining Compensation

Our Compensation Committee is responsible for discharging the primary compensation responsibilities of our Board and has the authority to determine and approve the compensation paid to each of our senior executive officers, including the Named Executive Officers (as defined below). Our Compensation Committee also administers our compensation programs for our senior executive officers (including bonus plans, stock option and other equity-based programs, deferred compensation plans and other cash or stock incentive programs), and makes recommendations to our Board with respect to whether any of those plans should be changed or terminated, or whether new plans should be adopted. The charter for our Compensation Committee does not contemplate any delegation by our Compensation Committee, or any of its members, of the duties delegated by our Board to our Compensation Committee.

Our Compensation Committee uses a number of sources to determine the compensation paid to each of our senior executives. One of the primary sources of information used by our Compensation Committee for general survey purposes is data from independent compensation consultants. The extent of data received from these consultants varies from year to year. Once every several years, an in-depth analysis of each element of our senior executive compensation program, as well as the overall compensation paid to each of our senior executives, is performed by an independent consulting firm. In those years when an in-depth analysis is performed, the compensation consulting firm issues a final report to our Compensation Committee that provides its view of the appropriateness of the compensation paid to each of our senior executives and the appropriateness of our senior executive compensation program as a whole. This report and analysis is intended to provide our Compensation Committee with the ability to compare our senior executive compensation program to those offered by other chemical manufacturers and a select group of non-chemical companies of comparable size and performance, and determine whether the compensation paid to each of our senior executives is both competitive and reasonable in relation to the duties required of that executive. Our Compensation Committee does not, however, compare our compensation program against the compensation offered by all of the companies included in the S&P Chemicals Index used in the Performance Graph contained in our Form 10-K because many of those companies are not considered to be our competitors, either in the market for our products or for executive talent. In the years falling in between these more in-depth analyses, our management team provides our Compensation Committee with summary market data from several compensation consulting

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firms. Our Compensation Committee uses this data to assess general trends in the levels of base salaries paid to senior executives in our industry, in our geographic locale and in the United States as a whole.

In January of 2007, our Compensation Committee engaged The Hay Group, Inc. to perform an in-depth analysis of our senior executive compensation program. For its compensation decisions made in 2008, our Compensation Committee received summary market data from Hewitt Associates, Inc., World at Work, Sibson Consulting, Salary.com, Mercer Human Resources Consulting, LLC and Buck Consultants, and for its compensation decisions made in 2009, our Compensation Committee initially received summary market data from Business & Legal Reports (Southwest), Economic Research Institute, Mercer Human Resources Consulting, Salary.com, Watson Wyatt Worldwide and World at Work. However, due to the dramatic changes seen in the U.S. economy over the second half of 2008, our Compensation Committee was also provided with supplemental survey data for its compensation decisions made in 2009 that was collected during November and December of 2008 from The Hay Group, Inc., Quorum Compensation Group, Hewitt Consulting and Longnecker & Associates. After reviewing the summary market data, our Compensation Committee confers with our President and Chief Executive Officer to discuss the performance of each of our senior executives and, following that discussion, our Compensation Committee determines the amount of increase in base salary for each of our senior executives, including our President and Chief Executive Officer.

**Total Compensation**

The major components of our senior executive compensation program are base salary, annual incentive compensation and stock-based compensation, in addition to a few perquisites and other personal benefits to our senior executives, such as group life insurance. In addition, we maintain a 401(k) plan for all of our employees, and currently match the contributions into our 401(k) Plan made by each of our salaried employees, on a dollar-for-dollar basis, up to 6% of the participant's base salary. We also provide each of our senior executives (other than Mr. Genova) with post-employment compensation in the form of our Key Employee Protection Plan and our salaried employees' pension plan, but benefit accruals under our salaried employees' pension plan have been frozen since January 1, 2005. Mr. Genova, our President and Chief Executive Officer, is entitled to post-employment compensation under the terms of his Employment Agreement that is similar in design to the benefits provided our other senior executives under our Key Employee Protection Plan. Our Compensation Committee seeks to set base salaries for our senior executives at competitive rates, and also provides annual compensation opportunities linked to both our financial performance and the individual's performance in each year. In addition, each of senior executives has been issued stock options which link such executive's compensation to our overall financial performance over an extended period. We believe that focusing executive compensation on variable incentive pay helps us meet our performance goals and enhances long-term stockholder value.

***Base Salaries***

Under our compensation program, we place lower emphasis on fixed compensation for our senior executives and attempt to position their base salaries at industry levels. Initially, each executive's base salary is set at a level intended to reflect that executive's experience, level of responsibility, job classification and competence. Dramatic changes in base salaries are uncommon and typically only occur if needed to adjust for market movements, promotions or significant changes in responsibility or individual performance. Each year, our Compensation Committee determines the amount of increases in the base salaries of our senior executives. Once every several years, an in-depth analysis of each element of our senior executive compensation program, including base salaries, is performed by an independent consulting firm. In those years, our Compensation Committee receives a report from the compensation

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consulting firm that includes an analysis of an appropriate range for the base salary of each of our senior executives. Depending on the results of the analysis, our Compensation Committee may elect to make a significant increase, or make a lower than expected increase, in the base salary of one or more of our senior executives in that year in order to align that senior executive's base salary with the market rate for the position in question. In other years, our Compensation Committee reviews survey data and confers with our President and Chief Executive Officer to discuss the performance of each of our senior executives and, following that discussion, our Compensation Committee determines the increase in base salary for each of our senior executives, including our President and Chief Executive Officer.

As noted above, in January of 2007, our Compensation Committee directly engaged The Hay Group, Inc. to perform an in-depth analyses of our senior executive compensation program. The report prepared by The Hay Group, Inc. indicated that each of our Named Executive Officers was earning total compensation in excess of the average total compensation earned by similar executives at the companies that The Hay Group, Inc. used for comparison purposes. However, our Compensation Committee was of the opinion that the report by The Hay Group, Inc. had placed undue emphasis on the valuation for stock options granted in 2003 (and, in one case, 2004) and elected to grant raises in base salaries to Messrs. Hale, Rostek and Treybig. Our Compensation Committee felt that the valuation of stock options used in the analyses performed by The Hay Group, Inc. was given too much weight because our practice at that time was to make one large grant of stock options to each of our senior executives, rather than annual grants, which artificially skewed the compensation expense reported for the year of the grant. For 2009, our Compensation Committee initially received summary market data from Business & Legal Reports (Southwest), Economic Research Institute, Mercer Human Resources Consulting, Salary.com, Watson Wyatt Worldwide and World at Work. However, due to dramatic changes seen in the U.S. economy over the second half of 2008, our Compensation Committee also reviewed updated survey data collected during November and December of 2008 from The Hay Group, Inc., Quorum Compensation Group, Hewitt Consulting and Longnecker & Associates. After reviewing this data and conferring with our President and Chief Executive Officer, on February 12, 2009, our Compensation Committee approved the following increases in the annual base salaries (effective as of March 1, 2009) of each of our current Named Executive Officers:

	2008	2009
John V. Genova	\$395,000	\$415,000
John R. Beaver	223,250	243,342
Kenneth M. Hale	243,500	258,110
Paul C. Rostek	230,750	237,672
Walter B. Treybig	213,000	221,520

*Annual Incentive Compensation*

In addition to base salaries, our senior executives and other qualified employees can earn additional cash incentive compensation each year under our Bonus Plan. The additional compensation available under our Bonus Plan is intended to reward the achievement of annual corporate financial goals and personal performance. In August of 2008 and in January of 2009, our Compensation Committee amended our Bonus Plan. Prior to these amendments, the amount of any bonuses paid to each of our salaried employees, including our Named Executive Officers, was based on our earnings before interest, income taxes, depreciation and amortization (*EBITDA*) and the employee's *Bonus Target* (which is a percentage of his or her base salary), with 50% of that amount being subject to adjustment based on the employee's performance during the year. Mr. Genova's Bonus Target is 100% and the Bonus Target of each of our other current Named Executive Officers is 40%. Following the amendments to our Bonus

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Plan, the amount paid to each of our salaried employees, including our current Named Executive Officers, continues to be based on the employee's Bonus Target (none of which were changed under either amendment to our Bonus Plan), our financial performance and the individual's performance. However, our amended Bonus Plan includes additional corporate goals and contemplates assessing individual performance in any year against pre-determined performance metrics. Under our amended Bonus Plan, the corporate performance goals (our Corporate Performance Goals) are tied to our safety (20%), environmental and process safety management performance (10%) and the amount of EBITDA earned in the relevant year (excluding impacts of impairments, curtailments, severance, bonus expense, expenses related to our preferred stock, legal settlements and judgment and certain legal fees and transaction costs) (70%). The individual performance goals of our current Named Executive Officers are tied to improvements in our fixed costs, our safety, environmental and process safety management performance, reliability of our manufacturing assets, implementation or completion of critical projects (including strategic plans), administration of our internal control environment, improving our capital structure, improving administration of our compensation programs for our general salaried workforce and litigation management (Individual Performance Goals). The Individual Performance Goals of our Senior Vice Presidents are weighted as follows:

	Mr. Beaver	Mr. Hale	Mr. Rostek	Mr. Treybig
Safety Performance				40%
Environmental and Process Safety Management Performance				20%
Management of Fixed Cost Acetic Acid Plant Availability	25%	20%	15%	20%
Critical Projects	25%	40%	70%	
Strategic Projects	10%		15%	
Internal Control Environment	15%			
Investor Relations	10%			
Capital Structure Improvement	15%			
Merit Budget Process Improvement		15%		
Litigation Management		25%		

The portion of Mr. Genova's bonus based on Individual Performance Goals is determined by averaging the performance of Messrs. Beaver, Hale, Rostek and Treybig under their respective Individual Performance Goals.



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The amount of cash bonuses potentially payable to each employee under our amended Bonus Plan varies based on the number of our Corporate Performance Goals achieved (and the level achieved) and the individual's performance measured against his or her Individual Performance Goals. For example, if the threshold level of performance is achieved with respect to all of our Corporate Performance Goals and all of the Individual Performance Goals of one of our Named Executive Officers in a calendar year, the Named Executive Officer is eligible for a bonus in an amount up to 50% of his Bonus Target times his base salary. If the target level of performance is achieved with respect to all of our Corporate Performance Goals and all of the Individual Performance Goals of one of our Named Executive Officers in a calendar year, the Named Executive Officer is eligible for a bonus in an amount up to 100% of his Bonus Target times his base salary. Finally, if the maximum level of performance is achieved with respect to all of our Corporate Performance Goals and all of the Individual Performance Goals of one of our Named Executive Officers in a calendar year, the Named Executive Officers is eligible for a bonus in an amount up to 200% of his Bonus Target times his base salary. If actual performance is between any of the specified levels, the bonus amount for that performance metric is pro-rated between the two levels on a straight-line basis.

The maximum amount payable under our Bonus Plan for any year is not determined until the audit of our financial statements has been completed and our Form 10-K for that year has been approved by our Audit Committee and our Board. The amounts of bonuses actually paid to our current Named Executive Officers may, however, be reduced by our Board or our Compensation Committee for various business considerations. Generally, a senior executive must still be employed by us at the time the bonus is paid in order to receive a bonus payment. We believe that the potential to earn above market bonuses in any given year helps us attract, motivate and retain talented and productive senior executives and supports our short-term goals for that year. We believe that requiring minimum levels of financial performance in order to earn a bonus under our Bonus Plan and making 50% of the maximum bonus payable dependent upon individual performance, provides an effective tool for recognizing both individual performance and our overall corporate performance.

For the 2008 Bonus Plan year, we did not achieve the threshold level of EBITDA required for the payment of a bonus under our Bonus Plan. On February 12, 2009, our Compensation Committee reviewed our financial performance and the individual performance of each of our senior executives and authorized the payment of discretionary bonuses to each of our current Named Executive Officers in recognition of his performance against his individual performance metrics for 2008 previously established by our Compensation Committee and such officer's significant efforts during 2008 in connection with, among other things, setting new Sterling records in health, safety and environmental performance, successfully amending our long-term production agreements with BP Amoco Chemical Company and BASF Corporation, reducing our fixed costs, completing our exchange offer related to our 10<sup>1</sup>/<sub>4</sub>% Senior Secured Notes, amending our revolving credit facility to provide more favorable terms and achieving significant progress in the pursuit of numerous strategic transactions designed to more fully utilize the infrastructure at our Texas City facility. The following table sets forth the amount of bonuses paid to our current Named Executive Officers:

John V. Genova	\$223,504
John R. Beaver	55,998
Kenneth M. Hale	45,158
Paul C. Rostek	36,342
Walter B. Treybig	64,610

These bonus payments averaged about 27% of the total cash compensation paid to our senior executives (excluding Mr. Crump, who retired on May 30, 2008, and, consequently, was not paid a discretionary bonus).

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Our Compensation Committee also authorized the payment of discretionary bonuses to each of our senior executives on February 8, 2008 in recognition of such officer's significant efforts during 2007 in connection with, among other things, successfully refinancing our long-term indebtedness in March of 2007, successfully consummating the long-term exclusive styrene supply agreement between us and NOVA Chemicals Inc. in November of 2007 and achieving significant progress in the pursuit of numerous strategic transactions designed to more fully utilize the infrastructure at our Texas City facility. In evaluating the amounts of bonuses paid to each of our senior executives for 2007 and 2006, our Compensation Committee and our Board considered numerous factors, including, among others, the senior executive's influence in the development and implementation of the results obtained in connection with the refinancing of our long-term indebtedness, our long-term exclusive styrene supply agreement with NOVA Chemicals Inc. and our cost reduction strategies, his performance in driving results, his dedication to and participation in maintaining an ethical culture and his responsibility for maintaining high standards for environmental, health and safety performance. In addition, in setting these bonus amounts, our Compensation Committee gave due regard to its philosophy at that time that our management team functions as a team and that our success is dependent on the efforts of all of the members of our senior management as a group.

*Stock-Based Compensation*

Under the stock-based portion of our senior executive compensation program, our senior executives and other key employees are eligible for awards of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, performance awards and phantom stock awards under our Existing 2002 Stock Plan. Our Compensation Committee or our full Board determines the terms and amounts of each award granted under our Existing 2002 Stock Plan based upon a variety of factors, including:

the recipient's level of responsibility and job classification;

the recipient's job performance;

the recipient's present and potential contributions to our long-term success; and

the extent that the base salary of the recipient is below industry levels based on the compensation survey described above.

The primary purpose of our stock-based compensation program is to provide our senior executives and other key employees with incentives to concentrate on our performance over the long term. We believe that stock-based compensation is an appropriate and effective method for aligning the interests of our senior executives with our long-term goal of maximizing stockholder value because our senior executives will not receive any benefit from this form of compensation unless our overall value, based on stock prices, increases over time.

Our Compensation Committee or our Board specifies the number of shares covered by each award under our Existing 2002 Stock Plan and will do so under our Restated 2002 Stock Plan (in either case, our 2002 Stock Plan) and the associated vesting schedule. A three-year vesting schedule has been used for all awards that have been granted under our 2002 Stock Plan. We believe that this length of vesting schedule provides an incentive to our senior executives to increase stockholder value over time since the full benefit of the awards cannot be realized unless there is appreciation in stock value over a number of years. While we impose a three-year vesting schedule, options granted under our 2002 Stock Plan become fully exercisable in the event of the optionee's termination of employment by reason of death, disability or retirement, or in the event of a change in control, which includes (i) the acquisition of beneficial ownership by any person (other than Resurgence and its affiliates) of at least 50% of our

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outstanding Common Stock or at least 50% of the combined voting power of all our outstanding securities entitled to vote generally in the election of directors, (ii) the sale, lease, exchange or transfer of substantially all of our properties and assets or (iii) our merger or consolidation with another entity if the holders of our existing voting securities own less than a majority of the voting securities of the surviving entity.

Historically, only one grant of awards under our 2002 Stock Plan has been made to each individual (in the absence of a promotion or other change in status). Our 2002 Stock Plan was initially authorized and established on December 19, 2002, when we emerged from bankruptcy protection under Chapter 11 of the Bankruptcy Code. Shortly thereafter, on February 11, 2003, our Compensation Committee and our Board made initial grants of stock options to each of our executive officers and certain other employees in amounts our Compensation Committee felt were adequate to provide the appropriate incentives to achieve the desired alignment with the long-term interests of our stockholders. Our Compensation Committee has approved three grants of awards under our 2002 Stock Plan since that time. Two of these grants were made in connection Messrs. Rostek and Beaver being promoted to their current positions in order to align their overall compensation and incentives with those of our other senior executives. The third grant was made to Mr. Genova on May 27, 2008 in connection with his employment as our President and Chief Executive Officer. All outstanding options held by our Named Executive Officers contain a three-year vesting schedule and all of these options have previously vested and are exercisable other than the options granted to Messrs. Beaver and Genova in May 2008. No option may be exercised after the tenth anniversary of the date of grant or the earlier termination of the option. Each award of options made under our 2002 Stock Plan has been a grant of non-qualified stock options to acquire shares of our Common Stock at an exercise price of \$31.60 per share. Our Board based the exercise price for each of these awards on an approximation of the amount invested by our primary stockholder in connection with our emergence from bankruptcy at the end of 2002. That amount was far in excess of the trading price of a share of our Common Stock on the over-the-counter market on each grant date.

While historically we have made only one grant of options under our 2002 Stock Plan to any individual in the absence of a promotion, on December 5, 2008, our Compensation Committee adopted a Stock Option Grant Policy that provides that grants of awards of additional stock options to eligible officers and key employees, including each of our senior executives, will be considered each year, beginning in 2009, in such numbers as the Board or our Compensation Committee deems appropriate to, among other things, ensure that the compensation payable to our senior executives is competitive in the market place for executive talent. In the event that our Board or our Compensation Committee authorizes any such grants, our Stock Option Grant Policy provides that those grants will be authorized on or before the second business day after our Board has approved our annual report on Form 10-K for the relevant fiscal year, with the options themselves being granted as of the third business day after the filing of such Form 10-K with the Securities and Exchange Commission. In addition, our Stock Option Grant Policy provides that the exercise price for any options granted will be an amount equal to the Fair Market Value (as defined in our 2002 Stock Plan) of a share of our Common Stock on the grant date. Neither our Board nor our Compensation Committee is prohibited from granting options at times when they are in possession of material non-public information. However, no inside information has been taken into account in determining the number of options previously awarded or the exercise price for those awards, and we did not time the release of any material non-public information to affect the value of those awards.

Under our Code of Ethics and Conduct, all of our employees, including each of our Named Executive Officers and directors, are prohibited from directly or indirectly purchasing or selling any of our securities while they are in possession of material inside information, communicating any material

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