

STERLING CHEMICALS INC

Form PRER14A

March 04, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)**

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)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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March [___], 2008

Dear Stockholders:

We are pleased to invite you to attend the 2008 Annual Meeting of Stockholders of Sterling Chemicals, Inc. to be held at 10:00 a.m. (Houston time) on April 29, 2008, 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 2007 and our plans for 2008. 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,

Richard K. Crump
President and Chief Executive Officer

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Sterling Chemicals, Inc.
333 Clay Street, Suite 3600
Houston, Texas 77002-4312
(713) 650-3700
Notice of Annual Meeting of Stockholders
To Be Held April 29, 2008

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 Tuesday, April 29, 2008. 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 2009 and until his successor has been duly elected and qualified.

The ratification and approval of the appointment of [_____] as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

The consideration and approval of a proposal to amend and restate our Amended and Restated Certificate of Incorporation.

You are entitled to vote at the meeting for some of our director nominees, on the proposal to ratify and approve the appointment of [_____] as our independent registered public accounting firm for the fiscal year ending December 31, 2008 and on the proposal to amend and restate our Amended and Restated Certificate of Incorporation if you were the holder of record of any shares of our Common Stock or Series A Convertible Preferred Stock at the close of business on March 7, 2008.

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 appointment of [_____] as our independent registered public accounting firm for the fiscal year ending December 31, 2008 and FOR the proposal to amend and restate our Amended and Restated Certificate of Incorporation. You may also be asked to consider and act upon any other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Your vote is very important. If you do not expect to attend the Annual Meeting in person, please sign, date and complete the enclosed proxy and return it without delay in the enclosed envelope, which requires no postage if mailed in the United States. Mailing your completed proxy will not prevent you from later revoking that proxy and voting in person at the Annual Meeting. If you want to vote at the Annual Meeting but your shares are held by an intermediary, such as a broker or bank, you will need to obtain proof of ownership of your shares as of March 7, 2008 from the intermediary.

March [___], 2008

By Order of the Board of Directors

Kenneth M. Hale
Corporate Secretary

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Sterling Chemicals, Inc.
333 Clay Street, Suite 3600
Houston, Texas 77002-4312
(713) 650-3700
Proxy Statement For
Annual Meeting Of Stockholders
To Be Held April 29, 2008

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 2008 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 [___], 2008.

Time and Place of Annual Meeting

The Annual Meeting will be held on Tuesday, April 29, 2008, 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 7, 2008 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 7, 2008, 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 going to conduct any inspection prior to the Annual Meeting.

Inspectors of Elections

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

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Arrangements Regarding Nomination and Election of Directors

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

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

Proposals on Which You May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 7, 2008, as reflected in our stock register, you may vote at the Annual Meeting on the following matters:

Securities Held of Record on March 7, 2008	Proposals on Which You May Vote
Preferred Stock	Preferred Stock Nominees for Director General Nominees for Director Approval of Appointment of [_____] Approval of Amendment and Restatement of our Certificate of Incorporation
Common Stock	General Nominees for Director Approval of Appointment of [_____] Approval of Amendment and Restatement of our Certificate of Incorporation

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Voting In Person Or By Proxy

How Do I Vote My Shares of Stock?

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

You can vote your shares of stock by proxy over the telephone by calling a toll-free number, electronically by using the Internet or through the mail by signing and returning the enclosed proxy card. We have set up telephone and Internet voting procedures for your convenience and designed these procedures to authenticate your identity, allow you to give voting instructions and confirm that your voting instructions have been properly recorded. Telephone and Internet voting of shares of our stock will be available 24 hours a day until Noon (Houston time) on April 28, 2008. 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 [_____] (*[Auditor]*) as our independent registered public accounting firm for the fiscal year ending December 31, 2008 (the *[Auditor] Appointment*), and for or against the proposal to amend and restate our Amended and Restated Certificate of Incorporation (the *Proposed Charter Amendment*). You may also abstain from voting. If you give us your proxy to vote your shares of stock and do not withhold authority to vote for the election of any of the nominees, all of your shares of stock will be voted for the election of each General Nominee and, if you hold Preferred Stock, each Preferred Stock Nominee. If you withhold authority to vote your shares of stock for any nominee, none of your shares of stock will be voted for that candidate, but all of your shares of stock will be voted for the election of each General Nominee for whom you have not withheld authority to vote and, if you hold Preferred Stock, each Preferred Stock Nominee for whom you have not withheld authority to vote.

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

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

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

If you want to vote at the Annual Meeting but your shares are held by an intermediary, such as a broker or bank, you will need to obtain proof of ownership of your shares as of March 7, 2008, or obtain a proxy to vote your shares from the intermediary.

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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 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 7, 2008, and to all intermediaries, such as brokers and banks, that held any of our shares on that date on behalf of others. These intermediaries will then forward solicitation materials to the beneficial owners of our shares and we will reimburse them for their reasonable forwarding expenses. Our directors, officers and employees may also solicit proxies in person or by telephone.

Proposals By Stockholders

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

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Stockholder Communications with the Board

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

By E-mail: khale@sterlingchemicals.com

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

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

Stockholders wishing to submit proposals for inclusion in the proxy statement relating to our 2009 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 2009 annual meeting of stockholders should follow the procedures specified below under the heading *Director Nominations and Qualifications*.

Director Nominations and Qualifications

Our Corporate Governance Committee, in accordance with its Charter (a current copy of which is posted on our website at www.sterlingchemicals.com) and subject to the terms of our Amended and Restated Certificate of Incorporation (our *Certificate of Incorporation*) and our Bylaws, reviews candidates recommended by our stockholders for positions on our Board. Our Bylaws provide that any stockholder entitled to vote for the election of directors at a meeting of stockholders who satisfies the eligibility requirements (if any) set forth in our Certificate of Incorporation, and who complies with the procedures set forth in our Certificate of Incorporation and Bylaws, may nominate persons for election to our Board, subject to any conditions, restrictions and limitations imposed by our Certificate of Incorporation or our Bylaws. These procedures include a requirement that our Corporate Secretary receive timely written notice of the nomination, which, for our 2009 annual meeting of stockholders, means that the nomination must be received on or after November 30, 2008 but no later than January 29, 2009. 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;

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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 Designation of Preferences, Rights and Limitations for our Preferred Stock or our Bylaws. Our Corporate Governance Committee uses the same process to evaluate a director candidate nominated by one of our stockholders as it uses to evaluate a director candidate nominated by our Board, in each case taking into account the restrictions, requirements and limitations contained in our Certificate of Incorporation, the Designation of Preferences, Rights and Limitations for our Preferred Stock, our Bylaws and any other agreements to which we are a party.

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

Annual Report and Available Information

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, 2007 (our Form 10-K) accompanies this Proxy Statement but does not constitute a part of our proxy solicitation materials. **We will furnish additional copies of our Form 10-K, without charge, to any person whose vote is solicited by this Proxy Statement upon written request to the following address: Sterling Chemicals, Inc., 333 Clay Street, Suite 3600, Houston, Texas 77002; Attention: Chief Financial Officer.** In addition, upon written request, we will furnish a copy of any exhibit to our Form 10-K to any person whose vote is solicited by this Proxy Statement upon payment of our reasonable expenses incurred in connection with providing the copy of the exhibit.

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Election of Directors
(Item 1 on the Proxy Card)

General Information

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

All of our director candidates currently serve on our Board. We do not employ any of our current directors or any of our director candidates other than Richard K. Crump, who is our President and Chief Executive Officer. Mr. Crump was originally appointed to our Board in December of 2001. Messrs. Gildea and Haney were originally appointed to our Board on December 19, 2002. Our Board appointed Dr. Peter Ting Kai Wu as one of our directors on March 12, 2004 to fill a pre-existing vacancy on our Board. The holders of our Preferred Stock appointed Mr. Philip M. Sivin to our Board on July 28, 2004, Mr. Karl W. Schwarzfeld to our Board on March 10, 2006 and Mr. Steven L. Gidumal to our Board on November 10, 2006, in each case to fill vacancies in seats previously held by designees of the holders of our Preferred Stock.

Our Board held five meetings in 2007. On average, our directors attended approximately 98% of the meetings of our Board and any of our committees on which they served during 2007, with none of our directors attending less than 75% of such meetings. We do not have a specific policy regarding attendance by directors at annual meetings of our stockholders, but all of our directors are encouraged to attend if available. One of our directors, Mr. Richard K. Crump, attended our annual meeting of stockholders in 2007.

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

Director Independence

Mr. Gildea and Dr. Wu are considered independent under the listing standards of the New York Stock Exchange. Each of Messrs. Gidumal, Haney, Schwarzfeld and Sivin are employed by Resurgence, which has beneficial ownership of a substantial majority of the voting power of our securities due to its investment and disposition authority over securities owned by its and its affiliates managed funds and accounts. As a result of this beneficial ownership, Resurgence is considered our affiliate under Securities and Exchange Commission guidelines and, consequently, Messrs. Gidumal, Haney, Schwarzfeld and Sivin may be considered not independent under the listing standards of the New York Stock Exchange. Mr. Sivin is also the son-in-law of Martin Sass, the Chief Executive Officer of Resurgence and of M.D. Sass Investors Services, Inc., the owner of Resurgence. Mr. Crump is our Chief Executive Officer and, consequently, is not independent under the listing standards of the New York Stock Exchange.

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Board Committees

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

Audit Committee

Our Audit Committee is currently comprised of two of our non-employee directors, Byron J. Haney (Chairman) and John W. Gildea, and met five times in 2007. 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, and is also 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 internal and independent 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. This Code of Ethics, which applies to our Chief Executive Officer, our Chief Financial Officer, our Controller and anyone performing similar functions on our behalf, is administered by our Audit Committee and provides for the reporting of violations to our Audit Committee on a confidential and anonymous basis.

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

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

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

be financially literate (*i.e.*, have the ability to read and understand

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fundamental financial statements, including a balance sheet, income statement and statement of cash flows, and the ability to understand key financial risks and related controls and control processes); and

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

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

*Compensation
Committee*

Our Compensation Committee is currently comprised of two of our non-employee directors, John W. Gildea (Chairman) and Steven L. Gidumal, and met once in 2007. 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. Our Compensation Committee is responsible for discharging the compensation responsibilities of our Board, including:

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

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

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

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

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

reviewing and approving our annual merit budget.

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

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, is discussed under Compensation Discussion and Analysis.

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

*Corporate
Governance
Committee*

Our Corporate Governance Committee is currently comprised of two of our non-employee directors, Dr. Peter T.K. Wu (Chairman) and John W. Gildea, and met three times in 2007. Our Corporate Governance Committee operates under a written charter adopted by our Board, a current copy of which is posted on our website at www.sterlingchemicals.com. Our Corporate Governance Committee considers all matters related to our corporate governance. In discharging its duties, our Corporate Governance Committee makes recommendations to our Board with respect to changes to our Certificate of Incorporation, Bylaws, committee structure and corporate governance guidelines, reviews all stockholder proposals, considers questions of independence of our Board members and possible conflicts of interest, reviews succession plans relating to positions held by our senior executive officers and reviews our insurance and indemnity arrangements for our directors and officers. Our Corporate Governance Committee also provides oversight with respect to the establishment of and adherence to corporate compliance programs, codes of conduct and other policies and procedures concerning our business and our compliance with all relevant laws.

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

As discussed above, Mr. Gildea and Dr. Wu are considered independent under the listing standards of the New York Stock Exchange. Under the Charter of our Corporate Governance Committee, each member of our Corporate Governance Committee must be independent of management and

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be free from any relationship that, in the opinion of our Board, would interfere with the exercise of his independent judgment, and have, in the opinion of our Board and in the opinion of each member of our Corporate Governance Committee, sufficient time available to devote reasonable attention to the responsibilities of our Corporate Governance Committee.

*Environmental,
Health
& Safety Committee*

Our Environmental, Health & Safety Committee is currently comprised of two of our directors, Richard K. Crump (Chairman) and Dr. Peter T.K. Wu, and met twice in 2007. 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.

Compensation Committee Interlocks and Insider Participation.

During 2007, Messrs. Gildea and Gidumal 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. Gidumal, neither of our directors serving on our Compensation Committee in 2007 had any relationship that requires disclosure in this Proxy Statement as a transaction with a related person. During 2007:

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

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

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

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Governance Principles

Acting on the recommendation of our Corporate Governance Committee, our Board adopted formal Governance Principles in August of 2005, a current copy of which is posted on our website at www.sterlingchemicals.com, and is also 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 7, 2008, 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 7, 2008, there were 4,792.635 shares of our Preferred Stock outstanding (currently convertible into 4,792,635 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 four 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 the Restated Certificate of Designations, Preferences, Rights and Limitations of our Preferred Stock, the holders of our Preferred Stock, voting separately as a class, are entitled to elect a percentage of our directors determined by the aggregate amount of shares of our Preferred Stock and Common Stock beneficially owned by Resurgence and certain permitted transferees. Currently, the holders of our Preferred Stock are entitled to elect at least a majority of our directors. Each year, the holders of our Preferred Stock send us a designation of the individuals that these holders would like us to include in our proxy statement as nominees for the director seats for which they are entitled to vote.

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

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

Steven L. Gidumal
Age 50
Director Since
November 2006

Mr. Gidumal is a Managing Director and a Co-Chief Investment Officer of Resurgence, which beneficially owns a substantial majority of the voting power of our securities. Mr. Gidumal joined Resurgence in 2006. Prior to joining Resurgence, Mr. Gidumal served as Founder, Managing Director and Portfolio Manager of Virtus Capital, a New York-based hedge fund since February 2004. Before launching his own company, Mr. Gidumal served as head of distressed research for Trilogy Capital from 2001 through February 2004. Prior to that time, Mr. Gidumal had served as a portfolio manager of Tribeca Investments (Citigroup's distressed securities operation), a distressed securities specialist for Bear Stearns and an investment banker for Rothschild Inc. Mr. Gidumal also currently serves as a member of the Board of Directors of RDA Sterling Holdings Corporation and Mirant Corp. Asset Recovery Trust.

Byron J. Haney
Age 47
Director Since
December 2002

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

Karl W. Schwarzfeld
Age 31
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 2000 through 2002 and Portfolio Administrator from August of 1998 through July 2000. Mr. Schwarzfeld also currently serves as a member of the Board of Directors of Furniture.com, Inc.

Philip M. Sivin
Age 36
Director Since July 2004

Mr. Sivin is Senior Vice President of M.D. Sass - Macquarie Financial Strategies Management Company, L.L.C. and a Vice President of Resurgence, which beneficially owns a substantial majority of the voting power of our securities. Mr. Sivin joined Resurgence in 2004 and became a Vice President in 2005. Prior to becoming Senior Vice President of M.D. Sass - Macquarie Financial Strategies Management Company, L.L.C. in 2005, Mr. Sivin served as Senior Vice President and General Counsel of M.D. Sass Investors Services, Inc. and M.D. Sass Associates, Inc. since 2000. Prior to joining M.D. Sass in 2000, Mr. Sivin was an attorney at Sullivan & Cromwell LLP in New York specializing in corporate, securities, real estate and investment

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management transactions. Mr. Sivin also currently serves as a member of the Board of Directors and an executive officer of M.D. Sass Investor Services, Inc. (which owns Resurgence) and M.D. Sass Associates, Inc., and as a member of the Board of Directors of RDA Sterling Holdings Corporation, Furniture.com, Inc. and First Commercial Credit Corp.

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General Nominees

Who May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 7, 2008, as reflected in our stock register, you may vote in the election for the General Nominees.

Outstanding Shares

On March 7, 2008, there were 4,792,635 shares of our Preferred Stock (currently convertible into 4,792,635 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 three General Nominees who receive the most votes cast by the shares of our Preferred Stock and our Common Stock will be elected to our Board. Under this format, abstentions and broker non-votes will not affect the outcome of the election.

Information about each of the General Nominees is provided below.

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

<i>Richard K. Crump</i> Age 61 Director Since December 2001	Mr. Crump has served as our President and Chief Executive Officer 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.
<i>John W. Gildea</i> Age 64 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 have been the investment advisor to The Network Funds, which specializes in distressed company and special situation investments. Mr. Gildea has served on the Board of Directors of a number of restructured or restructuring companies, including Amdura Corporation, American Healthcare Management, Inc., America Service Group Inc., GenTek, Inc., Konover Property Trust, Inc. and UNC Incorporated. Mr. Gildea also serves as a member of the Board of Directors of Universal Aerospace Company, Inc., America Service Group Inc. and Misonix, Inc. and several United Kingdom based investment trusts. He is also a member of the Audit Committee and the Compensation Committee of Misonix, Inc.
<i>Dr. Peter Ting Kai Wu</i> Age 70 Director Since March 2004	Dr. Wu currently serves as Chairman of the Board of Boston Life Science Venture Corp., a corporation based in Taiwan, and Chairman Emeritus of Continental Carbon India Limited. He is also a director and a member of the audit committee of TSRC Group, a synthetic rubber manufacturer in Taiwan and China. Previously, Dr. Wu served as Vice Chairman and Chief Executive Officer of Continental Carbon Company, a Houston, Texas based subsidiary of China Synthetic Rubber Corporation, from 1995 until his retirement in 2004, and as the President and Chief Executive Officer of China Synthetic Rubber Corporation, a petrochemicals company based in Taipei, Taiwan, from 1992 until his retirement in 2004. Prior to that time, Dr. Wu served as President and Chief Executive Officer of Grand Pacific Petrochemical Corporation, a Taipei, Taiwan based producer of styrene, polystyrene and ABS plastics, from 1990 through 1992, and as Executive Vice President of USI Far East Corporation, a Taipei, Taiwan based producer of polyethylene, from 1989 through 1990. Dr. Wu was also a Vice President and General Director of Industrial Technology Research Institute Union Chemical Laboratories, an industrial chemical technology research organization in Hsin Chu, Taiwan, from 1985 through 1989, and held various positions related to polymer

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research at E.I. du Pont de Nemours & Company in Wilmington, Delaware from 1975 through 1985. The Chinese Institute of Chemical Engineers has awarded Dr. Wu the prestigious Chemical Engineering Medal for his contributions to the development of chemical industries in Taiwan, and Dr. Wu has also been awarded Distinguished Service Medals from both the Chinese Chemical Society and the Polymer Society of Taiwan. In 2005, Dr. Wu was bestowed a Life-Time Achievement Award at the 2005 Asia Pacific Carbon Black Conference in Suzhou, China and in 2006 was bestowed a similar award by the Polymer Society of Taiwan for his life time contributions to the polymers industry.

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

Our Audit Committee has recommended and approved the selection of [Auditor] as our independent public accounting firm for the fiscal year ending December 31, 2008. We are asking that our stockholders ratify the [Auditor] Appointment. Representatives of [Auditor] are expected to be present at the Annual Meeting to answer appropriate questions and to make a statement, if they desire to do so. [Representatives of Deloitte & Touche, our principal accountant for the fiscal year ended December 31, 2007, are not expected to be present at the Annual Meeting to make a statement or respond to questions.]

[During our last two fiscal years and the subsequent interim period up to [the completion of Deloitte & Touche's audit with respect to our fiscal year ended December 31, 2007], we did not consult with [Auditor] regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, in each case where written or oral advice was provided, that [Auditor] concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue or (ii) any matter that was either the subject of a disagreement or a reportable event, as those terms are described in Item 304(a)(iv) and Item 304(a)(v), respectively, of Regulation S-K under the Securities Act of 1933, as amended (the Securities Act).]

[We have provided [Auditor] and Deloitte & Touche with a copy of this disclosure, which was previously included in a Form 8-K filed on March [], 2008 in response to the disclosures required by Item 304(a) of Regulation S-K under the Securities Act. Both accounting firms have been provided an opportunity to furnish us with a letter addressed to the Securities and Exchange Commission stating its agreement and absence of any disagreement with the statements made by us in response to the disclosure in such 8-K, which was attached as an exhibit thereto.]

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Who May Vote

If you owned any shares of our Preferred Stock or Common Stock on March 7, 2008, as reflected in our stock register, you may vote at the Annual Meeting on the ratification and approval of the [Auditor] Appointment.

Outstanding Shares

On March 7, 2008, there were 4,792,635 shares of our Preferred Stock (currently convertible into 4,792,635 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 [Auditor] 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 [Auditor] 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 [Auditor] 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 [Auditor] 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 [Auditor] Appointment and each share of our Preferred Stock has the right to cast 1,000 votes on the [Auditor] Appointment. Ratification and approval of the [Auditor] 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 on the [Auditor] Appointment and are present at the Annual Meeting, in person or by proxy. As a result, an abstention from voting on the [Auditor] Appointment will have the same effect as a vote against the [Auditor] Appointment. However, broker non-votes are considered not to be present for voting on the [Auditor] Appointment and, consequently, do not count as votes for or against the [Auditor] Appointment and are not considered in calculating the number of votes necessary for approval.

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

Roles in Financial Reporting

The management of Sterling Chemicals, Inc. (*Sterling*) is responsible for Sterling 's internal controls and the financial reporting process. The independent registered public accounting firm hired by Sterling is responsible for performing an independent audit of Sterling 's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) 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 2007 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, 2007, and we met and held discussions with Sterling 's management and Deloitte & Touche LLP (*Deloitte & Touche*), Sterling 's independent registered public accounting firm for the fiscal year ended December 31, 2007, 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 Deloitte & Touche 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 Deloitte & Touche, as required by Independence Standards Board Standard No. 1, and we discussed with Deloitte & Touche its own independence. Based upon our review and our discussions with management and Deloitte & Touche, and our review of Deloitte & Touche '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, 2007 be included in Sterling 's Annual Report on Form 10-K for the year ended December 31, 2007, 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, 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 Audit Committee of the Board of
Directors

Byron J. Haney (Chairman)
John W. Gildea

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Deloitte & Touche has served as our independent public accountants for over nine years. We paid Deloitte & Touche the following fees for the years ended December 31, 2007 and December 31, 2006, respectively:

	2007	2006
Audit Fees	\$ 537,000	\$ 466,000
Audit Related Fees	336,000	83,000
Tax Fees	144,000	115,000
All Other Fees	0	0
 Total	 \$ 1,017,000	 \$ 664,000

Audit Fees were paid 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 during 2007 were paid primarily for audit services performed in connection with our exchange offer registration statement pertaining to our 10¹/₄% Senior Secured Notes issued in March of 2007 and audit services related to various strategic transactions that were pursued during 2007. Audit Related Fees during 2006 were paid primarily for audits of one of our businesses on a stand-alone basis. Tax Fees were paid for services including assistance with tax compliance and the preparation of tax returns, tax consultation services, assistance in connection with tax audits and tax advice related to mergers, acquisitions and dispositions.

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

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

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Approval of Proposed Charter Amendment
(Item 3 on the Proxy Card)

Our Board of Directors recommends that our stockholders vote FOR the approval of the Proposed Charter Amendment. In addition to minor housekeeping changes that would have no effect or potential effect on our stockholders, the Proposed Charter Amendment would amend our existing Certificate of Incorporation to:

remove certain provisions related to our emergence from Chapter 11 in 2002 or our former 10% Senior Secured Notes which no longer have any application;

provide that holders of our Common Stock are not entitled to vote on amendments to our Certificate of Incorporation (including any preferred stock designation) that relate solely to the terms of one or more of our outstanding series of preferred stock, including our Preferred Stock;

exempt us from the requirement that directors be elected by ballot;

modify the provisions exculpating directors from personal liability to us or our stockholders to allow for changes in Delaware law; and

revise the indemnification provisions to expand their application to any person serving as an officer, director, employee or agent of another corporation or entity at our request and to otherwise update them.

A copy of our existing Certificate of Incorporation, marked to show the changes that would be effected by approval of the Proposed Charter Amendment is attached to this Proxy Statement as Attachment A. In addition, below is an extended summary of the significant provisions we are proposing to add or delete with the Proposed Charter Amendment, including the reason or reasons for the proposed change and a description of the effect or potential effects of the proposed change on our common and preferred stockholders.

Removal of Provisions Relating to Our Emergence from Bankruptcy

The existing Certificate of Incorporation was adopted in order to, among other things, put into effect and carry out the confirmation order entered by the United States Bankruptcy Court for the Southern District of Texas, which confirmed our Joint Plan of Reorganization dated October 14, 2002 (*Joint Plan of Reorganization*). Accordingly, our existing Certificate of Incorporation includes provisions (i) prohibiting us, pursuant to Section 1123(a)(6) of Chapter 11 of Title 11 of the United States Code, from issuing non-voting equity securities to the extent Section 1123(a)(6) requires (the *Non-voting Equity Securities Provision*), and (ii) allowing the Unsecured Creditors Committee (as such term is defined in the Joint Plan of Reorganization) to designate a director for two successive one-year terms commencing on December 19, 2002 (the *Director Provision*). As Section 1123(a)(6) is no longer applicable to us and the Unsecured Creditors Committee is no longer entitled to designate a director to our Board of Directors, we propose to delete the Non-voting Equity Securities Provision and the Director Provision. We also propose to amend the Certificate of Incorporation to delete any references to the Non-voting Equity Securities Provision and the Director Provision. These amendments will not affect the rights of any of our common or preferred stockholders. While we have clarified in relevant places where the Director Provision was included or otherwise referenced that certain provisions relating to the election of directors, or the filling of director vacancies, may be qualified by the terms set forth in any certificate setting forth the terms of a series of our preferred stock, we believe this would not change the rights of our common or preferred stockholders, given that our Board of Directors currently has the authority to issue preferred stock in one or more series and to fix the powers, preferences and rights of each series without stockholder approval, which would include the authorizing nt-size:10.0pt;">By:

/s/ Thomas J. Walker

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Name:

Thomas J. Walker

Title:

Authorized Person

Schedule 13D Signature Page

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SCHEDULE A

The name and business address of each of the executive officers and directors of the Reporting Persons are set forth below. The present principal occupation or employment of each of the executive officer and directors of the Reporting Persons also set forth below (outside of similar positions held with respect to other entities directly or indirectly managed or advised by the Issuer or the Reporting Persons).

R/C Energy GP IV, LLC**Investment Committee Members**

Name	Present Principal Occupation or Employment	Business Address	Citizenship
David Leuschen	Founder and Senior Managing Directors of Riverstone Holdings LLC	(1)	United States
Pierre F. Lapeyre, Jr.	Founder and Senior Managing Directors of Riverstone Holdings LLC	(1)	United States
Lord John Browne of Madingley	Partner of Riverstone Holdings LLC	(1)	United Kingdom
Michael B. Hoffman	Partner of Riverstone Holdings LLC	(1)	United States
N. John Lancaster	Partner of Riverstone Holdings LLC	(1)	United States
Andrew W. Ward	Partner of Riverstone Holdings LLC	(1)	United States
Daniel A. D Aniello	Managing Director of The Carlyle Group	(2)	United States
Edward J. Mathias	Managing Director of The Carlyle Group	(2)	United States

USA Compression Holdings, LLC**Board of Managers**

Name	Present Principal Occupation or Employment	Business Address	Citizenship
Eric D. Long	President, Chief Executive Officer and Director of USA Compression GP, LLC	(3)	United States
Andrew W. Ward	Partner of Riverstone Holdings LLC	(2)	United States
Olivia C. Wassenaar	Principal of Riverstone Holdings LLC	(2)	United States

Executive Officers

Name	Present Principal Occupation or Employment	Business Address	Citizenship
Eric D. Long	President, Chief Executive Officer and Director of USA Compression GP, LLC	(3)	United States

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Joseph C. Tusa, Jr.	Vice President, Chief Financial Officer and Treasurer of USA Compression GP, LLC	(3)	United States
William G. Manias	Vice President and Chief Operating Officer of USA Compression GP, LLC	(3)	United States
J. Gregory Holloway	Vice President, General Counsel and Secretary of USA Compression GP, LLC	(3)	United States
Matthew C. Liuzzi	Vice President Strategic Development of USA Compression GP, LLC	(3)	United States
David A. Smith	Vice President and President, Northeast Region of USA Compression GP, LLC	(3)	United States
Robin L. Williams	Controller of USA Compression GP, LLC	(3)	United States
Lauren E. Dean	Assistant General Counsel of USA Compression GP, LLC	(3)	United States

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- (1) c/o Riverstone Holdings LLC, 712 Fifth Avenue, 36th Floor, New York, New York 10019.
 - (2) c/o The Carlyle Group, 1001 Pennsylvania Avenue, N.W., Suite 200 South, Washington, D.C. 20004.
 - (3) 100 Congress Avenue, Suite 450, Austin, Texas, 78701.

Schedule 13D Schedule A