

STERLING CHEMICALS INC
Form DEF 14A
March 24, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

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- o Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

March 24, 2010

Dear Stockholders:

We are pleased to invite you to attend the 2010 Annual Meeting of Stockholders of Sterling Chemicals, Inc. to be held at 10:00 a.m. (Houston time) on April 23, 2010, at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, 44th 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 2009 and our plans for 2010. 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

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 23, 2010

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, 44th Floor, Houston, Texas 77002 at 10:00 a.m. (Houston time) on Friday, April 23, 2010. 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 2011 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, 2010 (the *Grant Thornton Appointment*).

The ratification and approval of our Long-Term Incentive Plan.

You are entitled to vote at the meeting for some of our director nominees, on the proposal to ratify and approve the Grant Thornton Appointment and on the proposal to ratify and approve our Long-Term Incentive Plan 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 5, 2010.

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 and FOR the ratification and approval of our Long-Term Incentive Plan. 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 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 5, 2010 from the intermediary.

By Order of the Board of Directors

/s/ Kenneth M. Hale
Kenneth M. Hale
Corporate Secretary

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 23, 2010

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 2010 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, 2010.

Time and Place of Annual Meeting

The Annual Meeting will be held on Friday, April 23, 2010, at 10:00 a.m. (Houston time) at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana Street, 44th Floor, Houston, Texas 77002.

Admission Rules

Only stockholders of record as of March 5, 2010 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 5, 2010, 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.

Arrangements Regarding Nomination and Election of Directors

The holders of our Series A Convertible Preferred Stock (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 our common stock, par value \$0.01 per share (our Common Stock) beneficially owned by Resurgence Asset Management, L.L.C. (Resurgence) and its and its affiliates managed funds and accounts, as well as certain permitted transferees. Currently, the holders of our Preferred Stock are entitled to elect at least a majority of our directors. Messrs. Daniel M. Fishbane, 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 John L. Teeger 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 5, 2010, as reflected in our stock registers, you may vote at the Annual Meeting on the following matters:

Securities Held of

Record on March 5, 2010

Proposals on Which You May Vote

Preferred Stock

Preferred Stock Nominees for Director
General Nominees for Director
Approval of Grant Thornton Appointment
Approval of Long-Term Incentive Plan

Common Stock

General Nominees for Director
Approval of Grant Thornton Appointment
Approval of Long-Term Incentive Plan

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 22, 2010. 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, 2010 (the Grant Thornton Appointment) and for or against the proposal to ratify and approve our Long-Term Incentive Plan (our Long-Term Incentive Plan). 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 director 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 our Long-Term Incentive Plan.

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 ownership of your shares as of March 5, 2010, 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 5, 2010, 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 may 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.

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 2011 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 2011 annual meeting of stockholders should follow the procedures specified below under the heading *Director Nominations and Qualifications*.

Director Nominations and Qualifications

The holders of our Preferred Stock are currently entitled to nominate more than a majority of our directors. We do not have a separate charter addressing director nominations. Previously, our Corporate Governance Committee, in accordance with its Charter and subject to the terms of our Second Amended and Restated Certificate of Incorporation (our *Certificate of Incorporation*) and our Bylaws, was charged with the responsibility for reviewing candidates recommended by our stockholders for positions on our Board. However, on March 12, 2010, our Board elected to dissolve our Corporate Governance Committee. 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 2011 annual meeting of stockholders, means that the nomination must be received on or after November 24, 2010 but no later than January 23, 2011. 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;

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 Board uses the same process to evaluate director candidates, whether nominated by one of our stockholders or by one of our directors, 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. We do not currently have a charter addressing the evaluation of director candidates.

Our Board conducts appropriate inquiries into the background and qualifications of each director candidate. In determining whether it will support a particular candidate for a position on our Board, our Board considers those matters it deems relevant, which may include, but are not limited to, integrity, judgment, business specialization, technical skills, independence, potential conflicts of interest and the present needs of our Board. Our Board may also consider the overall diversity of our Board when making such a determination to ensure that it is able to represent the best interests of all of our stockholders and to encourage innovative solutions and viewpoints by considering background, education, experience, business specialization, technical skills and other factors of any particular candidate as compared to composition of our Board at the time. Under our Governance Principles (which are posted on our website at 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). We do not have a formal process for identifying nominees for directors.

Important Notice Regarding The Availability of Proxy Materials For The Stockholders Meeting To Be Held On April 23, 2010.

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, 2009 (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 are 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 or our Compensation 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, 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, Mr. Gildea was originally appointed to our Board on December 19, 2002 and Mr. Teeger was originally appointed to our Board on March 12, 2010. The holders of our Preferred Stock appointed Mr. Sivin to our Board on July 28, 2004, Mr. Schwarzfeld to our Board on March 10, 2006 and Mr. Fishbane to our Board on November 6, 2009, in each case to fill vacancies in seats previously held by designees of the holders of our Preferred Stock. Dr. Peter T.K. Wu, our remaining current director, has not been nominated for re-election to our Board. As the size of our Board will be reduced by one immediately after the Annual Meeting, proxies may not be voted for a greater number of directors than the number of nominees named in this Proxy Statement.

Our Board held five meetings in 2009. Our directors attended 100% of the meetings of our Board and any of our committees on which they served during 2009. 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. John V. Genova, attended our annual meeting of stockholders in 2009.

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.

Risk Oversight

Our Board oversees an enterprise-wide approach to risk management designed to support the achievement of our organizational objectives, including strategic objectives, improvement of our long-term organizational performance and the enhancement of shareholder value. Our Board assesses the risks we face on an ongoing basis, including risks associated with our financial position, our chemical manufacturing operations, our reliance on a single customer for each of our products, the funded status of our pension plans, our net interest expense and the impact of discontinued operations on our cost structure. Our Board dedicates time at each of its meetings to review and consider these and other risks we face from time to time. Our approach to risk management includes developing an understanding of the risks we face and determining the steps that should be taken to manage those risks, as well as the level of risk that is appropriate for us given our size, financial condition, prospects and plans for the future. Each year, our management team conducts a comprehensive review of the risks we face, our controls to manage those risks and the effectiveness of those controls. As a part of this process, we group these risks

into several categories and then rank these categories of risks based on the potential impact of the risks, the likelihood of the risks occurring and the effectiveness of our controls in managing those risks. After each calendar quarter occurring between our comprehensive risk reviews, we review these rankings to determine if any adjustments for specific business risks are warranted.

While our Board has ultimate oversight responsibility for our risk management process, the committees of our Board also have a role in our risk management. Our Audit Committee, which is responsible for assessing and overseeing our exposure to financial risks, reviews our disclosure controls and our internal controls over financial reporting on a quarterly basis, including our overall risk assessment, our processes or procedures for assessing risks and any changes to the rankings of any of our specific business risks. Our Compensation Committee, in setting performance metrics for short-term and long-term incentive compensation, strives to create incentives for our senior executives that encourage a level of risk-taking behavior that is consistent with our business strategy and the risks we face. Our Environmental, Health & Safety Committee reviews our programs and practices in minimizing risks related to the nature of our operations, including employee and contractor safety programs and our process safety management initiatives.

Board Composition and Qualifications

Each Preferred Nominee, General Nominee and current Board member brings a strong and unique background and set of skills to our Board, giving our Board as a whole competence and experience in a wide variety of areas, including board service, executive management, petrochemicals, oil and gas, energy, international trade, accounting, finance, risk assessment, manufacturing and marketing. Mr. Crump served as our President and Chief Executive Officer for over six years and has been with us since our inception in 1986, bringing to our Board a wealth of experience and history with our operations, our strategic partners and the types of issues we face on a recurring basis. Mr. Genova, our current President and Chief Executive Officer, previously served in high-level positions at Tesoro Corporation and ExxonMobil Corporation and on the board of Encore Acquisition Company and has demonstrated ability in project development, mergers and acquisitions, corporate and business planning, capital management, competitor assessment, benchmarking and manufacturing. Mr. Fishbane, through his education, training and employment as a certified public accountant, an auditor and as the chief financial officer of several private equity and investment firms, has valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of a public company. Mr. Gildea, a managing director and principal of Gildea Management Company, has significant experience as an investment advisor to distressed companies and special situation investments and as a director, audit committee member and compensation committee member for several private and public companies. Mr. Schwarzfeld, a Vice President of Resurgence, which beneficially owns a substantial majority of the voting power of our securities, has extensive experience in financial and business matters. Mr. Sivin has served as an officer and as legal counsel of M.D. Sass Investor Services, Inc. (*M.D. Sass*) and several of its affiliates and has experience as a director of numerous companies and as a corporate and securities lawyer at Sullivan & Cromwell LLP, a national law firm. Mr. Teeger is a partner and the President of Founders Equity and has extensive experience in public accounting, finance and investment banking. Dr. Wu serves as director of numerous companies based in Taiwan, China and other Asian countries and has extensive experience as an officer and director of several petrochemical companies, having received numerous awards related to his contributions to the chemicals and polymers industries in Asia.

Board Leadership Structure

Our Board does not have a lead director or a Chairman. Our President and Chief Executive Officer serves as a director on our Board, sets the agenda for each of our Board meetings and generally presides over the meetings of our Board. However, each of our directors is expected to provide leadership for our Board in the areas where they have particular expertise and each of our Board members from time to time suggests topics for inclusion on the agenda for future Board meetings. We believe that our leadership structure is appropriate because it strikes an effective balance between management and non-employee director participation in our Board process. The role of our President and Chief Executive Officer helps to ensure communication between management and our non-employee directors, encourages each of our non-employee director to participate and contribute to our Board process, permits us to capitalize on each director's particular area of expertise as needed and increases our non-employee directors understanding of management decisions and our operations.

Director Independence

Messrs. Gildea and Teeger and Dr. Wu are considered independent under the listing standards of the New York Stock Exchange. Mr. Schwarzfeld is employed by Resurgence or its affiliates and Byron J. Haney, who served as a director until November 6, 2009, was also employed by Resurgence and its affiliates while serving as a director. Resurgence 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. Messrs. Fishbane and Sivin are employed by M.D. Sass, which wholly owns Resurgence. Mr. Sivin is also the son-in-law of Martin Sass, the Chief Executive Officer of Resurgence and of M.D. Sass. Consequently, Messrs. Schwarzfeld, Haney, Fishbane and Sivin may be considered not independent under the listing standards of the New York Stock Exchange. 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.

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 previously acted as our nominating committee. However, on March 12, 2010, our Board elected to dissolve our Corporate Governance Committee. Currently, our Board does not have a nominating committee and believes that our entire Board is able to fulfill the functions of a nominating committee.

Audit Committee

Our Audit Committee, which met four times in 2009, is currently comprised of two of our non-employee directors, Daniel M. Fishbane (Chairman) and John W. Gildea. Mr. Fishbane replaced Byron J. Haney as a member and Chairman of our Audit Committee on November 6, 2009 after Mr. Haney's removal from our Board by the holders of our Preferred Stock. 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/audit.html 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/ethics.html. This Code of Ethics, which applies to our Chief Executive Officer, our Chief Financial Officer, our Corporate Controller and our Treasurer, 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. Fishbane may be considered not independent under these listing standards due to his employment by M.D. Sass. However, as Mr. Fishbane qualifies as a financial expert, as discussed below, our Board determined that it was appropriate to appoint Mr. Fishbane 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;

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. Fishbane 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, auditor and chief financial officer and other relevant experience acquired through his work at M.D. Sass and other companies.

*Compensation
Committee*

Our Compensation Committee, which met four times in 2009, is currently comprised of two of our non-employee directors, John L. Teeger (Chairman) and Karl W. Schwarzfeld. Mr. Teeger replaced John W. Gildea as a member and Chairman of our Compensation Committee on March 12, 2010, after our Board reassessed the membership of each of our Board committees in an effort to more evenly disperse the responsibilities of each of our Board members. 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/compensation.html. 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, long-term incentive 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.

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. Teeger 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 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, which met four times in 2009, was comprised of two of our non-employee directors, Dr. Peter T.K. Wu (Chairman) and John W. Gildea. Our Corporate Governance Committee operated under a written charter adopted by our Board and considered all matters related to our corporate governance. In discharging its duties, our Corporate Governance Committee was responsible for making recommendations to our Board with respect to changes to our Certificate of Incorporation, Bylaws, committee structure and corporate governance principles, reviewing all stockholder proposals, considering questions of independence of our Board members and possible conflicts of interest, reviewing succession plans relating to positions held by our senior executive officers and reviewing our insurance and indemnity arrangements for our directors and officers. Our Corporate Governance Committee also provided oversight with respect to the establishment of and adherence to our 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 had also acted as our *nominating committee*. In this capacity, our Corporate Governance Committee was responsible for considering, recommending and recruiting candidates to fill new or vacant positions on our Board and conducting inquiries into the backgrounds and qualifications of possible candidates for positions on our Board (unless any person or entity had 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 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 was required to 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.

On March 12, 2010, our Board dissolved our Corporate Governance Committee. In connection with this dissolution, our Corporate Governance Committee's responsibility for providing oversight with respect to the establishment of and adherence to our corporate compliance programs, codes of conduct and other policies and procedures concerning our business and our compliance with all relevant laws and reviewing our insurance and indemnity arrangements for directors and officers was transferred to our

Audit Committee. Going forward, our Board does not intend to maintain a separate nominating committee and will, instead, fulfill this function as an entire Board. In addition, our Board as a whole will be responsible for considering changes to our Certificate of Incorporation, Bylaws, committee structure and corporate governance principles and reviewing stockholder proposals. Finally, our Board intends to use ad hoc committees of independent directors to address any questions of independence of our Board members or possible conflicts of interest that may arise in the future.

Environmental, Health & Safety Committee

Our Environmental, Health & Safety Committee, which met four times in 2009, is currently comprised of three of our non-employee directors, Richard K. Crump (Chairman), John L. Teeger and Dr. Peter T.K. Wu. Mr. Teeger was appointed as a member of our Environmental, Health & Safety Committee on March 12, 2010. 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. After the Annual Meeting, Dr. Wu will no longer be a member of our Environmental, Health & Safety Committee.

Compensation Committee Interlocks and Insider Participation

During 2009, Messrs. Gildea and Schwarzfeld served on our Compensation Committee. Neither 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 Mr. Schwarzfeld, none of our directors serving on our Compensation Committee in 2009 had any relationship that requires disclosure in this Proxy Statement as a transaction with a related person. During 2009:

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.

Governance Principles

Our Board adopted formal Governance Principles in August of 2005, a current copy of which is posted on our website at 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 5, 2010, 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 5, 2010, there were 6,559,050 shares of our Preferred Stock outstanding (currently convertible into 6,559,050 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 its and its affiliates managed funds and accounts, as well as 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.

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:

Daniel M. Fishbane
Age 48
Director Since
November 2009

Mr. Fishbane is a Senior Vice President and the Chief Financial Officer of M.D. Sass, which wholly owns Resurgence. Resurgence beneficially owns a substantial majority of the voting power of our securities. Prior to joining M.D. Sass in January 2008, Mr. Fishbane served as Chief Financial Officer for Pequot Capital, a \$7 billion multi-strategy hedge fund organization based in Connecticut from 2005 to 2008. Prior to that time, Mr. Fishbane was Managing Director and Chief Financial Officer of Swiss Re Financial Products Corp. from 2001 to 2005, Executive Vice President and Chief Financial Officer of National Discount Brokers Group from 2000 to 2001 and Managing Director-Finance & Operations, CFO at D.E. Shaw from 1990 to 1999.

Karl W. Schwarzfeld
Age 33
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. Mr. Schwarzfeld previously served as a member of the Board of Directors of Furniture.com, Inc. during 2007 and 2008.

Philip M. Sivin
Age 38
Director Since
July 2004

Mr. Sivin is a Managing Director of M.D. Sass Macquarie Financial Strategies Management Company, LLC (*FinStrat*) and of M.D. Sass, which wholly owns Resurgence. Resurgence beneficially owns a substantial majority of the voting power of our securities. Mr. Sivin has worked at M.D. Sass and/or its affiliated companies since 2000 in various capacities including Senior Vice President of FinStrat and MD Sass from 2006 through 2009, Vice President of Resurgence from 2004 through 2007 and Senior Vice President and General Counsel of M.D. Sass and M.D. Sass Associates, Inc. from 2000 through 2005. 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 has also served as a member of the Board of Directors and an executive officer of M.D. Sass, M.D. Sass Associates, Inc. and M.D. Sass Management since 2000 and a member of the Board of Directors of Taurus Fund Management Pty Limited, Taurus SM Holdings Pty Limited and New Holland Capital Pty Limited since 2008 and of Furniture.com since 2006. Previously, Mr. Sivin served as a member of the Board of Directors of RDA Sterling Holdings Corporation during 2007 and 2008, a member of the Liquidating Trust Board of SmarTalk TeleServices, Inc. and its affiliates during 2006 and a member of the Board of Directors of First Commercial Credit Corp. since 2006.

General Nominees

Who May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 5, 2010, as reflected in our stock register, you may vote in the election for the General Nominees.

Outstanding Shares

On March 5, 2010, there were 6,559,050 shares of our Preferred Stock outstanding (currently convertible into 6,559,050 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.

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 64
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 55
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. 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 in the refining, supply and natural gas functions before becoming the Executive Assistant to the Chairman and General Manager, Corporate Planning, responsible for development of ExxonMobil's corporate plans during 2002 and 2003.

Mr. Genova has also served as an advisory board member for 1859 Partners, LLC, an investment company, since 2009 and as a member of the Board of Directors of Encore Acquisition Company since 2004. In addition, Mr. Genova has provided consulting services to investment banks, private equity companies and hedge funds.

John W. Gildea
Age 66
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 also served as a director of Shearer's Foods, Inc., a private company, since 2009, a director and a member of the Audit Committee and the Compensation Committee of America Service Group, Inc. since 2007, a director and member of the Audit Committee and Compensation Committee of Misonix, Inc. for over five years and director of Sothic Capital, an United Kingdom based private distressed fund. Previously Mr. Gildea served as a director of Universal Aerospace Company, Inc. from 2005 through 2008 and a director of several United Kingdom based investment trusts for over five years. Mr. Gildea has also 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.

John L. Teeger
Age 66
Director Since
March 2010

Mr. Teeger is the President and Chief Operating Officer of Founders Equity Inc. (Founders), positions he has held since 1981. Founders manages private equity funds through its affiliates Founders Equity SBIC I LP and Founders Equity NY LP, which invest in small to mid-cap enterprises operating in the U.S. Prior to joining Founders, Mr. Teeger was a Vice President of Bear Stearns & Co. from 1976 to 1981. Mr. Teeger has been a director and an officer of numerous entities formed by Founders and its affiliates and is currently a director of Stone Source Inc., Richardson Foods Inc., Glass America Inc. and Ensure Technologies Inc. Mr. Teeger is also a member and former Chapter Chairman of the World Presidents Organization and the Young Presidents Organization.

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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, 2010. We are asking that our stockholders ratify the Grant Thornton Appointment. Grant Thornton has been our independent accounting firm since 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.

Who May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 5, 2010, 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 5, 2010, there were 6,559,050 shares of our Preferred Stock outstanding (currently convertible into 6,559,050 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.

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 2009 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, 2009, 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, 2009, 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, 2009 be included in Sterling's Annual Report on Form 10-K for the year ended December 31, 2009, 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

Daniel M. Fishbane (Chairman)
John W. Gildea

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Audit Fees, Audit Related Fees, Tax Fees and Other Fees

Grant Thornton has served as our independent public accountants since April of 2008. We paid Grant Thornton the following fees for the years ended December 31, 2009 and December 31, 2008, respectively:

	2009	2008
Audit Fees	\$ 420,221	\$ 410,706
Audit Related Fees	7,950	239,103
Tax Fees	0	0
All Other Fees	0	0
 Total	 \$ 428,171	 \$ 649,809

Audit Fees paid to Grant Thornton 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 were primarily for audit services performed in connection with the preparation of a Form S-8 registration statement during 2009 and for audit services performed in connection with our exchange offer registration statement pertaining to our 10¹/₄% Senior Secured Notes during 2008.

Our Audit Committee considered whether the provision of non-audit services by Grant Thornton was compatible with maintaining its independence, and concluded that the independence of Grant Thornton 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 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 Long-Term Incentive Plan
(Item 3 on the Proxy Card)

On August 7, 2009, our Board of Directors adopted our Long-Term Incentive Plan, which provides for the issuance of awards of performance units to our Chief Executive Officer and President, our Senior Vice Presidents and other key employees. The terms of our Long-Term Incentive Plan are summarized below but such summary is qualified, in its entirety, by reference to the actual text of our Long-Term Incentive Plan which is set forth in Annex A.

Purposes

The purposes of our Long-Term Incentive Plan are to reward our executive officers and other designated employees for achieving pre-established financial objectives that contribute to our growth and profitability, to increase stockholder value and to provide an incentive compensation opportunity that will enable us to attract, motivate and retain outstanding executives.

Administration

Our Long-Term Incentive Plan is administered by our Compensation Committee, which has full discretion to administer and interpret our Long-Term Incentive Plan and to establish such rules and regulations as it deems necessary or advisable. In addition, our Compensation Committee has the full discretion to determine, among other things, who will be granted awards of performance units under our Long-Term Incentive Plan and to determine the type, terms and conditions of those awards. Each member of our Compensation Committee is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986.

Eligibility

Performance awards may be granted to our Chief Executive Officer, our President, our Senior Vice Presidents and any other key employees (or those of our subsidiaries) as our Compensation Committee may select that are deemed to be significant contributors to our growth and profitability.

New Plan Benefits

The number of awards under our Long-Term Incentive Plan that will be received or allocated to our executive officers and other key employees is not determinable at this time. Our non-employee directors and service providers are not eligible for awards under our Long-Term Incentive Plan.

Grants of Awards

Our Compensation Committee determines those of our employees who will be granted awards each year and the terms of those awards. We expect all awards under our Long-Term Incentive Plan to be in the form of performance units, each having a value of \$1,000. Performance units under our Long-Term Incentive Plan may be payable in the form of cash or other property and are payable upon the satisfaction of pre-determined performance goals over performance periods. For purposes of our Long-Term Incentive Plan, performance goals may include any of the following business criteria: revenues, earnings before interest, taxes, depreciation and amortization (which may be adjusted for certain non-recurring and other items as described in our Long-Term Incentive Plan), free cash flow, funds from operations per share, operating income (loss), pre or after tax income (loss), cash available for distribution, cash available for distribution per share, cash and/or cash equivalents available for operations, net earnings

(loss), earnings (loss) per share, return on equity, return on assets, share price performance, improvements in our attainment of expense levels, implementation or completion of critical projects, including, without limitation, implementation of strategic plan(s), improvement in investor relations, marketing and manufacturing of key products, improvement in cash-flow (before or after tax), development of critical projects or product development or progress relating to research and development. Performance goals will typically be assigned threshold, target and maximum levels of performance, with the number of units earned determined at the end of the performance period. Generally, if actual performance during the performance period is below threshold level, no performance units are earned or payable. However, if threshold level is attained, the number of performance units earned will generally be 50% of the number of performance units that would have been earned at target level and if maximum level of performance (or above) is attained, the number of performance units earned and payable will generally be twice the number of performance units that would have been earned at the target level of performance. The number of performance units earned and payable for performance between threshold and target or between target and maximum is pro rated. Our Compensation Committee sets the level of performance for the payment of performance units at the time of grant of the relevant performance units.

Performance Periods

Our Compensation Committee sets the duration of performance units at the time of grant. Typically, performance periods will be three years. However, for the grants of performance units made by our Compensation Committee on August 7, 2009, the performance period commenced on July 1, 2009 and will end on December 31, 2011 (the 2009 Performance Period). Performance periods under our Long-Term Incentive Plan will overlap, with the expectation that awards may be earned and paid on an annual basis starting with the end of the 2009 Performance Period.

Maximum Amount Payable

No participant in our Long-Term Incentive Plan may be granted awards for all performance periods commencing in the same year that would allow that participant to earn more than \$5,000,000 from those performance units.

Existing Grants of Performance Units

Our Compensation Committee awarded each of our Named Executive Officers (other than Ms. Stucky) performance units under our Long-Term Incentive Plan on August 7, 2009 and awarded performance units to Messrs. Genova, Hale and Treybig on February 10, 2010. The number of performance units granted and the performance metrics required to be achieved in order for these performance units to become earned and payable are described below in Long-Term Cash Incentive Compensation in the Compensation Discussion and Analysis portion of this proxy statement.

Death, Disability or Separation From Employment

Upon the death or Disability (as such term is defined in our Long-Term Incentive Plan) of a holder of performance units, any incomplete performance periods for outstanding performance units awarded to that holder will end at that time and the outstanding performance units become payable, if at all, in accordance with the terms set out at the time of grant of those performance units. For the performance units awarded by our Compensation Committee on August 7, 2009 (our 2009 Performance Units), each holder of those 2009 Performance Units that remain outstanding will be deemed to have earned the number of 2009 Performance Units that he or she would have earned at the target level of performance. For the performance units awarded by our Compensation Committee on February 10, 2010

(our 2010 Performance Units and, together with our 2009 Performance Units, our Performance Units), each holder of those 2010 Performance Units that remain outstanding will be deemed to have earned the number of 2010 Performance Units that he or she would have earned at the target level of performance multiplied by a fraction, the numerator of which is the number of days in the 2010 Performance Period during which such recipient was employed by us and the denominator of which is the total number of days in the 2010 Performance Period, and we will redeem those 2010 Performance Units for \$1,000 each in cash. Any Performance Units deemed to have been earned under these provisions will be paid in cash at an amount equal to \$1,000 per Performance Unit, with such payment to be made on or before March 14 of the calendar year immediately following the calendar year in which such holder died or became disabled.

The treatment of a holder's outstanding performance units in the event that his or her employment with us terminates prior to the end of the relevant performance period is at the discretion of our Compensation Committee unless the specific terms are set out at the time of the grant of those performance units. For our Performance Units, if we terminate the employment of any holder of performance units without Cause or if the holder terminates his or her employment for Good Reason, as such terms are defined in our Long-Term Incentive Plan, and our Performance Units become earned and payable, the number of Performance Units earned by that holder will be the number of Performance Units that would have been earned by such holder had his or her employment continued throughout the relevant Performance Period times a fraction, the numerator of which is number of days during the relevant Performance Period that elapse through and including the date of such holder's retirement, and the denominator of which is number of days in the relevant Performance Period. Any Performance Units earned under these provisions will be paid in cash at an amount equal to \$1,000 per Performance Unit, with such payment to be made on or before March 14 of the calendar year immediately succeeding the last day of the relevant Performance Period. In the event that a holder of our 2009 Performance Units retires prior to the end of the 2009 Performance Period and 2009 Performance Units become earned and payable, the number of 2009 Performance Units earned by such holder will be the number of 2009 Performance Units that would have been earned by such holder had his or her employment continued throughout the 2009 Performance Period times a fraction, the numerator of which is number of days during the period commencing on July 1, 2009 and continuing through and including the date of such holder's retirement, and the denominator of which is number of days in the 2009 Performance Period. Any 2009 Performance Units earned under these provisions will be paid in cash at an amount equal to \$1,000 per Performance Unit, with such payment to be made on or before March 14, 2012. In the event that a holder of our 2010 Performance Units retires prior to the end of the 2010 Performance Period, all 2010 Performance Units held by that retiree are forfeited at the time of retirement. In the event that the employment with us of a holder of our 2009 Performance Units or our 2010 Performance Units terminates for any other reason, whether or to what extent any of our 2009 Performance Units or our 2010 Performance Units become earned or payable is at the discretion of our Compensation Committee.

Change of Control

Upon a Change of Control, as such term is defined in our Long-Term Incentive Plan, any incomplete performance periods for outstanding performance units end at that time and the outstanding performance units become payable, if at all, in accordance with the terms set out at the time of grant of those performance units. For our Performance Units, all outstanding performance units will automatically lapse and be canceled upon the occurrence of a Change of Control if a Transaction Fee (as defined in that certain Amended and Restated Employment Agreement dated as of June 16, 2009 between us and Mr. Genova) is paid to any holder of those Performance Units in connection with the transaction resulting in such Change in Control. However, if no Transaction Fee is paid to any holder of those Performance Units in connection with the transaction resulting in such Change in Control pursuant to the terms of Mr.

Genova's Employment Agreement, each of our Named Executive Officers (other than Mr. Beaver who resigned effective October 31, 2009) and Mr. Collins will be deemed to have earned the number of Performance Units that he or she would have earned at the target level of performance. Any Performance Units earned under these provisions will be paid in cash at an amount equal to \$1,000 per Performance Unit (pro rated in the case of our 2009 Performance Units granted to Mr. Rostek who retired effective March 16, 2010), with such payment to be made at the time the relevant transaction is consummated.

Tax Consequences

The recipient of an award of performance units will not experience any tax impact for federal income tax purposes at the time of the award. However, to the extent any performance units become earned and payable under our Long-Term Incentive Plan, the amount received by the recipient will be taxable to the recipient as ordinary income for federal income tax purposes in the year he or she receives the cash payment. All awards under our Long-Term Incentive Plan made after our stockholders approve our Long-Term Incentive Plan are intended to provide an incentive compensation opportunity exempt from the deduction limitations contained in Section 162(m) of the Internal Revenue Code of 1986. Unless limited by Section 162(m) of the Internal Revenue Code of 1986, we will be entitled to a tax deduction in the amount, and at the time, a recipient recognizes a payment under our Long-Term Incentive Plan as ordinary income. This discussion of the tax consequences of awards of performance units under our Long-Term Incentive Plan does not purport to be complete in that it discusses only federal income tax consequences, and it does not discuss tax consequences that may arise in special circumstances, such as the death of the participant.

Termination and Amendment

Our Board may, at any time, terminate or, from time to time, amend, modify or suspend our Long-Term Incentive Plan, with or without stockholder approval. However, a termination or an amendment or modification of our Long-Term Incentive Plan will not affect the rights or benefits of any recipient, or our obligations, under any awards of performance units made prior to the effective date of the termination, amendment or modification.

Who May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 5, 2010, as reflected in our stock register, you may vote at the Annual Meeting on the ratification and approval of our Long-Term Incentive Plan.

Outstanding Shares

On March 5, 2010, there were 6,559,050 shares of our Preferred Stock outstanding (currently convertible into 6,559,050 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 our Long-Term Incentive Plan, 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 our Long-Term Incentive Plan. 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 our Long-Term Incentive Plan, 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 our Long-Term Incentive Plan, 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 our Long-Term Incentive Plan and each share of our Preferred Stock has the right to cast 1,000 votes on our Long-Term Incentive Plan. Ratification and approval of our Long-Term Incentive Plan 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 our Long-Term Incentive Plan will have the same effect as a vote against our Long-Term Incentive Plan. However, broker non-votes are considered not to be present for voting on our Long-Term Incentive Plan and, consequently, do not count as votes for or against our Long-Term Incentive Plan and are not considered in calculating the number of votes necessary for approval.

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

* * *

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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 55

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. 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 in the refining, supply and natural gas functions before becoming the Executive Assistant to the Chairman and General Manager, Corporate Planning, responsible for development of ExxonMobil's corporate plans during 2002 and 2003. Mr. Genova has also served as an advisory board member for 1859 Partners, LLC, an investment company, since 2009 and as a member of the Board of Directors of Encore Acquisition Company since 2004. In addition, Mr. Genova has provided consulting services to investment banks, private equity companies and hedge funds.

David J. Collins
Age 41

Mr. Collins has been our Senior Vice President and Chief Financial Officer since March 1, 2010. Mr. Collins most recently served as the Chief Financial Officer of PetroSearch Energy Corporation, a crude oil and natural gas exploration company, from 2003 through 2009. Prior to serving as the Chief Financial Officer at PetroSearch, Mr. Collins served as Chief Financial Officer/Controller at Kazi Management from 2002 through 2003 and Vice President and Chief Financial Officer at Federation Logistics Inc. from 1993 through 2001. Mr. Collins also previously served as a Senior Auditor/Certified Public Accountant at Ernst & Young, LLP from 1990 through 1993.

Kenneth M. Hale
Age 47

Mr. Hale has been our General Counsel since January of 2001, our Senior Vice President and Corporate Secretary since January of 2003, head of our Human Resources & Administration Department since January of 2005 and head of our Information Technology and Purchasing Departments since January of 2010. 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.

Walter B. Treybig
Age 53

Mr. Treybig joined Sterling 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.

Bruce E. Moore
Age 44

Mr. Moore has been our Vice President and Treasurer since September of 2008. Prior to that time, 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.

Carla E. Stucky
Age 42

Ms. Stucky has been our Vice President and Corporate Controller since September of 2008. Upon the resignation of our Chief Financial Officer on October 31, 2009, she assumed the responsibilities as our Principal Financial Officer until a replacement is engaged. Prior to being appointed a Vice President, 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.

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 Sterling's 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 L. Teeger (Chairman)

Karl W. Schwarzfeld

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 our stockholders' objectives. Under our program, a significant portion of the potential compensation of our senior executives is dependent on our financial performance. 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, long-term incentive plans, 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 further delegation by our Compensation Committee, or any of its members, of the duties delegated to our Compensation Committee by our Board.

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 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 engaged directly by our Compensation Committee. 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 other characteristics, 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. In the years falling in between these more in-depth analyses, our management team provides our Compensation Committee with summary market data that is publicly available from several compensation consulting firms. Our Compensation Committee uses this data to assess general trends in the levels of base salaries and other compensation 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 for 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 for 2009 that was collected during November and December of 2008 from The Hay Group, Inc., Quorum Compensation Group, Hewitt Consulting and Longnecker & Associates. For 2010 compensation decisions, our Compensation Committee reviewed benchmarking data performed by management and summary market data from The Hay Group, Inc., Hewitt Consulting, Ioma U.S., Mercer Human Resources Consulting, Salary.com, Watson Wyatt Worldwide and World at Work and Longnecker & Associates. After reviewing the 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, long-term 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 employees, on a dollar-for-dollar basis, up to 6% of the participant's base salary (based on standard hourly rate for our hourly employees). 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 our senior executives has been issued performance units under our Long-Term Incentive Plan and stock options which links 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 competitive 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 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.

On November 6, 2009, after conferring with our President and Chief Executive Officer, our Compensation Committee approved the following increases in the annual base salaries for Messrs. Genova, Hale and Treybig based on our 2009 financial performance, the contributions of each of our senior executives towards our overall performance and level of each of their existing salaries compared to salaries for similar positions in the market:

	2009	2010
John V. Genova	\$415,000	\$450,000
Kenneth M. Hale	258,110	274,000
Walter B. Treybig	221,520	228,000

Ms. Stucky's base salary is not determined by our Compensation Committee. On February 19, 2010, Mr. Genova approved an increase in Ms. Stucky's base salary from \$162,100 to \$168,105. David J. Collins was appointed by our Board as our Senior Vice President and Chief Financial Officer effective as of March 1, 2010 and our Compensation Committee approved Mr. Collins' initial base salary of \$250,000 per year.

Annual Incentive Compensation

Our senior executives and other qualified salaried 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 and personal performance goals. Prior to August of 2008, the amount of bonuses paid under our Bonus Plan 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. At that time, the Bonus Target of Mr. Crump, our former President and Chief Executive Officer, was 100% and the Bonus Target for each of our Senior Vice Presidents was 40%. Following amendments to our Bonus Plan in August of 2008, our Bonus Plan continues to be based in part on our financial performance and each individual employee's performance, but also includes additional corporate goals and assesses individual performance in each year against pre-determined performance metrics for that year. Under our amended Bonus Plan, 50% of the bonus potential of each of the Named Executive Officers is determined by our performance against corporate performance goals (our Corporate Performance Goals) and 50% of the bonus potential of each of the Named Executive Officers is determined by the executive's performance against his or her pre-determined performance metrics (Individual Performance Goals); provided, however, that our Compensation Committee can adjust individual bonus payments, up or down, based on events or accomplishments that are outside of the performance goals. Currently, the Bonus Target for Mr. Genova is 100%, the Bonus Target for Mr. Collins is 50%, the Bonus Targets for Messrs. Hale and Treybig are each 40% and Ms. Stucky's Bonus Target is 35%. Generally, an employee must still be employed by us at the time the bonus is paid in order to receive a bonus payment.

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. However, if we do not attain the threshold level of Adjusted EBITDA (in the case of 2008 or 2009) or Operating Cash Flow (in the case of 2010) required under our Bonus Plan, the amount of the bonuses paid to each of our Named Executive officers is at the discretion of the Compensation Committee (or Mr. Genova in the case of Ms. Stucky). Our Compensation Committee also has the discretion to adjust the amount of bonus paid to any individual (up or down) based on events or accomplishments that occur during the relevant year that were not contemplated at the time the Individual Performance Goals were approved or were otherwise outside those Individual Performance Goals. 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. In addition, 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.

The Corporate Performance Goals and their respective weightings for 2008, 2009 and 2010 are set forth below.

Performance Metric	Weighting		
	2008	2009	2010
Employee OSHA Recordable Injuries	10%	10%	10%
Contractor OSHA Recordable Injuries		10%	10%
Environmental Incidents	10%		
Process Safety Incidents	10%		
Environmental & Process Safety Incidents		10%	10%
Adjusted EBITDA ⁽¹⁾	70%	70%	
Operating Cash Flow ⁽²⁾			70%

(1) For 2008, Adjusted EBITDA means EBITDA excluding impacts of impairments, staff reduction impacts on benefit plans (e.g., plan curtailments, remeasurement impacts), severance, bonus payments, LTIP accruals, unplanned business development expenses and negative EBITDA impacts resulting from mergers, acquisitions and other non-ordinary course transactions.

For 2009, Adjusted EBITDA means EBITDA

excluding impacts of severance, bonus expense, benefit plan curtailments, preferred stock-related expenses, legal settlements or judgments, certain legal fees and transaction costs.

- (2) Operating Cash Flow means operating cash flow (from our cash flow statements) minus maintenance capital expenditures and proceeds from the sale of non-PP&E assets.

On February 10, 2010, our Compensation Committee approved the Corporate Performance Goals and the Individual Performance Goals under our Bonus Plan for 2010. The following table provides information with respect to each grant of an award made to the Named Executive Officers and Mr. Collins for 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
		Threshold	Target	Maximum
John V. Genova	02/10/10	\$225,000	\$450,000	\$900,000
David J. Collins	02/23/10	62,500	125,000	250,000
Kenneth M. Hale	02/10/10	54,800	109,600	219,200
Walter B. Treybig	02/10/10	45,600	91,200	182,400
Carla E. Stucky	02/19/10	29,418	58,837	117,674

The Individual Performance Goals of each of the Named Executive Officers (other than Mr. Genova and Ms. Stucky) and Mr. Collins and their respective weightings during 2008, 2009 and 2010 are set forth below.

2008

Metric	Mr. Beaver	Mr. Hale	Mr. Rostek	Mr. Treybig
Safety Performance				15%
Environmental and Process Safety Management Performance				30%
Management of Fixed Cost	25%	10%		30%
Acetic Acid Plant Availability				25%
Critical Projects	25%	20%	55%	
Strategic Projects	25%	40%	45%	
Capital Structure Improvement	25%	15%		
Litigation Management		15%		

2009

Metric	Mr. Beaver	Mr. Hale	Mr. Rostek	Mr. Treybig
Safety Performance				40%
Environmental and Process Safety Management Performance				20%
Management of Fixed Cost	25%	20%	15%	20%
Acetic Acid Plant Availability				20%
Critical Projects	25%	40%	30%	
Strategic Projects	10%		55%	
Internal Control Environment	15%			
Investor Relations	10%			
Capital Structure Improvement	15%			
Merit Budget Process Improvement		15%		
Litigation Management		25%		

2010

Metric	Mr. Collins	Mr. Hale		Mr. Treybig
Safety Performance				13%
Environmental and Process Safety Management Performance				7%
Management of Fixed Cost	20%	15%		20%
Acetic Acid Plant Availability				20%
Utility Cost Reductions				20%
Generation of New Free Cash Flow	55%	10%		20%
Capital Structure Improvement	25%			
Department Effectiveness ⁽¹⁾		75%		

- (1) Performance assessment made by Chief Executive Officer for Compensation Committee approval based on support for capital structure improvement, support for strategic and critical transactions, management of litigation, management of Human Resources, Information Technology and Purchasing Departments and SEC compliance.

For 2008 and 2009, the portion of Mr. Genova's bonus based on Individual Performance Goals is determined by averaging the performance of the four Senior Vice Presidents against their respective Individual Performance Goals. For 2010, 66% of the portion of Mr. Genova's bonus based on Individual Performance Goals is determined by averaging the performance of the three Senior Vice Presidents against their respective Individual Performance Goals, with the remainder determined by the Board's assessment of Mr. Genova's performance during 2010. Ms. Stucky's Individual Performance Goals were set by Mr. Beaver for 2008 and 2009 and by Mr. Genova for 2010 rather than by our Compensation Committee.

For the 2009 Bonus Plan year, we exceeded the threshold level of Adjusted EBITDA required for the payment of bonuses under our Bonus Plan. On February 19, 2010, our Compensation Committee authorized the payment of bonuses to our senior executive officers under our Bonus Plan in the following amounts:

John V. Genova	\$459,872
John R. Beaver	0
Kenneth M. Hale	150,214
Walter B. Treybig	100,127
Paul C. Rostek	80,095

Mr. Beaver resigned on October 31, 2009 and, consequently, was not eligible for a bonus under our Bonus Plan for 2009. Ms. Stucky's bonus of \$61,388 for 2009 was approved by Mr. Genova. These bonus payments averaged about 36% of the total cash compensation paid to our Named Executive Officers (excluding Mr. Beaver).

For the 2007 and 2008 Bonus Plan years, we did not achieve the threshold level of EBITDA or Adjusted EBITDA, respectively, required for the payment of bonuses under our Bonus Plan. However, 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 senior executive officers in recognition of his performance against his individual performance metrics for 2008 and such officer's significant efforts during 2008 in connection with, among other things, setting new records for us 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 10¹/₄% 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 discretionary bonuses paid to each of Named Executive Officers in 2009:

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
Carla E. Stucky	35,736

These bonus payments averaged about 26% of the total cash compensation paid to our Named Executive Officers.

Our Compensation Committee also authorized the payment of discretionary bonuses at the target level under our Bonus Plan to each of our senior executives on February 8, 2008 in recognition of such executive'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, 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 members of our management function as a team and that our success is dependent on the efforts of all of the members of our senior management as a group.

Long-Term Cash Incentive Compensation

On August 7, 2009, our Board of Directors adopted our Long-Term Incentive Plan, which provides for the issuance of awards of performance units to our Chief Executive Officer and President, our Senior Vice Presidents and other key employees. The purposes of our Long-Term Incentive Plan are to reward our executive officers and other designated employees for achieving pre-established financial objectives that contribute to our growth and profitability, to increase stockholder value and to provide an incentive compensation opportunity that will enable us to attract, motivate and retain outstanding executives. Performance awards may be granted to our Chief Executive Officer, our President, our Senior Vice Presidents and any other key employees (or those of our subsidiaries) as our Compensation Committee may select that are deemed to be significant contributors to our growth and profitability.

Our Compensation Committee determines those of our employees who will be granted awards of performance units each year and the terms of those performance units. Performance units under our Long-Term Incentive Plan may be payable in the form of cash or other property, and are payable upon the satisfaction of pre-determined performance goals over performance periods. Performance goals will typically be assigned threshold, target and maximum levels of performance, with the number of units earned determined at the end of the performance period. Generally, if actual performance during the performance period is below threshold level, no performance units are earned or payable. However, if threshold level is attained, the number of performance units earned will be 50% of the number of performance units that would have been earned at target level and if maximum level of performance (or above) is attained, the number of performance units earned and payable will be twice the number of performance units that would have been earned at the target level of performance. The number of performance units earned and payable for performance between threshold and target or between target and maximum is pro rated. Performance periods are typically three years. However, the 2009 Performance Period for the grants of performance units made by our Compensation Committee on August 7, 2009 commenced on July 1, 2009 and will end on December 31, 2011. Performance periods under our Long-Term Incentive Plan will overlap, with the expectation that awards may be earned and paid on an annual basis starting with the end of the 2009 Performance Period. Generally, the payment of performance units is contingent on the holder being employed by us throughout the relevant performance

period. The treatment of our outstanding performance units in the event of the death, disability or separation from employment of the holder of those performance units or in the event of a change of control are set forth above under Approval of Long-Term Incentive Plan.

On August 7, 2009, our Compensation Committee awarded each of our Named Executive Officers (other than Ms. Stucky) the number of 2009 Performance Units set forth below (with a value of \$1,000 each) pursuant to our Long-Term Incentive Plan, with the number of our 2009 Performance Units earned based on the amount of Free Cash Flow we earn during the 2009 Performance Period.

	Cumulative Free Cash Flow⁽¹⁾		
	\$27,600,000 (Threshold)	\$33,900,000 (Target)	\$54,200,000 (Maximum)
John V. Genova	310 Units	620 Units	1,240 Units
John R. Beaver ⁽²⁾	123 Units	245 Units	490 Units
Kenneth M. Hale	130 Units	260 Units	520 Units
Paul C. Rostek ⁽³⁾	120 Units	240 units	480 Units
Walter B. Treybig	110 Units	220 Units	440 Units

(1) For purposes of the 2009 Performance Period, Free Cash Flow means operating cash flow (from our cash flow statement), *plus* out-of-pocket cash used for project development activities (*i.e.*, cash used to explore or implement new strategic initiatives (not involving existing businesses) aimed to improve future free cash flow), *plus* net proceeds from equipment sales, *plus* \$15.4 million (interest on our 10¹/₄ Senior Secured Notes without reduction for paydowns/purchases), *plus* insurance proceeds related to plant, property and

equipment, *plus*
Long-Term Incentive
Plan cash payments,
minus sustaining
(non-return) capital.

- (2) All of our 2009 Performance Units granted to Mr. Beaver expired upon his resignation on October 31, 2009.
- (3) As a result of Mr. Rostek's retirement, the number of our 2009 Performance Units earned by Mr. Rostek will be determined by multiplying the number of our 2009 Performance Units that would be earned by Mr. Rostek had his employment continued throughout the 2009 Performance Period times a fraction, the numerator of which is number of days he was employed by us during the 2009 Performance Period and the denominator of which is 914.

Assuming we meet at least the threshold level of performance (as certified by our Compensation Committee), the number of our 2009 Performance Units earned will be pro rated between the threshold, target and maximum levels of performance based on the actual cumulative Free Cash Flow earned by us during the 2009 Performance Period.

On February 10, 2010, our Compensation Committee awarded Messrs. Genova, Hale and Treybig the number of 2010 Performance Units set forth below (with a value of \$1,000 each) pursuant to our Long-Term Incentive Plan, with the number of our 2010 Performance Units earned based on the amount of Operating Cash Flow we earn during the period commencing on January 1, 2010 and ending on December 31, 2012 (the 2010 Performance Period).

	Cumulative Operating Cash Flow⁽¹⁾		
	\$9,800,000 (Threshold)	\$12,200,000 (Target)	\$20,000,000 (Maximum)
	338		
John V. Genova	Units	675 Units	1,350 Units
	137		
Kenneth M. Hale	Units	274 Units	548 Units
	114		
Walter B. Treybig	Units	228 Units	456 Units

(1) For purposes of the 2010 Performance Period, Operating Cash Flow means operating cash flow (from our cash flow statements) minus maintenance capital expenditures and proceeds from the sale of non-PP&E assets.

In connection with the appointment of Mr. Collins as our Senior Vice President and Chief Financial Officer effective as of March 1, 2010, our Compensation Committee awarded Mr. Collins 2010 Performance Units, with 156 2010 Performance Units awarded at threshold level, 312 2010 Performance Units awarded at target level and 625 2010 Performance Units awarded at maximum level. Assuming we meet at least the threshold level of performance (as certified by our Compensation Committee), the number of our 2010 Performance Units earned will be pro rated between the threshold, target and maximum levels of performance based on the actual cumulative Operating Cash Flow earned by us during the 2010 Performance Period.

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 2002 Stock Plan. Our Compensation Committee or our full Board determines the terms and amounts of each award granted under our 2002 Stock Plan based upon a variety of factors, including:

the recipient's level of responsibility and job classification;

the recipient's job performance; and

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

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 Restated 2002 Stock Plan (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 outstanding Common Stock or at least 50% of the combined

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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 with promotions for Messrs. Rostek and Beaver 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. 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. 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 2/3s of the options granted to Mr. Genova in May 2008 (which vest 1/3 in May 2010 and the remaining 1/3 in May 2011) and the options granted to Mr. Beaver. As a result of his resignation on October 31, 2009, all of the options granted to Mr. Beaver that had not vested as of that date immediately lapsed and all of the options granted to Mr. Beaver that were vested as of that date expired without having been exercised on January 29, 2010.

Historically, we have made only one grant of options under our 2002 Stock Plan to any individual in the absence of a promotion. However, 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 was 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. After our Compensation Committee adopted our Stock Option Grant Policy, our Board adopted our Long-Term Incentive Plan to provide our senior executives with long-term incentive compensation payable in cash rather than stock. Our Board established this new long-term incentive program largely due to the

difficulties in achieving our objectives for using stock-based compensation due to the quarterly paid-in-kind dividends payable on our Preferred Stock and the absence of an active trading market for our shares of Common Stock. We do not anticipate granting future awards under our 2002 Stock Plan unless our capital structure is changed in a manner that will make stock-based compensation an effective incentive tool.

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 inside information to others who may trade in our securities or recommending to others that they purchase or sell any of our securities while they are in the possession of material inside information. Generally, all of our directors, officers and members of senior management are required to pre-clear all sales and purchases of our securities through our Legal Department. Our other employees only need to pre-clear sales and purchases of our securities that are intended to take place outside a window period through our Legal Department. For this purpose, the only window periods are the 30-day period commencing one week after our annual report has been mailed to stockholders and the 15-day period beginning on the third business day following the official release of our quarterly or annual financial results. Notwithstanding the foregoing policies, our General Counsel may exempt any director from these pre-clearance procedures if our General Counsel reasonably believes that such director possesses adequate sophistication and access to legal advisors to make his or her own determination of whether a given sale or purchase of our securities is otherwise in compliance with these policies. Our General Counsel has exempted all of our directors who are employed by Resurgence from these pre-clearance procedures. Our Code of Ethics and Conduct also discourages in-and-out trading in our securities and prohibits any of our directors, officers or employees from engaging in short sales or sales against the box of any of our securities or trading in puts, calls or options, in each case, unless approved by a majority of the disinterested members of our Board.

Tax Treatment

Our Compensation Committee considers the anticipated tax treatment of our executive compensation program when setting levels and types of compensation. Section 162(m) of the Internal Revenue Code of 1986 generally disallows a tax deduction to public companies for compensation paid to a company's chief executive officer or any of its other three most highly compensated executive officers (other than the chief executive officer or the chief financial officer) in excess of \$1 million in any year, with certain performance-based compensation being specifically exempt from this deduction limit. In 2009, none of our employees subject to this limit received compensation in excess of \$1 million. Consequently, the requirements of Section 162(m) should not affect the tax deductions available to us in connection with our senior executive compensation program for 2009.