

STERLING CHEMICALS INC

Form 424B3

August 14, 2008

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**Filed pursuant to Rule No. 424(b)(3)
Registration No. 333-145803**

PROSPECTUS

\$150,000,000

**Sterling Chemicals, Inc.
101/4% Senior Secured Notes due 2015**

This prospectus relates to our proposed exchange offer. We are offering to exchange up to \$150,000,000 aggregate principal amount of new and freely transferable 101/4% Senior Secured Notes due 2015, which we refer to as the registered notes, for any and all outstanding 101/4% Senior Secured Notes due 2015 issued in a private offering on March 29, 2007, which we refer to as the unregistered notes and which are subject to transfer restrictions. In this prospectus we sometimes refer to the unregistered notes and the registered notes collectively as the notes.

The terms of the registered notes are identical to the terms of the unregistered notes in all material respects, except for the elimination of some transfer restrictions, registration rights and additional interest provisions relating to the unregistered notes. The registered notes will be issued under the same indenture as the unregistered notes. All of our 101/4% Senior Secured Notes due 2015 outstanding from time to time under the indenture are referred to as our senior secured notes. The registered notes and the guarantees, if any, will rank senior in right of payment to all existing and future subordinated indebtedness of us and any guarantors, as applicable, and equal in right of payment with all existing and future senior indebtedness of us and of such guarantors. Holders of unregistered notes do not have any appraisal or dissenters' rights in connection with the exchange offer. The exchange of unregistered notes for registered notes will not be a taxable event for United States federal income tax purposes.

We will exchange any and all unregistered notes that are validly tendered and not validly withdrawn prior to 5:00 p.m. (New York City time) on, September 12, 2008, unless extended.

We will not receive any cash proceeds from the exchange offer. You will be required to make the representations described on page 23. We have not applied, and do not intend to apply, for listing the notes on any national securities exchange or automated quotation system.

Unregistered notes not exchanged in the exchange offer will remain outstanding and will be entitled to the benefits of the indenture but, except under certain circumstances, will have no further exchange or registration rights under the registration rights agreement discussed in this prospectus.

Each broker-dealer that receives registered notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such registered notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended, or the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a

broker-dealer in connection with resales of registered notes received in exchange for unregistered notes where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for such period of time as may be required under the Securities Act to permit resales of registered notes, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

See Risk Factors beginning on page 16 of this prospectus for a discussion of risks that you should consider before participating in this exchange offer.

The date of this prospectus is August 13, 2008

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-4 under the Securities Act that we filed with the Securities and Exchange Commission, or the SEC. In making your decision whether to participate in the exchange offer, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

Moreover, this prospectus does not contain all of the information set forth in the registration statement and the exhibits thereto. You may refer to the registration statement and the exhibits thereto for more information. Statements made in this prospectus regarding the contents of any contract or document filed as an exhibit to the registration statement are not necessarily complete and, in each instance, reference is hereby made to the copy of such contract or document so filed. Each such statement is qualified in its entirety by such reference.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC's public reference room at 100 F. Street N.E., NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public

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reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. You can also find more information about us at our Internet website located at <http://www.sterlingchemicals.com>. Our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports are available free of charge through our website. Our website provides a hyperlink to a third-party website where these reports may be viewed and printed at no cost as soon as reasonably practicable after we have electronically filed such material with the SEC. Except for such reports that may be specifically incorporated by reference in this prospectus, information that has been filed with the SEC or that is contained on our website does not constitute part of this prospectus.

This prospectus contains summaries of certain agreements, such as the indenture and the agreements described under Summary Registered Notes, Description of Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations. The descriptions contained in this prospectus of these agreements do not purport to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements. Copies of the definitive agreements will be made available without charge to you by making a written or oral request to us at the following address:

Sterling Chemicals, Inc.
333 Clay Street, Suite 3600
Houston, Texas 77002
Attention: Corporate Secretary

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements give our current expectations or forecasts of future events. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Such statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain or be identified by the words expect, intend, plan, predict, anticipate, estimate, believe, should, could, may, might, will, will be, will continue, will likely result, project, forecast, or similar expressions. Statements in this prospectus that contain forward-looking statements include, but are not limited to, information concerning our possible or assumed future results of operations. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. We disclose important factors that could cause our actual results to differ materially from our expectations under Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this prospectus. These risks, contingencies and uncertainties relate to, among other matters, the following:

the cyclical nature of the petrochemicals industry;

current and future industry conditions and their effect on our results of operations or financial position;

the extent, timing and impact of expansions of production capacity of our products, by us or by our competitors;

the potential effects of market and industry conditions and cyclicalities on our competitiveness, business strategy, results of operations or financial position;

the adequacy of our liquidity;

our environmental management programs and safety initiatives;

our market sensitive financial instruments;

future uses of, and requirements for, financial resources;

future contractual obligations;

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future amendments, renewals or terminations of existing contractual relationships;

business strategies;

growth opportunities;

competitive position;

expected financial position;

future cash flows or dividends;

budgets for capital and other expenditures;

plans and objectives of management;

outcomes of legal proceedings;

compliance with applicable laws;

our reliance on marketing partners;

adequacy of insurance coverage or indemnification rights;

the timing and extent of changes in commodity prices for our products or raw materials;

petrochemicals industry production capacity or operating rates;

costs associated with the shut down and decommissioning of our styrene facility;

increases in the cost of, or our ability to obtain, raw materials or energy;

regulatory initiatives and compliance with governmental laws or regulations, including environmental laws or regulations;

customer preferences;

our ability to attract or retain high quality employees;

operating hazards attendant to the petrochemicals industry;

casualty losses, including those resulting from weather related events;

changes in foreign, political, social or economic conditions;

risks of war, military operations, other armed hostilities, terrorist acts or embargoes;

changes in technology, which could require significant capital expenditures in order to maintain competitiveness or could cause existing manufacturing processes to become obsolete;

effects of litigation;

cost, availability or adequacy of insurance; and

various other matters, many of which are beyond our control.

The risks included here are not exhaustive. Other sections of this prospectus, and our filings with the SEC, include additional factors that could adversely affect our business, results of operations or financial performance. See Risk Factors. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements included in this prospectus are made only as of the date of this prospectus and are not guarantees of future performance. Although we believe that the expectations reflected in these forward-looking statements are reasonable, such expectations may prove to have been incorrect. All written or oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

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NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through internal company research, surveys and studies conducted by third parties and industry and general publications, including information from Chemical Market Associates, Inc., or CMAI, and Tecnon OrbiChem, or Tecnon. We have not independently verified market and industry data from third-party sources. Furthermore, the research, surveys and studies provided by such third party sources have been based in part on market and industry data that has not in turn been independently verified by those third party sources. While we believe internal company estimates are reliable, such estimates have not been verified by any independent sources, and we do not make any representations as to the accuracy of such estimates. Changes in factors upon which our estimates or the analyses or forecasts contained in such third party reports, surveys or studies referred to herein are based could effect the results of such estimates, analyses and forecasts, and are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors.

PRODUCTION CAPACITY

Unless we state otherwise, annual production capacity used throughout this prospectus represents rated capacity at December 31, 2007. We calculated rated capacity by estimating the number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by the unit's optimal daily output based on the design feedstock mix. Because the rated capacity of a production unit is an estimated amount, actual production volumes may be more or less than the rated capacity.

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PROSPECTUS SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in our notes. You should read the entire prospectus carefully, including Risk Factors and our consolidated financial statements and the related notes and other financial information appearing elsewhere in this prospectus before you decide to invest in our notes. Generally, references to Sterling Chemicals, we, us and our mean Sterling Chemicals, Inc. and its consolidated subsidiaries. In addition, in this prospectus our fiscal years ended December 31, 2005, December 31, 2006, and December 31, 2007 are referred to as 2005, 2006 and 2007, respectively.

The Company

We are a North American producer of selected petrochemicals used to manufacture a wide array of consumer goods and industrial products. Our primary products are acetic acid and plasticizers.

Our acetic acid is used primarily to manufacture vinyl acetate monomer, which is used in a variety of products, including adhesives and surface coatings. Pursuant to a long-term contract, or Production Agreement, that began in 1986 and extends to 2016, all of our acetic acid production is sold to BP Amoco Chemical Company, or BP Chemicals, and we are BP Chemicals' sole source of acetic acid production in the Americas. BP Chemicals markets all of the acetic acid that we produce and pays us, among other amounts, a portion of the profits derived from its sales of the acetic acid we produce. In addition, BP Chemicals reimburses us for 100% of our fixed and variable costs of production. Prior to August 2006, BP Chemicals also paid us a set monthly amount. However, under the terms of this Production Agreement, beginning in August 2006, the portion of the profits we receive from the sales of acetic acid produced at our plant increased and BP Chemicals was no longer required to pay us the set monthly amount. This change in payment structure did not affect BP Chemicals' obligation to reimburse us for all of our fixed and variable costs of production.

We believe that we have one of the lowest cost acetic acid facilities in the world. Our acetic acid facility utilizes BP Chemicals' proprietary carbonylation technology, or Cativa Technology, which we believe offers several advantages over competing production methods, including lower energy requirements and lower fixed and variable costs. We also jointly invest with BP Chemicals in capital expenditures related to our acetic acid facility. Acetic acid production has two major raw material requirements—methanol and carbon monoxide. BP Chemicals, a producer of methanol, supplies 100% of our methanol requirements related to our production of acetic acid. All of the required carbon monoxide is supplied by Praxair Hydrogen Supply, Inc., or Praxair, from a partial oxidation unit constructed by Praxair on land leased from us at our site in Texas City, Texas.

All of our plasticizers, which are used to make flexible plastics, such as shower curtains, floor coverings, automotive parts and construction materials, are sold to BASF Corporation, or BASF, pursuant to a long-term production agreement that extends until 2013, subject to some early termination rights held by BASF that begin in 2010. Under our agreement with BASF, BASF provides us with most of the required raw materials, markets the plasticizers we produce, and is obligated to make certain fixed quarterly payments to us and to reimburse us monthly for our actual production costs and capital expenditures related to our plasticizers facility. In May 2008, we entered into an amended production agreement with BASF (sometimes referred to in this prospectus as our Amended Plasticizers Production Agreement). This amended agreement was entered into in connection with BASF's nomination of zero pounds of phthalic anhydride, or PA, under the existing production agreement (sometimes referred to in this prospectus as the Old Plasticizers Production Agreement) due to deteriorating market conditions which were not expected to improve over the next few years, which resulted in the shutdown of our PA unit. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Business Contracts.

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Prior to December 3, 2007, we manufactured styrene. However, on September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA Chemicals Inc., or NOVA. Under this supply agreement, NOVA had the exclusive right to purchase 100% of our styrene production (subject to existing contractual commitments), the amount of styrene supplied in any particular period being at NOVA's option, based on a full-cost formula. In November 2007, the styrene supply agreement with

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NOVA, which was subsequently assigned by NOVA to INEOS NOVA LLC, or INEOS NOVA, obtained clearance under the Hart-Scott-Rodino Act. This clearance caused the supply agreement and the railcar agreement to become effective and triggered a \$60 million payment to us in November 2007. In addition, in accordance with the terms of the supply agreement, INEOS NOVA assumed substantially all of our contractual obligations for future styrene deliveries. After the supply agreement became effective, INEOS NOVA nominated zero pounds of styrene under the supply agreement for the balance of 2007 and, in response, we exercised our right to terminate the supply agreement and permanently shut down our styrene plant. Under the supply agreement, we are responsible for the closure costs of our styrene facility and are also subject to a long-term commitment to not reenter the styrene business until December of 2012. We operated our styrene facility through early December 2007, as we completed our production of inventory and exhausted our raw materials and purchase requirements, and sold substantially all our inventory during the first quarter of 2008. During 2007 and the first quarter of 2008, we incurred closure costs to decommission our styrene facility of approximately \$1 million and \$9 million, respectively. We expect to incur up to \$4 million in additional decommissioning costs related to the closure of our styrene facility. In mid-July, with the decontamination process for the styrene facility nearing completion, we announced a reduction in work force in order to reduce our staffing to a level appropriate for our existing operations and site development projects. As a result, seven members of our salaried work force were immediately laid off. In addition, we made offers for early retirement to several members of our hourly work force and our salaried administrative and process supervisors. Upon completion of the down-sizing of our hourly work force and our administrative and process supervisor positions, which will occur after the period for accepting offers of early retirement has closed in September, total staff reductions are expected to be approximately 40 employees, and we expect to recognize approximately \$2.2 million in severance costs in the third and fourth quarters of 2008, in accordance with SFAS No. 146, Accounting for Costs Associated with Exit of Disposal Activities.

We manufacture all of our petrochemicals products at our Texas City facility. In terms of production capacity, our Texas City site has the sixth largest acetic acid facility in the world. The Texas City site covers an area of 290 acres, is strategically located on Galveston Bay and benefits from a deep-water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 160 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use and a supportive political environment for growth. In addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, have on-site access to a number of key raw material pipelines, as well as close proximity to a number of large refinery complexes.

We own the acetic acid and plasticizers manufacturing units located at our Texas City site. We also lease a portion of our Texas City site to Praxair, who constructed a partial oxidation unit on that land, and we lease a portion of our Texas City site to S&L Cogeneration Company, a 50/50 joint venture between us and Praxair Energy Resources, Inc., who constructed a cogeneration facility on that land. We lease space for our principal offices located in Houston, Texas.

We intend to further expand the capacity of our acetic acid facility and we are presently undertaking numerous initiatives to attract new manufacturing and/or storage related businesses to our Texas City site. Given our significant under-utilized infrastructure, land, materials handling, utilities and storage, our Texas City site should be a favorable location for companies looking to construct new manufacturing facilities on the Gulf Coast of the United States. We believe that the construction of a new facility at our site by another company would lower the amount of overall fixed costs allocated to each of our operating units and provide us with additional profit. Accordingly, we are seeking long-term contractual business arrangements or partnerships that will provide us with an ability to realize the value of our under-utilized assets through profit sharing or other cash generating arrangements. For development projects that may have significant capital expenditure requirements, we are considering joint ventures or other arrangements where we would contribute certain of our assets and management expertise to minimize our share of the capital costs.

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Current Industry Conditions

Acetic Acid. The North American acetic acid industry has enjoyed a period of sustained domestic demand growth, as well as substantial export demand. This has led to current North American industry utilization rates of 86% and Tecnon projects utilization rates to increase to over 98% by 2013, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer, and consequently acetic acid, in North America in the short term. The North American acetic acid industry is inherently less cyclical than many other petrochemical products due to a number of important factors.

There are only four large producers of acetic acid in North America and historically these producers have made capacity additions in a disciplined and incremental manner, primarily using small expansion projects or exploiting debottlenecking opportunities. In addition, the leading technology required to manufacture acetic acid is controlled by two global companies, which permits these companies to control the pace of new capacity additions through the licensing or development of such additional capacity. The limited availability of this technology also creates a significant barrier to entry into the acetic acid industry by potential competitors.

Global production capacity of acetic acid, as of December 31, 2007, was approximately 24 billion pounds per year, with current North American production capacity at approximately 7 billion pounds per year. The North American acetic acid market is mature and well developed and is dominated by four major producers that account for over 94% of the production capacity of acetic acid in North America. Demand for acetic acid is linked to the demand for vinyl acetate monomer, a key intermediate in the production of a wide array of polymers. Vinyl acetate monomer is the largest derivative of acetic acid, representing over 40% of total demand. Annual global production of vinyl acetate monomer is expected to increase from 10.4 billion pounds in 2005 to 12.2 billion pounds in 2010, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer in North America in the short term. The North American acetic acid industry tends to sell most of its products through long-term sales agreements having cost plus pricing mechanisms, eliminating much of the volatility seen in other petrochemicals products and resulting in more stable and predictable earnings and profit margins.

Styrene. The North American styrene industry is currently in a protracted down cycle, primarily as a result of over-supply. This extended down cycle resulted from two major developments. Initially, export demand, which historically has represented over 20% of North American production capacity, has significantly diminished. In recent months, U.S. styrene producers have seen an increase in styrene exports, largely due to delays in the start up of announced new capacity in the Middle East. However, this increase is expected to reverse itself after the new styrene plant being constructed in Al Jubail, Saudi Arabia is completed, which is currently expected to occur later in 2008. Regional cost pressures, in addition to new production capacity being added in Asia and the Middle East, have made it difficult for North American producers to compete in these export markets on a continuous basis. In addition, a significant amount of styrene capacity has been added globally over the past five to ten years by producers of propylene oxide using so-called PO-SM technology, which produces styrene as a co-product. Propylene oxide is a key intermediate in the production of polyurethane, and polyurethane demand growth has been significantly greater than demand growth for styrene, exacerbating the over-supply of styrene. During periods of over-supply, production rates for styrene producers decrease significantly. When production rates are low, unit production costs increase due to the allocation of fixed costs over a lower production volume and a reduction in the efficiency of the manufacturing unit, both in energy usage and in the conversion rates for raw materials. Compounding these cost impacts, prices for the principal styrene raw materials, benzene and ethylene, are currently near historical highs, putting pressure on margins on styrene sales even though styrene contract prices are at near historic highs.

Over the last five years, China has been the driver for growth in styrene demand, representing approximately 75% of the world's styrene demand growth in that period. Historically, we positioned ourselves to take advantage of peaks in the Asian styrene markets, with a large portion of our styrene capacity not being committed under long-term

arrangements. However, over the last several years, relatively high benzene and domestic natural gas prices significantly limited our ability to sell styrene into the Asian markets, and high styrene prices have reduced styrene global demand growth rates. In addition, several of our competitors announced their intention to build new styrene production units outside the United States, further complicating our ability to sell styrene into the Asian markets. In

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2006, our competitors added 2.6 billion pounds of new styrene capacity in Asia and an additional 1.6 billion pounds in 2007. The remaining announced construction projects are scheduled to start up in 2008 and beyond. If and when these new units are completed, we anticipate more difficult market conditions, especially in the export markets, until the additional supply is absorbed by growth in styrene demand or significant capacity rationalization occurs.

CMAI currently projecting no additional capacity increases in North America through 2010, with operating rates reaching a trough of 75% in 2007, and less than 80% operating rates projected through 2010, without any further industry restructuring. Although we believe an improved North American industry outlook is possible, this largely depends on a significant industry restructuring. Previously, styrene and polystyrene industry participants, including The DOW Chemical Company and NOVA Chemicals Corporation, or NOVA Chemicals, have announced a desire to seek transactions which would restructure the North American styrene and polystyrene industries, thereby improving the balance of supply and demand in North America. More recently, on October 1, 2007, NOVA Chemicals expanded its European joint venture with INEOS to include North American styrene and solid polystyrene assets, and, in May of 2008, Americas Styrenics LLC, a joint venture between The Dow Chemical Company and Chevron Phillips Chemical Company, which includes selected styrene and polystyrene assets of the two companies in North America and South America, began operations.

Competitive Strengths

World Class Acetic Acid Facility. Our acetic acid facility, one of the largest in terms of production capacity in the world, enjoys high reliability and we believe it is the second most efficient facility in the world. With a rated annual production capacity of 1.1 billion pounds, our acetic acid facility produces approximately 17% of total North American capacity and approximately 5% of worldwide capacity. In terms of production capacity, our acetic acid facility is the third largest acetic acid facility in North America and the sixth largest in the world. Our acetic acid facility produces acetic acid using BP Chemicals Cativa Technology, which offers several advantages over competing production methods, including lower energy requirements and lower fixed and variable costs.

Well-Positioned for Further Growth. Since 1986, we and BP Chemicals have increased the annual rated production capacity of our acetic acid facility by 126%, from 490 million pounds of annual production capacity in 1986 to 1.1 billion pounds of annual production capacity today. In 2007, our acetic acid facility operated at 99% of capacity, in part as a result of its relatively low production costs and the efforts of BP Chemicals global sales organization. We also have undertaken projects with BP Chemicals to ensure that we would be positioned to expand production capacity in the future. For example, in 2003, we and BP Chemicals installed a larger reactor at our acetic acid facility, which will continue to permit additional cost-effective expansions of this facility. We expect a further expansion of the production capacity of our facility to 1.2 billion pounds by 2009. Following this expansion, we expect the facility to continue to operate at or near maximum utilization rates.

Highly Contracted Sources of Cash Flows for Our Acetic Acid and Plasticizers Products. Our business benefits from long-term requirements contracts with BP Chemicals and BASF. We sell 100% of our acetic acid production to BP Chemicals pursuant to the Production Agreement. Under the Production Agreement, which runs through July 31, 2016, BP Chemicals markets all of the acetic acid that we produce and pays us, among other amounts, a portion of the profits earned from sales of the product. The Production Agreement has allowed us to operate our acetic acid facility consistently at or near full capacity and generate steadily growing cash flows. BP Chemicals largest customer for acetic acid produced at our acetic acid facility is American Acetyls, a joint venture between BP Chemicals and The DOW Chemical Company, which currently accounts for approximately 50% of the acetic acid we produce. Sales to American Acetyls are made under a cost-plus contract that extends until 2016. Much of the remaining sales of the acetic acid we produce are made by BP Chemicals under multiple year contracts. This high percentage of contractually committed volume has provided us with secure demand for our acetic acid and steadily increasing cash flows.

Our long-term plasticizers business relationship with BASF, established in 1986, was extended in 2006 until the end of 2013 subject to some termination rights held by BASF beginning 2010. In December 2007, BASF caused the shutdown of our PA unit by nominating zero pounds of PA in response to deteriorating market conditions which are not expected to improve in the foreseeable future. As a result of this shutdown, in May 2008, we entered into an

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amended production agreement with BASF, effective as of April 1, 2008. The amended agreement relieves BASF of most of its obligations related to our PA manufacturing unit, requires that BASF pay approximately \$3.7 million to us for reimbursement of certain direct fixed and variable costs associated with the shutdown and decontamination of our PA manufacturing unit. The amended agreement also requires that BASF pay to us an aggregate amount of approximately \$3.2 million (the remaining \$0.2 million of which is required to be paid on or before August 15, 2008), subject to a 25%-75% refund right in BASF's favor if we restart our PA unit before the end of 2010, depending on the year in which we restart the unit. Under the amended agreement, BASF is still required to make the same quarterly fixed periodic payments as previously required. In addition, under the amended production agreement, the methods for calculating (i) payments required to be made by BASF to us for achieving reductions in direct fixed and variable costs and (ii) BASF's right to terminate the agreement in the event that direct fixed and variable costs exceed a specified threshold (unless we elect to cap BASF's reimbursement obligations), have both been modified to exclude costs savings and direct fixed and variable costs pertaining to our PA manufacturing unit. The amended agreement also removed all restrictions or rights BASF formerly had with respect to our use or disposition of the PA manufacturing unit, including a limited purchase right, the right to request capacity increases and consultation rights regarding future capital expenditures with respect to our PA unit.

Additionally, in both contracts, principal raw materials are provided by BP Chemicals and BASF, respectively, allow us to operate our business with relatively low working capital requirements, including finished product inventory requirements.

Well-Invested Production Assets. Over the past five years, we and BP Chemicals invested \$19 million in capital in our acetic acid facility. A new and larger reactor was installed in 2003, which was sized for an ultimate capacity in excess of 1.7 billion pounds of annual production. A new and larger product column is expected to be installed during the facility turnaround scheduled for 2009. All new capital investments for our acetic acid facility are being made with a view to ultimately achieving 1.7 billion pound annual production capacity in a cost efficient manner. We believe that the capital cost to expand our acetic acid facility to maximum capacity would be significantly less than the cost for new capacity at a greenfield location. In 2006, BASF invested approximately \$4 million to convert our plasticizers production unit over to a new range of esters as part of the extension of its production agreement with us which runs until 2013. BASF is responsible for all capital investment in the plasticizers, esters and phthalic anhydride production facilities through the length of the agreement.

We and third parties subject to agreements with us invested a further \$22 million in site infrastructure capital over the past five years, including the rebuilding of a ship dock and two barge docks. Given the condition of our Texas City site and infrastructure, we anticipate spending only approximately \$2 million annually on utilities and services maintenance over the next five years.

Attractive Logistics Assets and Infrastructure. Our logistics assets include strategic access to the intercoastal waterway and the Gulf of Mexico, a deep water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks, direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site, truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 160 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use and a supportive political environment for growth. We are in the heart of one of the largest petrochemical complexes on the Gulf Coast, in close proximity to a number of large refinery complexes. As a result, we have on-site access to a number of key raw material pipelines and convenient access to several of our suppliers and customers. Currently, our dock facilities can accommodate new uses and we have 31 tanks available for third party use. These assets present a substantial opportunity to grow our business by attracting new businesses to our Texas City site and significant opportunities for further development.

Leading Market Position in Acetic Acid Production. We have a leading market position in acetic acid. Our rated annual production capacity for acetic acid of 1.1 billion pounds represents 17% of the total North American production capacity and 5% of the global production capacity. In acetic acid, we are the third largest producer in North America with a low cost position derived from our use of BP Chemicals Cativa Technology, global sales and marketing network and acetyls know-how.

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Experienced Management Team. Our senior management team consists of five executives with an average of over 20 years of experience in the chemicals industry, 11 years of which have been with us. Our management team has demonstrated expertise in capturing cost efficiencies, project development, improving profitability and expanding profitable production capacity, while exiting unprofitable businesses through various economic cycles.

Business Strategy

Grow Our Business. We believe that our acetic acid facility is positioned for cost-effective future capacity expansions at lower incremental cost due to previous investments made by us and BP Chemicals, including the installation of a new reactor in 2003 that is capable of producing up to 1.7 billion pounds of acetic acid annually. We intend to grow our acetic acid business through capacity expansions that take advantage of this positioning. Currently, we have low-cost debottlenecking opportunities which could increase annual capacity of our acetic acid facility to approximately 1.2 billion pounds, an increase of approximately 7%.

Our Texas City site offers approximately 160 acres for future expansion by us or by other companies that can benefit from our existing infrastructure and facilities, and includes a greenbelt around the northern edge of the plant site. Our Texas City site is strategically located on Galveston Bay and we benefit from a deep water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 160 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use, and a supportive political environment for growth. In addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, have on-site access to a number of key raw material pipelines and are in close proximity to a number of the larger refinery complexes.

Given our under-utilized infrastructure, our management and engineering expertise, as well as ample unoccupied land, we believe that there are significant opportunities for further development of our Texas City site. We are currently pursuing numerous initiatives to attract new manufacturing and/or storage related businesses to our Texas City site, including opportunities involving renewable fuels projects, gasification, energy projects and chemicals terminalling. Specifically, we are seeking long-term contractual business arrangements or partnerships that will provide us with an ability to realize the value of our under-utilized assets through profit sharing or other cash generating arrangements. For development projects that may have significant capital expenditure requirements, we are considering joint ventures or other arrangements where we would contribute certain of our assets and management expertise to minimize our share of the capital costs. In any case, we expect any new facility constructed at our Texas City site to lower the amount of overall fixed costs allocated to each of our operating units and provide us with additional profit.

We plan to evaluate strategic acquisitions, focusing on chemical businesses and assets which would allow us to increase our market share of products we currently produce or those that would provide upstream or downstream integration within our existing businesses.

Improve Organization Efficiency and Cost Structure. We continually seek to improve our cost competitiveness through organizational efficiencies, productivity enhancements, operating controls and general cost reductions. We believe that the expansion of our acetic acid business, the further development of our Texas City site and acquisitions will lead to further cost efficiencies.

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Recent Developments

In May 2008, we entered into an amended production agreement with BASF, effective as April 1, 2008. This amended agreement was entered into in connection with BASF's nomination of zero pounds of PA under the existing production agreement due to deteriorating market conditions which were not expected to improve over the next few years, which resulted in the shutdown of our PA unit. See Management's Discussion and Analysis of Financial Condition and Results of Operations, Recent Developments and Business Contracts.

Effective as of May 27, 2008, John V. Genova was appointed as our President and Chief Executive Officer and was elected as a member of our Board of Directors. Mr. Genova succeeded Richard K. Crump, who retired as President and Chief Executive Officer as of May 27, 2008. Mr. Crump will remain a member of our Board of Directors.

Principal Executive Offices

Our principal executive offices are located at 333 Clay Street, Suite 3600, Houston, Texas 77002-4109 and our telephone number is (713) 650-3700. Our corporate website address is www.sterlingchemicals.com. The information contained on our corporate website is not part of this prospectus.

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THE EXCHANGE OFFER

You are entitled to exchange in the exchange offer your outstanding unregistered notes for registered notes with substantially identical terms. The summary below describes the principal terms of the exchange offer. Certain of the terms and conditions described below are subject to important limitations and exceptions. You should read the discussion under the heading Description of Notes for further information regarding the registered notes.

The Exchange Offer

We are offering to exchange up to \$150,000,000 aggregate principal amount of our registered 101/4% Senior Secured Notes due 2015, for a like principal amount of our unregistered 101/4% Senior Secured Notes due 2015, which were issued on March 29, 2007.

Registration Rights

Under the registration rights agreement executed as part of the offering of the unregistered notes, we agreed to use our commercially reasonable efforts to:

file a registration statement within 180 days after the issue date of the unregistered notes, or by September 25, 2007, enabling holders of unregistered notes to exchange the unregistered notes for registered notes with substantially identical terms;

cause the registration statement to become effective within 270 days after the issue date of the unregistered notes, or by December 24, 2007, and to complete the exchange offer within 50 days after the effective date of our registration statement; and

file a shelf registration statement for the resale of the notes if we cannot effect an exchange offer within the time periods listed above and in other circumstances.

The interest rate on the unregistered notes has increased as we have not complied with our obligations under the registration rights agreement and will continue at such increased rate until the registration statement of which this prospectus forms a part is declared effective.

Resales

Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the registered notes issued pursuant to the exchange offer in exchange for unregistered notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 of the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you:

are acquiring the registered notes in the ordinary course of business; and

have not engaged in, do not intend to engage in and have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in, a distribution of the registered notes.

In addition, each participating broker-dealer that receives registered notes for its own account pursuant to the exchange offer in exchange for unregistered notes that were acquired as a result of market-making or other trading activity must also acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For more information, see Plan of Distribution.

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Any holder of unregistered notes, including any broker-dealer, who
is our affiliate,

does not acquire the registered notes in the ordinary course of its
business, or

tenders in the exchange offer with the intention to participate, or for the
purpose of participating, in a distribution of registered notes,

cannot rely on the position of the staff of the SEC expressed in Exxon
Capital Holdings Corporation, Morgan Stanley & Co., Incorporated or
similar no-action letters and, in the absence of an exemption, must comply
with the registration and prospectus delivery requirements of the
Securities Act in connection with the resale of the registered notes.

Expiration Time

The exchange offer will expire at 5:00 p.m., New York City time, on
September 12, 2008, unless we extend the exchange offer in our sole
discretion, in which case the term **expiration time** means the latest date
and time to which the exchange offer is extended. We do not currently
intend to extend the expiration date.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, some of which we
may waive. For more information, see **The Exchange Offer** **Certain
Conditions to the Exchange Offer**.

**Procedures for Tendering Unregistered
Notes**

If you wish to exchange your unregistered notes in the exchange offer,
you must complete, sign and date the accompanying letter of transmittal,
or a copy of the letter of transmittal, according to the instructions
contained in this prospectus and the letter of transmittal. You must also
mail or otherwise deliver the letter of transmittal, or the copy, together
with the unregistered notes and any other required documents, to the
exchange agent at the address set forth on the cover of the letter of
transmittal. If you hold unregistered notes through The Depository
Trust Company, or DTC, and wish to participate in the exchange offer,
you must comply with the Automated Tender Offer Program procedures
of DTC, by which you will agree to be bound by the letter of transmittal.

By signing or agreeing to be bound by the letter of transmittal, you will
represent to us that, among other things:

any registered notes that you receive will be acquired in the ordinary
course of your business;

you have no arrangement or understanding with any person or entity,
including any of our affiliates, to participate in the distribution of the
registered notes;

you are not our affiliate as defined in Rule 405 of the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act; and

if you are a broker-dealer that will receive registered notes for your own account in exchange for unregistered notes that were acquired as a result of market-making activities, you will deliver a

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prospectus, as required by law, in connection with any resale of the registered notes.

Withdrawal of Tenders

A tender of unregistered notes pursuant to this exchange offer may be withdrawn at any time prior to the expiration date. Any unregistered notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of this exchange offer.

Guaranteed Delivery Procedures

If you wish to tender your unregistered notes and your unregistered notes are not immediately available or you cannot deliver your unregistered notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date, you must tender your unregistered notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offer Guaranteed Delivery."

Delivery of the Registered Notes

The registered notes issued pursuant to this exchange offer will be delivered to holders who tender unregistered notes promptly following the expiration time.

Effect on Holders of Unregistered Notes

As a result of the making of, and upon acceptance for exchange of all validly tendered unregistered notes pursuant to the terms of the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement and, accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you are a holder of unregistered notes and do not tender your unregistered notes in the exchange offer, you will continue to hold such unregistered notes and you will be entitled to all the rights and limitations applicable to the unregistered notes in the indenture, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.

Consequences of Failure to Exchange

All untendered unregistered notes will continue to be subject to the restrictions on transfer provided for in the unregistered notes and in the indenture. In general, the unregistered notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with this exchange offer, we do not anticipate that we will register the unregistered notes under the Securities Act.

Material United States Federal Income Tax Consequences

The exchange of unregistered notes for registered notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. For more information, see "Material U.S. Federal Income Tax Consequences."

Use of Proceeds

We will not receive any cash proceeds from the issuance of the registered notes.

Exchange Agent

U. S. Bank National Association is the exchange agent for this exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

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THE REGISTERED NOTES

The summary below describes the principal terms of the registered notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the registered notes.

Issuer	Sterling Chemicals, Inc.
Securities Offered	\$150.0 million aggregate principal amount of 101/4% senior secured notes.
Maturity Date	April 1, 2015.
Interest	We will pay interest in cash on the principal amount of the registered notes at an annual rate of 101/4%. Interest will be payable in cash semi-annually in arrears on April 1 and October 1 of each year.
Guarantees	The registered notes will be unconditionally guaranteed by all of our domestic restricted subsidiaries on a senior secured basis. Currently, we do not have any domestic restricted subsidiaries.
Collateral	The registered notes and the guarantees, if any, will be secured, subject to specified permitted liens, by a first priority lien on substantially all of our and any guarantors' fixed assets and certain related assets, including, without limitation, all property, plant and equipment. The first priority lien will not extend to assets securing our revolving credit facility. The registered notes and any guarantees will be secured, subject to specified permitted liens, by a second priority lien on our and the guarantors' other assets including, without limitation, accounts receivable, inventory, capital stock of our and their respective direct subsidiaries, certain intellectual property, deposit accounts and investment property securing on a first priority basis the obligations under our revolving credit facility. Consequently, the registered notes and any guarantees will be effectively subordinated to the revolving credit facility to the extent of the value of the assets securing our revolving credit facility. See Description of Notes Collateral.
Ranking	The registered notes will be: - senior secured obligations of the Issuer; - equal in right of payment with all existing and future senior indebtedness of the Issuer; - effectively senior to all existing and future senior unsecured indebtedness of the Issuer to the extent of the value of the assets securing the registered notes; and

senior in right of payment to all existing and future subordinated indebtedness of the Issuer.

The guarantee of any guarantor will be:

senior secured obligations of that guarantor;

equal in right of payment with all of that guarantor's existing and future senior indebtedness, including guarantees;

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effectively senior to all of that guarantor's existing and future senior unsecured indebtedness to the extent of the value of the assets securing the registered notes; and

senior in right of payment to all of that guarantor's existing and future subordinated indebtedness.

As of March 31, 2008, we had \$150 million of senior indebtedness, all of which would have represented outstanding principal under the unregistered notes. The indenture governing the registered notes permits us, subject to specified limitations, to incur additional debt, some or all of which may be senior indebtedness.

Optional Redemption

We may redeem some or all of the senior secured notes at any time prior to April 1, 2011 at the make-whole redemption price set forth in

Description of Notes. We may redeem the senior secured notes, in whole or in part, at any time on and after April 1, 2011 at the redemption prices described in the section Description of Notes Optional Redemption Optional Redemption on or after April 1, 2011, plus accrued and unpaid interest to the date of redemption.

In addition, prior to April 1, 2010, we may redeem up to 35% of our senior secured notes with the net cash proceeds from specified equity offerings at a redemption price equal to 110.25% of the aggregate principal amount, plus accrued and unpaid interest to the date of redemption, so long as at least 65% of the aggregate principal amount of the senior secured notes issued under the indenture remain outstanding immediately after the redemption. See Description of Notes Optional Redemption Optional Redemption Upon Equity Offerings.

Change of Control Offer

If we undergo a change of control, we must offer to repurchase the senior secured notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to the date of repurchase. See Description of Notes Repurchase upon Change of Control.

Asset Sale or Event of Loss Offer

If we engage in certain sales or suffer a loss of material plant, property or equipment that constitutes collateral securing the senior secured notes, we generally must invest the net cash proceeds from such sales and losses in our business within 360 days or make an offer to repurchase a principal amount of senior secured notes equal to the net cash proceeds, in which case the purchase price of the senior secured notes will be 100% of their aggregate principal amount, plus accrued and unpaid interest to the date of such repurchase. See Description of Notes Certain Covenants Asset Sales and Description of Notes Event of Loss.

Certain Indenture Covenants

The registered notes will be issued under the same indenture that governs our unregistered notes, which agreement restricts our and any guarantor's ability to, among other things:

pay dividends, redeem stock, prepay subordinated indebtedness or make other restricted payments;

incur indebtedness or issue disqualified capital stock;

make certain investments;

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create liens on assets;

restrict dividend payments or other payments from subsidiaries to us;

consolidate or merge;

sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries;

enter into transactions with affiliates;

designate subsidiaries as unrestricted subsidiaries;

use the proceeds of permitted sales of assets; and

change our line of business.

These covenants are subject to a number of important exceptions. For more details, see [Description of Notes](#) [Certain Covenants](#).

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The following table sets forth our summary historical consolidated financial data as of the dates and for the periods indicated. The historical consolidated statement of operations data for each of the three fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007 and the three months ended March 31, 2007 and 2008 and the historical consolidated balance sheet data as of March 31, 2008 are derived from, and are qualified in their entirety by, our historical consolidated financial statements included elsewhere in this prospectus. The results of any interim period are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year, and the historical results set forth below do not necessarily indicate results expected for any future period.

You should read the following summary and financial data together with Business, Selected Historical Consolidated Financial and Operating Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

On September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA. On November 13, 2007, we announced that we will exit the styrene business to pursue other strategic initiatives. Due to the shut down of our styrene plant, we have reported the operating results of the styrene business as discontinued operations in our consolidated financial statements beginning in the first quarter of 2008. All prior periods have been reclassified. The selected financial data presented below includes our styrene business in discontinued operations. In the following tables (including the footnotes thereto), dollars are in thousands, except as otherwise indicated.

	Year Ended December 31,			Three Months Ended	
	2005 ⁽¹⁾	2006 ⁽¹⁾	2007	2007 ⁽¹⁾	2008
	(Dollars in thousands)				
Statement of Operations Data:					
Revenues	\$ 128,098	\$ 141,259	\$ 129,813	\$ 32,715	\$ 38,199
Cost of goods sold	120,254	127,413	116,431	27,088	33,799
Gross profit	7,844	13,846	13,382	5,627	4,400
Selling, general and administrative expenses	6,548	7,073	8,679	2,298	2,418
Other expense (income)		(724)	839		
Interest and debt related expenses, net of interest income	10,090	10,079	15,706	3,385	2,887
Loss from continuing operations before income tax	\$ (8,794)	\$ (2,582)	\$ (11,842)	\$ (56)	\$ (905)
Benefit for income taxes	(2,938)	(388)	(4,129)		
Loss from continuing operations	\$ (5,856)	\$ (2,194)	\$ (7,713)	\$ (56)	\$ (905)
Income (loss) from discontinued operations, net of tax	(23,712)	(103,465)	(11,215)	2,725	(6,224)

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Net income (loss)	\$ (29,568)	\$ (105,659)	\$ (18,928)	\$ 2,669	\$ (7,129)
Other Financial Data:					
Depreciation and amortization ⁽²⁾	33,342	30,476	10,908	2,729	2,635
Capital expenditures ⁽³⁾	9,460	11,547	6,411	2,248	2,037
Ratio of earnings to fixed charges ⁽⁴⁾					

⁽¹⁾ We have restated our consolidated financial statements and selected financial data for the fiscal years ended December 31, 2006 and 2005 and three months ended March 31, 2007. For further information, see Note 16 to the consolidated financial statements for the year ended December 31, 2006 and 2005, and Note 15 to the consolidated financial statements for the quarter ended March 31, 2007, found elsewhere in this prospectus.

⁽²⁾ Includes depreciation and amortization for discontinued operations for the years ended December 31, 2005, 2006 and 2007, and for the three months ended March 31, 2007 and 2008 of \$23.8 million, \$18.1 million, \$1.0 million, \$0.6 million and \$0.1 million, respectively.

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- (3) Includes capital expenditures for discontinued operations for the years ended December 31, 2005, 2006 and 2007 and for the three months ended March 31, 2007 and 2008 of \$4.6 million, \$6.6 million, \$2.6 million, \$1.5 million and zero, respectively.
- (4) Additional pre-tax earnings needed to achieve a 1:1 ratio for the years ended December 31, 2005, 2006 and 2007 and for the three months ended March 31, 2007 and 2008 were \$8.8 million, \$2.6 million, \$11.8 million, less than \$0.1 million, and \$0.9 million, respectively.

	As of March 31, 2008
Summary Balance Sheet Data:	
Cash and cash equivalents	\$ 170,459
Accounts receivable, net	11,713
Inventories, net	5,211
Property, plant and equipment, net	76,678
Total assets	287,225
Total liabilities	268,575
Redeemable preferred stock	104,137
Stockholders' deficiency in assets	(85,487)

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RISK FACTORS

An investment in the notes involves certain risks. You should consider carefully these risks together with all of the other information included in this prospectus before deciding whether this investment is suitable for you.

Risks Related to Our Business

Substantially all of our products are sold to only one customer.

In 2007, a single customer, BP Chemicals, accounted for 100% of our acetic acid revenues while another customer, BASF, accounted for 100% of our plasticizers revenues. The termination of one or more of the long-term contracts for the purchase of these products, or a material reduction in the amount of product purchased under either of these contracts, could materially adversely affect our overall business, financial condition, results of operations or cash flows.

Our ability to realize increases in our acetic acid production capacity made possible through capacity expansions is limited by our current inability to obtain sufficient quantities of carbon monoxide.

Carbon monoxide is one of the principal raw materials required for acetic acid production. Currently, all of the carbon monoxide we use in the production of acetic acid is supplied by Praxair from a partial oxidation unit constructed by Praxair on land leased from us at our Texas City site. Although our new acetic acid reactor installed in 2003 is capable of producing up to 1.7 billion pounds annually, Praxair's partial oxidation unit is not capable of supplying carbon monoxide in quantities sufficient for more than approximately 1.2 billion pounds of annual acetic acid production. Moreover, the supply of sufficient quantities of carbon monoxide will likely require the construction of a new supply pipeline, which will require numerous third party and regulatory consents, or a substantial expansion of the Praxair oxidation unit. The expansion of the Praxair oxidation unit may not be cost effective and we may not be able to contract for the supply of carbon monoxide in quantities sufficient to increase our annual acetic acid production to 1.7 billion pounds. Furthermore, the construction of a supply pipeline may require a substantial period of time.

We depend upon the continued operation of a single site for all of our production.

All of our products are produced at our Texas City site. Significant unscheduled downtime at our Texas City site could have a material adverse effect on our business, financial condition, results of operations or cash flows. Unanticipated downtime can occur for a variety of reasons, including equipment breakdowns, interruptions in the supply of raw materials, power failures, sabotage, natural forces or other hazards associated with the production of petrochemicals. Although we maintain business interruption insurance, this insurance does not provide coverage for business interruptions of less than 45 days and is limited in its overall coverage.

Our operations involve risks that may increase our operating costs, which could reduce our profitability.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in the manufacturing and marketing of chemical products. These hazards include:

pipeline or storage tank leaks and ruptures, explosions and fires;

severe weather and natural disasters;

mechanical failures, unscheduled downtimes, labor difficulties and transportation interruptions;

environmental remediation complications; and

chemical spills and discharges or releases of toxic or hazardous substances or gases.

Many of these hazards can cause bodily injury or loss of life, severe damage to or destruction of property or equipment or environmental damage, and may result in suspension of operations or the imposition of civil or criminal penalties and liabilities. Furthermore, we are subject to present and future claims with respect to workplace exposure of our employees or contractors on our premises or other persons located nearby, workers' compensation and other matters.

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Our operations are subject to operating hazards and unforeseen interruptions for which we may not be adequately insured.

We maintain insurance coverage at levels that we believe are reasonable and typical for our industry, portions of which are provided by a captive insurance company maintained by us and a few other chemical companies. However, we are not fully insured against all potential hazards incident to our business. Accordingly, our insurance coverage may be inadequate for any given risk or liability, such as property damage suffered in hurricanes or from terrorist acts or business interruption incurred from a loss of our supply of electricity or carbon monoxide. In addition, our insurance companies may be incapable of honoring their commitments if an unusually high number of claims are concurrently made against their policies. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition, results of operations or cash flows. We can make no assurances that we can renew our existing insurance coverages at commercially reasonable rates or that such coverage will be adequate to cover future claims that may arise.

In addition, concerns about terrorist attacks, as well as other factors, have caused significant increases in the cost of our insurance coverage. We have determined that it is not economically prudent to obtain terrorism insurance and we do not carry terrorism insurance on our property at this time. In the event of a terrorist attack impacting one or more of our production units, we could lose the production and sales from one or more of these facilities, and the facilities themselves, and could become liable for contamination or personal or property damage from exposure to hazardous materials caused by a terrorist attack. Such loss of production, sales, or facilities or incurrence of liabilities could materially adversely affect our business, financial condition, results of operations or cash flows.

Terrorist attacks, the current military action in Iraq, general instability in various OPEC member nations and other attacks or acts of war in the United States and abroad may adversely affect the markets in which we operate.

The attacks of September 11, 2001 and subsequent events, including the current military action in Iraq, have caused instability in the United States and other financial markets and have led, and may continue to lead, to further armed hostilities, prolonged military action in Iraq or further acts of terrorism in the United States or abroad, which could cause further instability in the financial markets and in the markets for our products. Current regional tensions and conflicts in various OPEC member nations, including the current military action in Iraq, have caused, and may continue to cause, increased raw materials costs, specifically raising the prices of oil and gas, which are used in our operations or affect the prices of our raw materials. Furthermore, the terrorist attacks, subsequent events or future developments in any of these areas may result in reduced demand from our customers for our products. These developments could subject our operations to increased risks and, depending on their magnitude, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

New regulations concerning the transportation of hazardous chemicals and the security of chemical manufacturing facilities could result in higher operating costs.

Chemical manufacturing facilities may be at greater risk of future terrorist attacks than other potential targets in the United States. As a result, the chemical industry has responded to the issues surrounding the terrorist attacks of September 11, 2001 by starting new initiatives relating to the security of chemicals industry facilities and the transportation of hazardous chemicals in the United States. Simultaneously, local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals. Our business or our customers' businesses could be adversely affected because of the cost of complying with new security regulations.

We are subject to many environmental and safety regulations that may result in significant unanticipated costs or liabilities or cause interruptions in our operations.

Our operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous or toxic and that are extensively regulated by environmental and health and safety laws,

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regulations and permit requirements. We may incur substantial costs, including fines, damages and criminal or civil sanctions, or experience interruptions in our operations for actual or alleged violations or compliance requirements arising under environmental laws, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows. Our operations could result in violations of environmental laws, including spills or other releases of hazardous substances to the environment. In the event of a catastrophic incident, we could incur material costs. Furthermore, we may be liable for the costs of investigating and cleaning up environmental contamination on or from our properties or at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous materials. Based on available information, we believe that the costs to investigate and remediate known contamination will not have a material adverse effect on our business, financial condition, results of operations or cash flows. However, if significant previously unknown contamination is discovered, or if existing laws or their enforcement change, then the resulting expenditures could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Environmental, health and safety laws, regulations and permit requirements, and the potential for further expanded laws, regulations and permit requirements may increase our costs or reduce demand for our products and thereby negatively affect our business. Environmental permits required for our operations are subject to periodic renewal and may be revoked or modified for cause or when new or revised environmental requirements are implemented. Changing and increasingly strict environmental requirements and the potential for further expanded regulation may increase our costs and can affect the manufacturing, handling, processing, distribution and use of our products. If so affected, our business and operations may be materially and adversely affected. In addition, changes in these requirements may cause us to incur substantial costs in upgrading or redesigning our facilities and processes, including our waste treatment, storage, disposal and other waste handling practices and equipment. For these reasons, we may need to make capital expenditures beyond those currently anticipated to comply with existing or future environmental or safety laws.

Approximately 39% of our employees are covered by a collective bargaining agreement that expires on May 1, 2012. Disputes with the union representing these employees or other labor relations issues may negatively affect our business.

As of March 31, 2008, we had 236 employees, of whom approximately 39% (all of our hourly employees at our Texas City site) were represented by the Texas City, Texas Metal Trades Council, AFL-CIO, or the Union, and are covered by a collective bargaining agreement which expires on May 1, 2012. Although we believe our relationship with our hourly employees is generally good, we locked out these employees for 16 weeks in 2002 and our hourly employees engaged in a one-week strike in 2004, in both cases in connection with efforts to reach new collective bargaining agreements. Future strikes or other labor disturbances could have a material adverse effect on our business, financial condition, results of operations or cash flows.

A failure to retain our key employees could adversely affect our business.

We are dependent on the services of the members of our senior management team to remain competitive in our industry. There is a risk that we will not be able to retain or replace these key employees. Our current key employees are subject to employment conditions or arrangements that permit the employees to terminate their employment without notice. The loss of any member of our senior management team could materially adversely affect our business, financial condition, results of operations or cash flows.

Transactions consummated pursuant to our plan of reorganization could result in the imposition of material tax liabilities.

Prior to our emergence from bankruptcy in 2002, we eliminated our holding company structure by merging Sterling Chemicals Holdings, Inc. with and into us. We believe that this merger qualifies as a tax-free reorganization pursuant to Section 368(a)(1)(G) of the Internal Revenue Code (commonly referred to as a "G Reorganization") for United States federal income tax purposes. However, a judicial determination that this merger did not qualify as a G Reorganization would result in additional federal income tax liability which could materially adversely affect our business, financial condition, results of operations and cash flows.

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We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles or costs, increase our leverage or negatively impact our performance.

We may not be able to identify suitable acquisition candidates, and the expense incurred in consummating acquisitions of related businesses, or our failure to integrate such businesses successfully into our existing businesses, could affect our growth or result in our incurring unanticipated expenses and losses. Furthermore, we may not be able to realize any anticipated benefits from acquisitions. From time to time we evaluate potential acquisitions and may complete one or more significant acquisitions in the future. To finance an acquisition we may need to incur debt or issue equity. However, we may not be able to obtain favorable debt or equity financing to complete an acquisition, or at all. In particular, the lack of an active trading market in our common stock, as well as the dilutive terms of our outstanding Series A Convertible Preferred Stock, or Series A Preferred Stock, may make our common stock unattractive as consideration for an acquisition. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the risks associated with our acquisition strategy, which could materially adversely affect our business, financial condition, results of operations or cash flows, include:

potential disruption of our ongoing business and distraction of management;

unexpected loss of key employees or customers of an acquired business;

conforming an acquired business standards, processes, procedures or controls with our operations;

coordinating new product and process development;

hiring additional management or other critical personnel;

encountering unknown contingent liabilities which could be material; and

increasing the scope, geographic diversity and complexity of our operations.

Our acquisition strategy may not be favorably received by customers, and we may not realize any anticipated benefits from acquisitions.

Risks Relating to the Notes

Our leverage and debt service obligations may adversely affect our cash flow and our ability to make payments on the notes.

As of March 31, 2008, we had total long-term debt of \$150.0 million (consisting of outstanding principal on the unregistered notes). The terms and conditions governing our indebtedness, including our notes and our revolving credit facility:

require us to dedicate a substantial portion of our cash flow from operations to service our existing debt service obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate expenditures;

increase our vulnerability to adverse general economic or industry conditions and limit our flexibility in planning for, or reacting to, competition or changes in our business or our industry;

limit our ability to obtain additional financing;

place restrictions on our ability to make certain payments or investments, sell assets, make strategic acquisitions, engage in mergers or other fundamental changes and exploit business opportunities; and

place us at a competitive disadvantage relative to competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulation. We cannot be certain that our earnings will be

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sufficient to allow us to pay the principal and interest on our debt, including the notes, and meet our other obligations. If we do not have enough money, we may be required to refinance all or part of our existing debt, including the notes, sell assets, borrow more money or raise equity. We may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us, if at all. Further, failing to comply with the financial and other restrictive covenants in our indebtedness could result in an event of default under such indebtedness, which could adversely affect our business, financial condition, results of operations or cash flows.

Any failure to meet our debt obligations could harm our business, financial condition, results of operations or cash flows.

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. Our cash flow and capital resources may be insufficient for payment of interest on and principal of our debt in the future, including payments on the notes, and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations and impair our liquidity.

There may not be sufficient collateral to pay all or any of the notes.

The notes and the related guarantees, if any, are secured, subject to certain permitted liens, by a first priority lien on substantially all of our and any guarantors' fixed assets and certain related assets, or the primary collateral, including, without limitation, all property, plant and equipment. See Description of Notes Collateral. Concurrently with the closing of the offering of our unregistered notes, we amended and restated our revolving credit facility. Our revolving credit facility has a first priority lien on all assets that do not constitute primary collateral, or the secondary collateral, including without limitation, accounts receivable, inventory, capital stock of certain of our subsidiaries, intellectual property, deposit accounts and investment property. The notes and any related guarantees are secured by a second priority lien on the secondary collateral.

Although the noteholders may share in the proceeds of the secondary collateral, the lenders under our revolving credit facility are entitled to receive proceeds from any realization of their first priority collateral to repay their obligations in full before the noteholders will receive any repayment. Therefore, your security interest in the secondary collateral ranks behind that of the lenders under our revolving credit facility. In addition, the noteholders will not generally have any control over the secondary collateral even if the notes are in default.

We cannot assure you of the value of the primary collateral and secondary collateral, or the collateral. We further cannot assure you that the net proceeds of a sale of the collateral would be sufficient to repay all of the notes following a foreclosure upon the collateral (and any payments in respect of prior liens) or a liquidation of our assets or the assets of any guarantors that may grant these security interests. As of March 31, 2008, the book value of the primary collateral was \$76.7 million. The value of the collateral at any time will depend upon market and other economic conditions, including the availability of suitable buyers for the collateral. By their nature, some of the pledged assets may be illiquid and may have no readily ascertainable market value. The value of the assets constituting the collateral could be impaired in the future as a result of changing economic conditions and other factors beyond our control. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from any sale or liquidation of the collateral may be insufficient to pay our obligations under the notes in full.

If the net proceeds received from the sale of the collateral, after payment of our creditors having first priority security interests in the collateral for which the noteholders hold a second priority lien, are not sufficient to repay all amounts due with respect to the notes, you would, to the extent of the insufficiency, have only an unsecured claim against any

guarantors remaining assets, if any. Moreover, the ability of the trustee for the notes to foreclose upon the collateral securing the notes would be delayed if we, or any future guarantors, were subject to proceedings under applicable bankruptcy law.

The security documents allow us to remain in possession of the collateral.

The security documents allow us and our subsidiaries to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the collateral securing the notes. In addition, to

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the extent we sell any assets that constitute collateral, the proceeds from such sale will be subject to the liens securing the notes only to the extent such proceeds would otherwise constitute collateral securing the notes under the security documents. To the extent the proceeds from any such sale of collateral do not constitute collateral under the security documents, the pool of assets securing the notes would be reduced and the notes would not be secured by such proceeds.

In the event of a bankruptcy, the ability of the noteholders to realize upon the collateral will be subject to certain bankruptcy law limitations.

The ability of noteholders to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy or the bankruptcy of any guarantors. Under applicable federal bankruptcy laws, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to retain collateral even though the debtor is in default under the applicable debt instruments, provided generally that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to the circumstances, but is intended in general to protect the value of the secured creditor's interest in the collateral at the commencement of the bankruptcy case and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition of the collateral by the debtor during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a bankruptcy court, we cannot predict whether payments under the notes would be made following commencement of and during a bankruptcy case, whether or when the collateral agent, on behalf of the trustee and the noteholders, could foreclose upon or sell the collateral or whether or to what extent noteholders would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection. Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the notes, noteholders would hold undersecured claims. Applicable federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorney's fees for undersecured claims during a debtor's bankruptcy case.

The intercreditor agreement limits the ability of the noteholders to realize upon the collateral.

Concurrently with the closing of the offering of our unregistered notes on March 29, 2007, U. S. Bank National Association, in its capacity as the collateral agent, entered into an intercreditor agreement with the credit facility agent under our revolving credit facility. Under the terms of the intercreditor agreement, your security interest in the secondary collateral is subordinated to the security interest held by the lenders under our revolving credit facility.

If we incur any other secondary collateral loans, the applicable lender will enter into a counterpart to the intercreditor agreement, or agreement similar to the existing intercreditor agreement, with the collateral agent. The terms of the intercreditor agreement provide that you will generally have no rights in the secondary collateral (including any rights in the manner of disposing the secondary collateral) until all of our obligations owing to the lenders under our revolving credit facility have been paid in full. See Description of Notes Collateral Intercreditor Agreement. The lenders who are secured by the first priority security interests in the secondary collateral will generally have control over releasing those assets subject to the terms of the intercreditor agreement with the collateral agent. These lenders may have significantly different interests than the noteholders and may have very little indebtedness outstanding. The credit facility agent and the lenders under our revolving credit facility are under no obligation to take the interests of the noteholders into account in determining whether to exercise their rights in respect of the secondary collateral, subject to the intercreditor agreement, and their interests may differ or be adverse from yours. See Description of Notes Collateral Intercreditor Agreement.

Rights of noteholders in the collateral may be adversely affected by the failure to perfect security interests in certain collateral existing or acquired in the future.

The security interest in the collateral securing the notes includes domestic assets, both tangible and intangible, whether now owned or acquired or arising in the future. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of property and

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rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired collateral. The failure to perfect a security interest in respect of such acquired collateral may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.

If we or any guarantor were to become subject to a bankruptcy proceeding after the issue date of the notes, any liens recorded or perfected after the issue date of the notes would face a greater risk of being invalidated than if they had been recorded or perfected on the issue date. If a lien is recorded or perfected after the issue date, it may be treated under bankruptcy law as if it were delivered to secure previously existing debt. In bankruptcy proceedings commenced within 90 days of lien perfection, a lien given to secure previously existing debt is materially more likely to be avoided as a preference by the bankruptcy court than if delivered and promptly recorded on the issue date of the notes. Accordingly, if we or any guarantor were to file for bankruptcy after the issue date of the notes and the liens had been perfected less than 90 days before commencement of such bankruptcy proceeding, the liens securing the notes may be especially subject to challenge as a result of having been delivered after the issue date of the notes. To the extent that such challenge succeeded, you would lose the benefit of the security that the collateral was intended to provide.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture.

Upon the occurrence of certain specific kinds of change of control events, we are required to offer to repurchase all of our outstanding senior secured notes at 101% of the aggregate principal amount thereof plus accrued and unpaid interest to the date of repurchase. We cannot assure you that we will have sufficient funds at the time of the change of control to make the required repurchase of all the senior secured notes. Any such failure to comply with this offer and repurchase obligation would constitute an event of default under the indenture. See [Description of Notes](#) [Repurchase upon Change of Control](#).

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

We entered into a registration rights agreement with the initial purchasers of the unregistered notes, in which we agreed to file a registration statement relating to an offer to exchange the unregistered notes for the registered notes. The registration statement of which this prospectus forms a part was filed in compliance with this obligation. We also agreed to use our commercially reasonable efforts to cause the registration statement to become effective under the Securities Act. The registered notes will have terms substantially identical to the unregistered notes except that the registered notes will not contain terms with respect to transfer restrictions, registration rights and additional interest payable for the failure to comply with our obligations under the registration rights agreement. Unregistered notes in an aggregate principal amount of \$150.0 million were issued on March 29, 2007.

Each holder of unregistered notes that wishes to exchange such unregistered notes for transferable registered notes in the exchange offer will be required to make the following representations:

that any registered notes to be received by it will be acquired in the ordinary course of its business;

that at the time of the commencement of the exchange offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of Securities Act) of the registered notes in violation of the Securities Act;

that it is not our affiliate (as defined in Rule 405 promulgated under the Securities Act), or, if it is an affiliate, that it will comply with any applicable registration and prospectus delivery requirements of the Securities Act;

if such holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of registered notes; and

if such holder is a broker-dealer that will receive registered notes for its own account in exchange for notes that were acquired as a result of market-making or other trading activities, that it will deliver a prospectus in connection with any resale of such registered notes.

In addition, the SEC has taken the position that each broker-dealer that receives registered notes for its own account in exchange for unregistered notes, where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, may fulfill their prospectus delivery requirements with respect to the registered notes (other than a resale of an unsold allotment from the original sale of the registered notes) by delivering a prospectus in connection with any resale of such registered notes. See Plan of Distribution.

Resale of Registered Notes

Based on interpretations of the SEC staff set forth in no-action letters issued to unrelated third parties, we believe that registered notes issued in the exchange offer in exchange for unregistered notes may be offered for resale, resold and otherwise transferred by any exchange note holder without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

such holder is not an affiliate of ours within the meaning of Rule 405 under the Securities Act;

such registered notes are acquired in the ordinary course of the holder's business; and

the holder does not intend to participate in the distribution of such registered notes.

Any holder who tenders in the exchange offer with the intention of participating in any manner in a distribution of the registered notes:

cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

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If, as stated above, a holder cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters, any effective registration statement used in connection with a secondary resale transaction must contain the selling security holder information required by Item 507 of Regulation S-K under the Securities Act.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of registered notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the unregistered notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives registered notes for its own account in exchange for unregistered notes, where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the registered notes. Please read the section captioned Plan of Distribution for more details regarding these procedures for the transfer of registered notes. We have agreed that, for the period required by the Securities Act after the exchange offer is consummated, we will make this prospectus available to any broker-dealer for use in connection with any resale of the registered notes.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any unregistered notes properly tendered and not withdrawn prior to the expiration date. We will issue up to \$150,000,000 in principal amount of registered notes, in the aggregate, in exchange for an equal principal amount of the unregistered notes surrendered under the exchange offer. Unregistered notes may be tendered for the registered notes only in integral multiples of \$1,000.

The form and terms of the registered notes will be substantially identical to the form and terms of the unregistered notes except that the registered notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any Additional Interest upon our failure to fulfill our obligations under the registration rights agreement to file, and cause to become effective, a registration statement. The registered notes will evidence the same debt as the unregistered notes. The registered notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the unregistered notes. Consequently, each series of notes will be treated as a single class of debt securities under the applicable indenture.

The exchange offer is not conditioned upon any minimum aggregate principal amount of unregistered notes being tendered for exchange.

As of the date of this prospectus, \$150.0 million aggregate principal amount of the unregistered notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of unregistered notes. There will be no fixed record date for determining registered holders of unregistered notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act, and the rules and regulations of the SEC. Unregistered notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the unregistered notes.

We will be deemed to have accepted for exchange properly tendered unregistered notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders

for the purposes of receiving the registered notes from us and delivering registered notes to such holders. Subject to the terms of the registration rights agreement, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any unregistered notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under the caption Certain Conditions to the Exchange Offer.

Holders who tender unregistered notes in the exchange offer will not be required to pay brokerage commissions or fees, or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of unregistered notes. We will pay all charges and expenses, other than those transfer taxes described below, in

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connection with the exchange offer. It is important that you read the section labeled **Fees and Expenses** below for more details regarding fees and expenses incurred in the exchange offer.

Expiration Date; Extensions; Amendments

The exchange offer will expire 5:00 p.m. (New York City time) on September 12, 2008, unless we extend it in our sole discretion. However, we will not extend the exchange offer for more than 50 days after the date of this prospectus.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing. In addition, we will notify the registered holders of unregistered notes, in writing, by public announcement or both, of the extension no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

to delay accepting for exchange any unregistered notes before expiration or termination of the exchange offer, including any extensions;

to extend the exchange offer or to terminate the exchange offer and to refuse to accept unregistered notes not previously accepted if any of the conditions set forth below under **Certain Conditions to the Exchange Offer** have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or

subject to the terms of the registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by giving notice or public announcement thereof to the registered holders of unregistered notes. Holders of unregistered notes that tender before or after the offer is extended will have until the new expiration date to withdraw their notes. If we amend the exchange offer in a manner that we determine to constitute a material change, including a waiver of what we determine to be a material condition, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of unregistered notes of such amendment and extend the exchange offer for a period deemed adequate by us to permit holders to withdraw their unregistered notes. In any event, the extension will be at least five business days. If we amend the exchange offer to condition our offer on valid tenders from a specified percentage of unregistered notes or increase or decrease this percentage we will extend the exchange offer by at least 10 days. If we terminate this exchange offer as provided in this prospectus before accepting any unregistered notes for exchange or if we amend the terms of this exchange offer in a manner that constitutes a material change in the information set forth in the registration statement of which this prospectus forms a part, we will promptly file a post-effective amendment to the registration statement of which this prospectus forms a part and, if necessary, recirculate a revised prospectus. In addition, we will in all events comply with our obligation to promptly issue registered notes for all unregistered notes properly tendered and accepted for exchange in the exchange offer upon expiration of the exchange offer and will return unregistered notes not accepted for exchange promptly upon termination or expiration of the exchange offer.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we shall not have any obligation to publish, advertise or otherwise communicate any such public announcement, other than by filing a Current Report on Form 8-K with the SEC or issuing a timely press release to a financial news service.

Certain Conditions to the Exchange Offer

Despite any other terms of the exchange offer, we will not be required to accept for exchange, or exchange any registered notes for, any unregistered notes, and we may terminate the exchange offer as provided in this prospectus before accepting any unregistered notes for exchange if:

the exchange offer, or the making of any exchange by a holder of unregistered notes, would violate applicable law or any applicable interpretation of the staff of the SEC;

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any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our sole judgment, might materially impair our ability to proceed with the exchange offer;

any material adverse development has occurred in any existing action or proceeding with respect to us; or

any governmental approval has not been obtained, which approval we, in our sole discretion, deem necessary for the consummation of the exchange offer as contemplated by this prospectus.

In addition, we will not be obligated to accept for exchange the unregistered notes of any holder that has not made:

the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Plan of Distribution; and

such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the registered notes under the Securities Act.

We expressly reserve the right, at any time or at various times on or prior to the scheduled expiration date of the exchange offer, to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any unregistered notes by giving oral or written notice of such extension to the registered holders of the unregistered notes. During any such extensions, all unregistered notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange unless they have been previously withdrawn. We will return any unregistered notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer on or prior to the scheduled expiration date of the exchange offer, and to reject for exchange any unregistered notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give notice of or publicly announce any extension, amendment, non-acceptance or termination to the registered holders of the unregistered notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date. We will in all events comply with our obligation to promptly issue registered notes for all unregistered notes properly tendered and accepted for exchange in the exchange offer upon expiration of the exchange offer or to promptly return unregistered notes not accepted for exchange upon termination or expiration of the exchange offer.

These conditions are for our sole benefit and we may, in our sole discretion, assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times (provided that, if we waive a condition for one participant in the exchange offer, we must waive that condition for all participants). All conditions to the exchange offer, however, must be satisfied or waived by us prior to the expiration of the exchange offer.

In addition, we will not accept for exchange any unregistered notes tendered, and will not issue registered notes in exchange for any such unregistered notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended.

Procedures for Tendering

Only a holder of unregistered notes may tender such unregistered notes in the exchange offer. To tender in the exchange offer, a holder must:

complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

comply with DTC's Automated Tender Offer Program procedures described below.

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In addition, either:

the exchange agent must receive unregistered notes along with the letter of transmittal;

the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such unregistered notes into the exchange agent's account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent's message; or

the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under Exchange Agent prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of unregistered notes, the letter of transmittal and all other required documents to the exchange agent is at the holder's election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send us the letter of transmittal or unregistered notes. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose unregistered notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owner's behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its unregistered notes, either:

make appropriate arrangements to register ownership of the unregistered notes in such owner's name; or

obtain a properly completed bond power from the registered holder of unregistered notes.

Depending on the facts and circumstances applicable to a particular beneficial owner, including the nominee in whose name the notes are registered and applicable state laws, the transfer of registered ownership may take an indeterminable amount of time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member of the Medallion Signature Guarantee Program or by any other eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act (each are referred to as an eligible institution) unless the unregistered notes tendered pursuant thereto are tendered:

by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or

for the account of an eligible institution.

If the unregistered notes are registered in the name of a person other than the signer of the letter of transmittal or if unregistered notes not accepted for exchange or not tendered are to be returned to a person other than the registered holder, then the signatures on the letter of transmittal accompanying the tendered unregistered notes must be guaranteed by an eligible institution as described above. See Instructions 1 and 5 of the letter of transmittal.

If the letter of transmittal or any unregistered notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the unregistered notes

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to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering unregistered notes that are the subject of such book-entry confirmation;

such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and

the agreement may be enforced against such participant.

We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered unregistered notes and withdrawal of tendered unregistered notes. Our determination will be final and binding. We reserve the absolute right to reject any unregistered notes not properly tendered or any unregistered notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tenders as to particular unregistered notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of unregistered notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of unregistered notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of unregistered notes will not be deemed made until such defects or irregularities have been cured or waived. Any unregistered notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to the tendering holder, unless otherwise provided in the letter of transmittal, promptly following the expiration or termination date.

In all cases, we will issue registered notes for unregistered notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

unregistered notes or a timely book-entry confirmation of such unregistered notes into the exchange agent's account at DTC; and

a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By signing the letter of transmittal, each tendering holder of unregistered notes will represent that, among other things:

that any registered notes to be received by it will be acquired in the ordinary course of its business;

that at the time of the commencement of the exchange offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of Securities Act) of the registered notes in violation of the Securities Act;

that it is not our affiliate (as defined in Rule 405 promulgated under the Securities Act), or, if it is an affiliate, that it will comply with any applicable registration and prospectus delivery requirements of the Securities Act;

if such holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of registered notes; and

if such holder is a broker-dealer that will receive registered notes for its own account in exchange for notes that were acquired as a result of market-making or other trading activities, that it will deliver a prospectus in connection with any resale of such registered notes.

In addition, the SEC has taken the position that each broker-dealer that receives registered notes for its own account in exchange for unregistered notes, where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, may fulfill their prospectus delivery requirements with

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respect to the registered notes (other than a resale of an unsold allotment from the original sale of the registered notes) by delivering a prospectus in connection with any resale of such registered notes. See Plan of Distribution.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the unregistered notes at DTC for purposes of the exchange offer promptly after the date of this prospectus and any financial institution participating in DTC's system may make book-entry delivery of unregistered notes by causing DTC to transfer such unregistered notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Holders of unregistered notes who are unable to deliver confirmation of the book-entry tender of their unregistered notes into the exchange agent's account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their unregistered notes according to the guaranteed delivery procedures described below.

Guaranteed Delivery Procedures

Holders wishing to tender their unregistered notes but whose unregistered notes are not immediately available or who cannot deliver their unregistered notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date may tender if:

the tender is made through an eligible institution;

prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:

stating that the tender is being made thereby;

guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the unregistered notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

setting forth the name and address of the holder, the registered number(s) of such unregistered notes and the principal amount of unregistered notes tendered; and

the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered unregistered notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their unregistered notes according to the guaranteed delivery procedures set forth above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, holders of unregistered notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

the exchange agent must receive a written notice of withdrawal, which notice may be by facsimile transmission or letter, at one of the addresses set forth below under Exchange Agent ; or

holders must comply with the appropriate procedures of DTC's Automated Tender Offer Program system.

Any such notice of withdrawal must:

specify the name of the person who tendered the unregistered notes to be withdrawn;

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identify the unregistered notes to be withdrawn, including the principal amount of such unregistered notes; and

where certificates for unregistered notes have been transmitted, specify the name in which such unregistered notes were registered, if different from that of the withdrawing holder.

If certificates for unregistered notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

the serial numbers of the particular certificates to be withdrawn; and

a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If unregistered notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn unregistered notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt of such notices, and our determination shall be final and binding on all parties. We will deem any unregistered notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer. Any unregistered notes that have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of unregistered notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, such unregistered notes will be credited to an account maintained with DTC for unregistered notes) promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn unregistered notes may be retendered by following one of the procedures described under Procedures for Tendering above at any time prior to the expiration date.

Exchange Agent

U. S. Bank National Association has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

U. S. Bank National Association
Westside Operations Center
60 Livingston Avenue
St. Paul, MN 55107
Attention: Specialized Finance

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offer include:

SEC registration fees;

fees and expenses of the exchange agent and trustee;

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accounting and legal fees and printing costs; and

related fees and expenses.

Transfer Taxes

In general, we will pay all transfer taxes, if any, applicable to the exchange of unregistered notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

certificates representing unregistered notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of unregistered notes tendered;

tendered unregistered notes are registered in the name of any person other than the person signing the letter of transmittal; or

a transfer tax is imposed for any reason other than the exchange of unregistered notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

In addition, holders who instruct us to register registered notes in the name of, or request that unregistered notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer taxes.

Consequences of Failure to Exchange

Holders of unregistered notes who do not exchange their unregistered notes for registered notes under the exchange offer, including as a result of failing to timely deliver unregistered notes to the exchange agent, together with all required documentation, including a properly completed and signed letter of transmittal, will remain subject to the restrictions on transfer of such unregistered notes:

as set forth in the legend printed on the unregistered notes as a consequence of the issuance of the unregistered notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

otherwise as set forth in the offering circular distributed in connection with the private offering of the unregistered notes.

In addition, you will no longer have any registration rights or be entitled to Additional Interest with respect to the unregistered notes. Therefore, you should allow sufficient time to ensure timely delivery of the unregistered notes and you should carefully follow the instructions on how to tender your unregistered notes.

In general, you may not offer or sell the unregistered notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the unregistered notes under the Securities Act. Based on interpretations of the SEC staff, registered notes issued pursuant to the exchange offer may

be offered for resale, resold or otherwise transferred by their holders, other than any such holder that is our affiliate within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the registered notes in the ordinary course of the holders' business and the holders have no arrangement or understanding with respect to the distribution of the registered notes to be acquired in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the registered notes:

cannot rely on the applicable interpretations of the SEC; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

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After the exchange offer is consummated, if you continue to hold any unregistered notes, you may have difficulty selling them.

Accounting Treatment

We will record the registered notes in our accounting records at the same carrying value as the unregistered notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. We will expense the costs of this exchange offer as incurred.

Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered unregistered notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any unregistered notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered unregistered notes.

Table of Contents**USE OF PROCEEDS**

This exchange offer is intended to satisfy some of our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the registered notes in the exchange offer. In consideration for issuing the registered notes contemplated in this prospectus, we will receive unregistered notes in like principal amount, the form and terms of which are the same as the form and terms of the registered notes, except that the registered notes will not contain transfer restrictions or registration rights. Unregistered notes surrendered in exchange for registered notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the registered notes will not result in any change in our outstanding indebtedness.

The net proceeds from the offering of the unregistered notes, after deducting fees and expenses, was \$142.0 million. We used those proceeds to purchase and redeem all of our outstanding 10% Senior Secured Notes due 2007, or our 2007 secured notes, and for general corporate purposes.

The following table sets forth the sources and uses of funds in connection with the offering of the unregistered notes:

Sources of Funds		Uses of Funds	
Unregistered notes offered	\$ 150,000	2007 secured notes ⁽¹⁾	\$ 103,961
		General corporate purposes	38,013
		Fees and expenses	8,026
Total sources of funds	\$ 150,000	Total uses of funds	\$ 150,000

⁽¹⁾ Includes the repurchase and redemption of all of our 2007 secured notes at par plus accrued interest thereon.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization at March 31, 2008, and should be read in conjunction with our historical consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Conditions and Results of Operations and other financial information included elsewhere in this prospectus.

	At March 31, 2008 (Dollars in thousands)
Cash and cash equivalents	\$ 170,459
Long-term debt, including current maturities:	
Revolving credit facility	
Senior secured notes due 2015	150,000
Total long-term debt	150,000
Redeemable preferred stock	104,137
Stockholders' equity (deficiency in assets)	(85,487)
Total capitalization	\$ 168,650

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following table sets forth selected financial data with respect to our consolidated financial condition and consolidated results of operations and should be read in conjunction with our historical consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus.

On September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA. On November 13, 2007, we announced that we will exit the styrene business to pursue other strategic initiatives. Due to the shut down of our styrene plant, we have reported the operating results of the styrene business as discontinued operations in our consolidated financial statements beginning in the first quarter of 2008. All prior periods have been reclassified. The selected financial data presented below includes our styrene business in discontinued operations.

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007⁽¹⁾	Year Ended December 31, 2007	Year Ended December 31, 2006⁽¹⁾	Year Ended December 31, 2005⁽¹⁾	Year Ended December 31, 2004⁽¹⁾	Year Ended December 31, 2003⁽¹⁾
(In thousands, except per share data)							
Operating Data:							
Revenues	\$ 38,199	\$ 32,715	\$ 129,813	\$ 141,259	\$ 128,098	\$ 125,624	\$ 109,949
Gross profit	4,400	5,627	13,382	13,846	7,844	10,886	4,522
Loss from continuing operations ⁽²⁾	(905)	(56)	(7,713)	(2,194)	(5,856)	(42,212)	(9,761)
Income (loss) from discontinued operations ⁽³⁾	(6,224)	2,725	(11,215)	(103,465)	(23,712)	(20,432)	(4,438)
Per Share Data:							
Net loss attributable to common stockholders	\$ (4.03)	\$ (0.14)	\$ (12.90)	\$ (41.52)	\$ (16.46)	\$ (27.08)	\$ (8.38)
Net loss from continuing operations attributable to common stockholders	(1.83)	(1.10)	(8.93)	(4.94)	(8.08)	(19.85)	(6.80)
Cash dividends							
Ratio of earnings to fixed charges ⁽⁴⁾	\$						
Balance Sheet Data:							

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Working capital ⁽⁵⁾	\$ 157,917	\$ 131,902	\$ 166,264	\$ 99,110	\$ 208,179	\$ 248,166	\$ 289,491
Total assets	287,225	321,224	306,444	245,823	386,594	473,553	550,503
Long-term debt	150,000	150,000	150,000	100,579	100,579	100,579	100,579
Redeemable preferred stock ⁽⁶⁾	104,137	58,767	99,866	82,316	70,542	53,559	39,701
Stockholders equity (deficiency in assets) ⁽⁷⁾	(85,487)	(22,347)	(74,087)	(48,575)	58,045	107,813	185,029

- (1) We have restated our consolidated financial statements and selected financial data for the fiscal years ended December 31, 2006, 2005, 2004 and 2003 and the three months ended March 31, 2007. For further information, see Note 16 to the consolidated financial statements for the years ended December 31, 2006 and 2005, and Note 15 to the consolidated financial statements for the quarter ended March 31, 2007, found elsewhere in this prospectus.
- (2) During 2004, we recorded a \$48.5 million goodwill impairment charge. Also during 2004, we recorded a pension curtailment gain of \$13 million.
- (3) During 2006, we recorded a \$127.7 million impairment charge to our styrene assets and a related deferred tax benefit of \$45 million. This tax benefit was offset by deferred tax expense of \$28 million in connection with the recording of a valuation allowance against our deferred tax assets. During 2005, we announced that we were exiting the acrylonitrile business and related derivatives operations. During 2004, we recorded a \$22 million pre-tax impairment charge related to our acrylonitrile long-lived assets. Loss from discontinued operations during 2007 and 2006 reflects costs associated with the dismantling of our acrylonitrile unit.
- (4) Additional pre-tax earnings needed to achieve a 1:1 ratio for the three months ended March 31, 2008 and 2007 and the years ended December 31, 2007, 2006, 2005, 2004 and 2003 were \$0.9 million, less than \$0.1 million, \$11.8 million, \$2.6 million, \$8.8 million, \$42.3 million and \$15.6 million, respectively.
- (5) Working capital as of March 31, 2008 and 2007, December 31, 2007, 2006, 2005, 2004 and 2003 includes net assets (liabilities) of discontinued operations of \$(5.7) million, \$85.5 million \$60.2 million, \$88.3 million, \$181.6 million, \$290.1 million and \$266.2 million, respectively.
- (6) Our Series A Preferred Stock is not currently redeemable or probable of redemption. If our Series A Preferred Stock had been redeemed as of March 31, 2008, the redemption amount would have been approximately \$79.7 million. The liquidation value of our Series A Preferred Stock as of March 31, 2008 is \$68.7 million.
- (7) The balance as of December 31, 2006 includes a change in stockholders equity (deficiency in assets) of \$6.8 million (net of tax) due to the adoption of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans .

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Restatement

We have restated our previously issued consolidated financial statements for the years ended December 31, 2006 and 2005 and the three months ended March 31, 2007 for the matters discussed more fully in Note 15 to the consolidated financial statements for the quarter ended March 31, 2007, and Note 16 to the consolidated financial statements for the years ended December 31, 2006 and 2005, included elsewhere in this prospectus.

The following information should be read in conjunction with our historical consolidated financial statements and related notes and other financial information included elsewhere in this prospectus.

Overview

Business

We are a North American producer of selected petrochemicals used to manufacture a wide array of consumer goods and industrial products. We currently operate in two segments: acetic acid and plasticizers.

Our acetic acid is used primarily to manufacture vinyl acetate monomer, which is used in a variety of products, including adhesives and surface coatings. Pursuant to the Production Agreement that began in 1986 and extends to 2016, all of our acetic acid production is sold to BP Chemicals and we are BP Chemicals' sole source of acetic acid production in the Americas. BP Chemicals markets all of the acetic acid that we produce and pays us, among other amounts, a portion of the profits derived from its sales of the acetic acid we produce. In addition, BP Chemicals reimburses us for 100% of our fixed and variable costs of production. Prior to August 2006, BP Chemicals also paid us a set monthly amount. However, under the terms of this Production Agreement, beginning in August 2006, the portion of the profits we receive from the sales of acetic acid produced at our plant increased and BP Chemicals was no longer required to pay us the set monthly amount. This change in payment structure did not affect BP Chemicals obligation to reimburse us for all of our fixed and variable costs of production. We believe that we have one of the lowest cost acetic acid facilities in the world. Our acetic acid facility utilizes BP Chemicals' Cativa Technology, which we believe offers several advantages over competing production methods, including lower energy requirements and lower fixed and variable costs. We also jointly invest with BP Chemicals in capital expenditures related to our acetic acid facility in the same percentage as the profits from the business are divided. We initially pay for 100% of the capital expenditures related to our acetic acid business and then invoice BP Chemicals for its portion. The net amount that is not reimbursed by BP Chemicals represents our basis in the property, plant and equipment related to our acetic acid business, which is capitalized and depreciated over its useful life. Acetic acid production has two major raw material requirements—methanol and carbon monoxide. BP Chemicals, a producer of methanol, supplies 100% of our methanol requirements related to our production of acetic acid. All of the required carbon monoxide is supplied by Praxair from a partial oxidation unit constructed by Praxair on land leased from us at our site in Texas City, Texas.

All of our plasticizers, which are used to make flexible plastics, such as shower curtains, floor coverings, automotive parts and construction materials, are sold to BASF pursuant to a long-term production agreement that extends until 2013, subject to some early termination rights held by BASF that begin in 2010. Under our agreement with BASF, BASF provides us with most of the required raw materials, markets the plasticizers we produce and is obligated to make certain fixed quarterly payments to us and to reimburse us monthly for our actual production costs and capital expenditures related to our plasticizers facility. In May 2008, we entered into an amended production agreement with BASF, effective as of April 1, 2008. This amended agreement was entered into in connection with BASF's nomination

of zero pounds of PA under the existing production agreement due to deteriorating market conditions which were not expected to improve over the next few years, which resulted in the shutdown of our PA unit. For further discussion of the amended agreement with BASF, see Recent Developments.

Prior to December 3, 2007, we manufactured styrene. However, on September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA. Under this supply agreement, NOVA had the exclusive right to purchase 100% of our styrene production (subject to existing contractual commitments), the amount of styrene supplied in any particular period being at NOVA's option,

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based on a full-cost formula. In November 2007, the styrene supply agreement with NOVA, which was subsequently assigned by NOVA to INEOS NOVA, obtained clearance under the Hart-Scott-Rodino Act. This clearance caused the supply agreement and the railcar agreement to become effective and triggered a \$60 million payment to us in November 2007. In addition, in accordance with the terms of the supply agreement, INEOS NOVA assumed substantially all of our contractual obligations for future styrene deliveries. After the supply agreement became effective, INEOS NOVA nominated zero pounds of styrene under the supply agreement for the balance of 2007 and, in response, we exercised our right to terminate the supply agreement and permanently shut down our styrene facility. Under the supply agreement, we are responsible for the closure costs of our styrene facility and are also subject to a long-term commitment to not reenter the styrene business until December of 2012. We operated our styrene facility through early December 2007, as we completed our production of inventory and exhausted our raw materials and purchase requirements, and sold substantially all our inventory during the first quarter of 2008. During 2007 and the first quarter of 2008, we incurred closure costs to decommission our styrene facility of approximately \$1 million and \$9 million, respectively. We expect to incur up to \$4 million in additional decommissioning costs related to the closure of our styrene facility. In mid-July, with the decontamination process for the styrene facility nearing completion, we announced a reduction in work force in order to reduce our staffing to a level appropriate for our existing operations and site development projects. As a result, seven members of our salaried work force were immediately laid off. In addition, we made offers for early retirement to several members of our hourly work force and our salaried administrative and process supervisors. Upon completion of the down-sizing of our hourly work force and our administrative and process supervisor positions, which will occur after the period for accepting offers of early retirement has closed in September, total staff reductions are expected to be approximately 40 employees, and we expect to recognize approximately \$2.2 million in severance costs in the third and fourth quarters of 2008, in accordance with SFAS No. 146, Accounting for Costs Associated with Exit of Disposal Activities.

We manufacture all of our petrochemicals products at our Texas City facility. In terms of production capacity, our Texas City site has the sixth largest acetic acid facility in the world. Our Texas City site covers an area of 290 acres, is strategically located on Galveston Bay and benefits from a deep-water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 160 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use and a supportive political environment for growth. In addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, have on-site access to a number of raw material pipelines, as well as close proximity to a number of large refinery complexes.

Given our under-utilized infrastructure, our management and engineering expertise, as well as ample unoccupied land, we believe that there are significant opportunities for further development of our Texas City site. We are currently pursuing numerous initiatives to attract new manufacturing and/or storage related businesses to our Texas City site, including opportunities involving renewable fuels projects, gasification, energy projects and chemicals terminalling. Specifically, we are seeking long-term contractual business arrangements or partnerships that will provide us with an ability to realize the value of our under-utilized assets through profit sharing or other cash generating arrangements. For development projects that may have significant capital expenditure requirements, we are considering joint ventures or other arrangements where we would contribute certain of our assets and management expertise to minimize our share of the capital costs. In any case, we expect any new facility constructed at our Texas City site to lower the amount of overall fixed costs allocated to each of our operating units and provide us with additional profit.

We plan to evaluate strategic acquisitions, focusing on chemical businesses and assets which would allow us to increase our market share of products we currently produce or those that would provide upstream or downstream integration within our existing businesses.

Our petrochemicals products are generally sold to customers for use in the manufacture of other chemicals and products which, in turn, are used in the production of a wide array of consumer goods and industrial products throughout the world.

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Acetic Acid. The North American acetic acid industry has enjoyed a period of sustained domestic demand growth, as well as substantial export demand. This has led to current North American industry utilization rates of 86% and Tecnon projects utilization rates to increase to over 98% by 2013, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer, and consequently acetic acid, in North America in the short term. The North American acetic acid industry is inherently less cyclical than many other petrochemical products due to a number of important factors.

There are only four large producers of acetic acid in North America and historically these producers have made capacity additions in a disciplined and incremental manner, primarily using small expansion projects or exploiting debottlenecking opportunities. In addition, the leading technology required to manufacture acetic acid is controlled by two global companies, which permits these companies to control the pace of new capacity additions through the licensing or development of such additional capacity. The limited availability of this technology also creates a significant barrier to entry into the acetic acid industry by potential competitors.

Global production capacity of acetic acid, as of December 31, 2007, was approximately 24 billion pounds per year, with current North American production capacity at approximately 7 billion pounds per year. The North American acetic acid market is mature and well developed and is dominated by four major producers that account for over 94% of the production capacity of acetic acid in North America. Demand for acetic acid is linked to the demand for vinyl acetate monomer, a key intermediate in the production of a wide array of polymers. Vinyl acetate monomer is the largest derivative of acetic acid, representing over 40% of total demand. Annual global production of vinyl acetate monomer is expected to increase from 10.4 billion pounds in 2005 to 12.2 billion pounds in 2010, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer in North America in the short term.

The North American acetic acid industry tends to sell most of its products through long-term sales agreements having cost plus pricing mechanisms, eliminating much of the volatility seen in other petrochemicals products and resulting in more stable and predictable earnings and profit margins.

Several acetic acid capacity additions have occurred since 1998, including an expansion of our acetic acid unit from 800 million pounds of rated annual production capacity to 1.1 billion pounds during 2005. These capacity additions were somewhat offset by reductions of approximately 1.6 billion pounds in annual global capacity from the shutdown of various outdated acetic acid plants from 1999 through 2001. In 2006, BP Chemicals closed two of its outdated acetic acid production units in Hull, England that had a combined annual capacity of approximately 500 million pounds (which had been sold primarily in Europe and South America). We and BP Chemicals are reviewing further expansion of our acetic acid plant in 2008 or 2009.

Plasticizers. Historically, we produced ethylene-based linear plasticizers, which typically receive a premium over competing branched propylene-based products for customers that require enhanced performance properties. However, the markets for competing plasticizers can be affected by the cost of the underlying raw materials, especially when the cost of one olefin rises faster than the other, or by the introduction of new products. One of the raw materials for linear plasticizers is a product known as linear alpha-olefins. Over the last few years, the price of linear alpha-olefins has increased sharply as supply has declined, which has caused many consumers to switch to lower cost branched products, despite the loss of some performance properties. Ultimately, we expect branched plasticizers to replace linear plasticizers for most applications over the long-term. As a result, we modified our plasticizers facilities during the third quarter of 2006 to produce lower cost branched plasticizers products.

In 2005, BP Chemicals announced the permanent closure of its linear alpha-olefins production facility in Pasadena, Texas, the primary source of supply of this feedstock to the oxo-alcohols production unit at our plasticizers facility. After pursuing various alternative uses for our oxo-alcohols unit, we were unable to secure an alternative use for this

facility. As a result, we permanently shut down our oxo-alcohols production unit on July 31, 2006. Due to the closure of our oxo-alcohols unit and our conversion to the production of branched plasticizers, the phthalate esters production unit at our plasticizers facility now uses oxo-alcohols supplied by BASF that have a different chemical composition. In December 2007, BASF caused the shutdown of our PA, unit by nominating zero pounds of PA in response to deteriorating market conditions which are not expected to improve in the foreseeable future. As a result of this shutdown, in May 2008, we entered into an amended production agreement with BASF, effective April 1, 2008. The amended agreement relieves BASF of most of its obligations related to our PA

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manufacturing unit, requires that BASF pay approximately \$3.7 million to us for reimbursement of certain direct fixed and variable costs associated with the shutdown and decontamination of our PA manufacturing unit. The amended agreement also requires that BASF pay to us an aggregate amount of approximately \$3.2 million (the remaining \$0.2 million of which is required to be paid on or before August 15, 2008), subject to a 25%-75% refund right in BASF's favor if we restart our PA unit before the end of 2010, depending on the year in which we restart the unit. Under the amended agreement, BASF is still required to make the same quarterly fixed periodic payments as previously required. In addition, under the amended production agreement, the methods for calculating (i) payments required to be made by BASF to use for achieving reductions in direct fixed and variable costs and (ii) BASF's right to terminate the agreement in the event that direct fixed and variable costs exceed a specified threshold (unless we elect to cap BASF's reimbursement obligations), have both been modified to exclude costs savings and direct fixed and variable costs pertaining to our PA manufacturing unit. The amended agreement also removed all restrictions of rights BASF formerly had with respect to our use or disposition of the PA manufacturing unit, including a purchase right, the right to request capacity increases and consultation rights regarding future capital expenditures with respect to our PA unit. For further discussion of the amended agreement with BASF, see Recent Developments.

Styrene. The North American styrene industry is currently in a protracted down cycle, primarily as a result of over-supply. This extended down cycle resulted from two major developments. Initially, export demand, which historically has represented over 20% of North American production capacity, has significantly diminished. In recent months, U.S. styrene producers have seen an increase in styrene exports, largely due to delays in the start up of announced new capacity in the Middle East. However, this increase is expected to reverse itself after the new styrene plant being constructed in Al Jubail, Saudi Arabia is completed, which is currently expected to occur later in 2008. Regional cost pressures, in addition to new production capacity being added in Asia and the Middle East, have made it difficult for North American producers to compete in these export markets on a continuous basis. In addition, a significant amount of styrene capacity has been added globally over the past five to ten years by producers of propylene oxide using so-called PO-SM technology, which produces styrene as a co-product. Propylene oxide is a key intermediate in the production of polyurethane, and polyurethane demand growth has been significantly greater than demand growth for styrene, exacerbating the over-supply of styrene. During periods of over-supply, production rates for styrene producers decrease significantly. When production rates are low, unit production costs increase due to the allocation of fixed costs over a lower production volume and a reduction in the efficiency of the manufacturing unit, both in energy usage and in the conversion rates for raw materials. Compounding these cost impacts, prices for the principal styrene raw materials, benzene and ethylene, are currently near historical highs, putting pressure on margins on styrene sales even though styrene contract prices are at near historic highs.

Over the last five years, China has been the driver for growth in styrene demand, representing approximately 75% of the world's styrene demand growth in that period. Historically, we positioned ourselves to take advantage of peaks in the Asian styrene markets, with a large portion of our styrene capacity not being committed under long-term arrangements. However, over the last several years, relatively high benzene and domestic natural gas prices significantly limited our ability to sell styrene into the Asian markets, and high styrene prices have reduced styrene global demand growth rates. In addition, several of our competitors announced their intention to build new styrene production units outside the United States, further complicating our ability to sell styrene into the Asian markets. In 2006, our competitors added 2.6 billion pounds of new styrene capacity in Asia and an additional 1.6 billion pounds in 2007. The remaining announced construction projects are scheduled to start up in 2008 and beyond. If and when these new units are completed, we anticipate more difficult market conditions, especially in the export markets, until the additional supply is absorbed by growth in styrene demand or significant capacity rationalization occurs.

CMAI currently is projecting no additional capacity increases in North America through 2010, with operating rates reaching a trough of 75% in 2007, and less than 80% operating rates projected through 2010, without any further industry restructuring. Although we believe an improved North American industry outlook is possible, this largely depends on a significant industry restructuring. Previously, styrene and polystyrene industry participants, including

The DOW Chemical Company and NOVA Chemicals Corporation, or NOVA Chemicals, have announced a desire to seek transactions which would restructure the North American styrene and polystyrene industries, thereby improving the balance of supply and demand in North America. More recently, on October 1, 2007, NOVA Chemicals expanded its European joint venture with INEOS to include North American styrene and solid

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polystyrene assets, and, in May of 2008, Americas Styrenics LLC, a joint venture between The Dow Chemical Company and Chevron Phillips Chemical Company, which includes selected styrene and polystyrene assets of the two companies in North America and South America, began operations.

Recent Developments

On May 27, 2008, we entered into our Amended Plasticizers production agreement with BASF, with an effective date of April 1, 2008. The Amended Plasticizers Production agreement amends certain provisions of the Old Plasticizers Production Agreement. The Amended Plasticizers Production Agreement was entered into in connection with BASF's nomination of zero pounds of PA under the Old Plasticizers Production Agreement in response to deteriorating market conditions which were not expected to improve over the next few years, causing the shutdown of our PA unit.

The Amended Plasticizers Production Agreement relieves BASF of most of its obligations under the Old Plasticizers Production Agreement related to our PA manufacturing unit. BASF's obligations under the Old Plasticizers Production Agreement related to our esters manufacturing unit were not affected by the Amended Plasticizers Production Agreement and are continuing in accordance with the same terms as existed under the Old Plasticizers Production Agreement. In exchange for being relieved of its obligations related to our PA manufacturing unit, BASF is required to pay us an aggregate amount of approximately \$3.2 million, \$3.0 million of which was paid in May 2008, and the balance of which is due and payable on or before August 15, 2008. However, we are obligated to refund 75% of this amount if we restart our PA manufacturing unit before January 1, 2009, 50% of this amount if we restart our PA manufacturing unit during 2009 and 25% of this amount if we restart our PA manufacturing unit during 2010. The \$3.2 million represents the termination of BASF's obligations under the Old Plasticizers Production Agreement with respect to the operation of our PA manufacturing unit, and will be recognized using the straight-line method over the restricted period of April 1, 2008 through December 31, 2010 under the Amended Plasticizers Production Agreement. During the first half of 2008, BASF is also required to pay us approximately \$3.7 million for reimbursement of certain direct fixed and variable costs associated with the shutdown and decontamination of our PA manufacturing unit, which amounts are not subject to refund. All direct fixed and variable costs associated with the shutdown and decontamination of our PA unit have been incurred and expensed, and the \$3.7 million in cost reimbursements has been recognized as revenue in the first six months of 2008. The quarterly fixed periodic payments under the Old Plasticizers Production Agreement with respect to the operation of our PA and esters manufacturing units will not change; however, the quarterly fixed periodic payments are now related to the operation of our esters manufacturing unit under the Amended Plasticizers Production Agreement.

In addition, under the Amended Plasticizers Production Agreement, (i) the methods for calculating payments required to be made by BASF for achieving reductions in direct fixed and variable costs and (ii) BASF's right to terminate the Amended Plasticizers Production Agreement in the event that direct fixed and variable costs exceed a specified threshold (unless we elect to cap BASF's reimbursement obligations) have both been modified to exclude costs savings and direct fixed and variable costs pertaining to our PA manufacturing unit.

After April 1, 2008, the Amended Plasticizers Production Agreement also removed all restrictions or rights BASF formerly had during the term of the Old Plasticizers Production Agreement with respect to our use or disposition of the PA manufacturing unit, including a limited purchase right, the right to request capacity increases and consultation rights regarding future capital expenditures with respect to our PA manufacturing unit.

As a result of the Amended Plasticizers Production Agreement and subsequent permanent shutdown of our PA unit by BASF, our management determined that a triggering event, as defined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," had occurred and during the second quarter of 2008, we performed an asset impairment analysis on our PA manufacturing unit. We analyzed the undiscounted cash flow stream from our PA business over the remaining life of the PA manufacturing unit and compared it to the \$6.6 million net book

carrying value of our PA manufacturing unit. This analysis showed that the undiscounted projected cash flow stream from our PA business was less than the net book carrying value of our PA manufacturing unit. As a result, we performed a discounted cash flow analysis and subsequently concluded that our PA manufacturing unit was

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impaired and should be written down to zero. This write-down caused us to record an impairment of \$6.6 million in June 2008.

Other than the impairment discussed above, we do not believe the shutdown of our PA manufacturing unit will have a material adverse affect on our financial position, results of operations or cash flows as the required quarterly fixed periodic payments previously related to the PA manufacturing unit will continue throughout the original term of the contract and have been allocated to the operation of the esters manufacturing unit, and all decontamination and shutdown costs were reimbursed by BASF.

Effective as of May 27, 2008, John V. Genova was appointed as our President and Chief Executive Officer and was elected as a member of our Board of Directors. Mr Genova succeeded Richard K. Crump, who retired as President and Chief Executive Officer as of May 27, 2008. Mr. Crump will remain a member of our Board of Directors.

Discontinued Operations

We operated our styrene manufacturing unit through early December, as we completed our production of inventory and exhausted our raw materials and purchase requirements and sold substantially all of our inventory during the first quarter of 2008. During 2007 and the first quarter of 2008, we incurred closure costs to decommission our styrene facility of approximately \$1 million and \$9 million, respectively. We expect to incur up to \$4 million in additional decommissioning costs related to the closure of our styrene facility. In mid-July, with the decontamination process for the styrene facility nearing completion, we announced a reduction in work force in order to reduce our staffing to a level appropriate for our existing operations and site development projects. As a result, seven members of our salaried work force were immediately laid off. In addition, we made offers for early retirement to several members of our hourly work force and our salaried administrative and process supervisors. Upon completion of the down-sizing of our hourly work force and our administrative and process supervisor positions, which will occur after the period for accepting offers of early retirement has closed in September, total staff reductions are expected to be approximately 40 employees, and we expect to recognize approximately \$2.2 million in severance costs in the third and fourth quarters of 2008, in accordance with SFAS No. 146, Accounting for Costs Associated with Exit of Disposal Activities.

On September 16, 2005, we announced that we were exiting the acrylonitrile business and related derivative operations. Our decision was based on a history of operating losses incurred by our acrylonitrile and derivatives businesses, and was made after a full review and analysis of our strategic alternatives. Our acrylonitrile and derivatives businesses had sustained losses in recent years and had been shut down since February of 2005.

Accordingly, consistent with the guidance EITF Abstracts, Topic No. D-104, Clarification of Transition Guidance in Paragraph 51 of FASB Statement No. 144, we have reported the operating results of these businesses as discontinued operations in our consolidated financial statements for the years ended December 31, 2007, 2006 and 2005 and the three months ended March 31, 2008 and 2007, respectively.

Results of Operations

The following table sets forth revenues, gross profit (loss) and net loss from continuing operations for 2007, 2006 and 2005 and the three months ended March 31, 2008 and 2007:

Year Ended December 31,			Three Months Ended	
2007	2006	2005	March 31,	
			2008	2007

(Dollars in thousands)

Revenues	\$ 129,813	\$ 141,259	\$ 128,098	\$ 38,199	\$ 32,715
Gross profit	13,382	13,846	7,844	4,400	5,627
Loss from continuing operations	(7,713)	(2,194)	(5,856)	(905)	(56)

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Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Revenues and income (loss) from continuing operations

Our revenues were \$38.2 million for the first quarter of 2008, a 17% increase from the \$32.7 million in revenues we recorded for the first quarter of 2007. We recorded a net loss from continuing operations of \$0.9 million for the first quarter of 2008, compared to a net loss from continuing operations of less than \$0.1 million in the first quarter of 2007.

Revenues from acetic acid operations were \$28.9 million for the first quarter of 2008, a 17% increase from the \$24.8 million in revenues we received from these operations in the first quarter of 2007. This increase in acetic acid revenues in the first quarter of 2008 resulted primarily from an increase in cost reimbursements received from BP Chemicals due to an increase in the costs allocated to our acetic acid operating segment as a result of our exit from the styrene business. Gross profit from our acetic acid operations decreased \$1.8 million during the first quarter 2008 compared to the first quarter of 2007. This decrease in gross profit was primarily due to an increase in the costs allocated to our acetic acid operating segment as a result of our exit from the styrene business.

Revenues from plasticizers operations were \$9.0 million in the first quarter of 2008, a 20% increase from the \$7.5 million in revenues we recorded from these operations in 2007. Gross profit for our plasticizers operations increased \$1.7 million in the first quarter of 2008. These increases in revenues and gross profit resulted primarily from reimbursement by BASF for cost savings approved in 2008 by BASF.

Interest and debt related expenses

Our interest expense for the first quarter of 2008 was \$4.2 million, compared to \$3.5 million for the first quarter of 2007. This increase in the first quarter of 2008 was primarily due to the higher principal amount of our senior secured notes compared to our 2007 secured notes.

Interest income

Our interest income for the first quarter of 2008 was \$1.3 million compared to the \$0.1 million during the first quarter of 2007. This increase in interest income was primarily due to the higher average cash balances in the first quarter of 2008 compared to the same period in 2007.

Discontinued operations

During the first quarter of 2008, net loss from discontinued operations was \$6.2 million in the first quarter of 2008 compared to net income of \$2.7 million in the first quarter of 2007. This increase in net loss was primarily due to the costs associated with the decommissioning of our styrene unit that was shut down beginning in December 2007.

Comparison of 2007 to 2006

Revenues and loss from continuing operations

Our revenues were \$129.8 million in 2007, a decrease of 8% over the \$141.3 million in revenues we recorded in 2006. This decrease in revenues resulted primarily from a decrease in plasticizers sales in 2007 due to the shutdown of our oxo-alcohols facility in 2006, partially offset by a slight increase in acetic acid revenues in 2007. We recorded a net loss from continuing operations of \$7.7 million in 2007, compared to a net loss of \$2.2 million in 2006. The increase in our net loss was primarily due to increased interest and debt related expenses associated with the exchange of

\$100 million of our 2007 secured notes for \$150 million of new senior secured notes in early 2007.

Revenues from acetic acid operations were \$100.8 million in 2007, a 4% increase from the \$96.7 million in revenues we recorded from these operations in 2006. The increase in acetic acid revenues in 2007 resulted from increased profit sharing revenue and an increase in cost reimbursements received from our customer. Gross profit from our acetic acid operations decreased \$2.5 million during 2007 compared to 2006. This decrease was due to the impact of the blend gas dispute with BP Chemicals discussed below in Business Legal Proceedings along with the absence of a one-time \$2.4 million utility cost reimbursement in 2006, partially offset by the \$3.4 million favorable impact (year-over-year) of the previously discussed conversion to higher profit sharing under the Production Agreement that occurred in August 2006.

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Revenues from plasticizers operations were \$28.1 million in 2007, a 37% decrease from \$44.5 million in revenues we recorded from these operations in 2006. This decrease in revenue in 2007 was primarily due to the permanent shut down of our oxo-alcohols unit in the second half of 2006. Gross profit for our plasticizers operations increased \$1.7 million in 2007 primarily due to an increase in cost reimbursements received from our customer, partially offset by decreased revenue.

Selling, general & administrative expenses

Our selling, general and administrative expenses were \$8.7 million in 2007, compared to \$7.1 million in 2006. This increase in 2007 was largely due to the incurrence of over \$1 million for professional fees in connection with our pursuit of potential new business opportunities and severance expense of \$0.6 million.

Other expense (income)

Other expense was \$0.8 million in 2007, compared to other income of \$0.7 million for 2006. The decrease in 2007 was due to other expense of \$0.8 million that was recorded in 2007 for the write-down of our cost-method investment in an e-commerce commodity trading business to its fair value of less than \$0.2 million, after receiving notice of a distribution pursuant to the pending sale of the business, and other income of \$0.7 million recorded in 2006 for an insurance claim related to damages caused by a barge incident in 2005.

Interest and debt related expenses, net of interest income

Our interest expense was \$15.7 million in 2007 and \$10.1 million in 2006. The increase in 2007 was associated with higher debt levels after our debt refinancing that occurred in the first quarter of 2007, partially offset by a \$1.0 million increase in interest income received as a result of higher average cash balances.

Provision (benefit) for income taxes

During 2007, our effective tax rate was 23% compared to 12% in 2006. Income tax benefit of \$5.5 million in 2007 represents a \$5.9 million tax benefit offset by \$0.4 million of federal alternative minimum tax and less than \$0.1 million of state income taxes. The 2007 effective rate of 23% resulted in a decrease in the valuation allowance for other comprehensive income adjustments related to amendments to our benefit plans and a full valuation allowance recorded against our 2007 net loss. In 2006, the effective rate was impacted by a \$28 million increase in our valuation allowance as a result of our analysis of the recoverability of our deferred tax assets at December 31, 2006. Deferred tax assets are regularly assessed for recoverability based on both historical and anticipated earnings levels, and a valuation allowance is recorded when it is more likely than not that these amounts will not be recovered. As a result of our analysis, we concluded that a valuation allowance was needed against our deferred tax assets. As of December 31, 2007, our valuation allowance was \$36.2 million, an increase of \$6.6 million from December 31, 2006, which resulted in an overall net deferred tax asset/liability balance of zero as of December 31, 2007.

Loss from discontinued operations, net of tax

We recorded a net loss from discontinued operations of \$11.2 million in 2007 compared to a net loss of \$103.5 million in 2006. The net loss in 2006 was primarily due to the \$127.7 million impairment charge to our styrene assets that we recorded in the fourth quarter of 2006, partially offset by a one-time reimbursement of \$15 million in 2006 for an insurance claim related to the 2005 fire in the styrene unit. There were no such transactions in 2007.

Comparison of 2006 to 2005

Revenues and loss from continuing operations

Our revenues were \$141.3 million in 2006, an increase of 10% over the \$128.1 million in revenues we recorded in 2005. This increase in revenues resulted primarily from an increase in the acetic acid sales prices. Gross profit increased to \$13.8 million during 2006 from \$7.8 million in 2005. We recorded a net loss from continuing operations of \$2.2 million in 2006, compared to the net loss of \$5.9 million we recorded in 2005. This decrease in our net loss was primarily due to improved gross profit from our acetic acid operations partially offset by a decrease in our benefit for income taxes discussed below.

Revenues from acetic acid operations were \$96.7 million in 2006, a 12% increase over the \$86.1 million in revenues we recorded from these operations in 2005. This increase in revenues was primarily due to increases in sales prices. Gross profit from our acetic acid operations increased \$5.0 million during 2006 compared to 2005. The

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increase in gross profit was due to increased sales volumes and sales margins during 2006, a one-time utility cost reimbursement of \$2.4 million; along with the \$1.3 million favorable impact of the previously discussed conversion to higher profit sharing under the Production Agreement that occurred in August 2006, partially offset by the impact of the blend gas dispute with BP Chemicals discussed below in Business Legal Proceedings.

Revenues from plasticizers operations were \$44.5 million in 2006, a 6% increase over the \$42.0 million in revenues we recorded from these operations in 2005. This increase was primarily due to increases in cost reimbursements received from our customer. Gross profit for our plasticizers business was essentially unchanged between these two periods.

Other expense (income)

We recorded other income of \$0.7 million in 2006, which primarily consisted of reimbursement for an insurance claim related to damages caused by a barge incident in 2005.

Provision (benefit) for income taxes

During 2006, our effective tax rate was 12% compared to 37% in 2005. This change in the effective rate was the result of a \$28 million increase in the valuation allowance during 2006.

Loss from discontinued operations, net of tax

We recorded a net loss from discontinued operations of \$103.5 million in 2006 compared to a loss of \$23.7 million in 2005. The increase in our net loss in 2006 was due to an impairment of \$127.7 million to write down our styrene production unit in 2006, partially offset by improved gross profit for our styrene unit and a one-time reimbursement of \$15 million in 2006 for an insurance claim related to the 2005 fire in our styrene unit.

Liquidity and Capital Resources

During March and April, 2007, we repurchased all \$100.6 million of our outstanding 2007 secured notes, pursuant to a tender offer and redemption. Concurrently with our tender offer, we solicited consents from the holders of our 2007 secured notes to, among other things, eliminate certain covenants contained in the indenture governing our 2007 secured notes and related security documents. On March 30, 2007, we repurchased \$58 million in aggregate principal amount of 2007 secured notes which were validly tendered prior to the expiration of our tender offer, and paid the accrued interest thereon and \$0.1 million in consent fees. On April 27, 2007, we redeemed all of our 2007 secured notes that were not tendered pursuant to our tender offer for \$44 million, which included \$1.5 million in accrued interest.

On March 29, 2007, pursuant to a purchase agreement, or the Purchase Agreement, we sold \$150 million aggregate principal amount of unregistered senior secured notes to Jefferies & Company, Inc. and CIBC World Markets Corp., as initial purchasers. Sterling Chemicals Energy, Inc., or Sterling Energy, one of our wholly-owned subsidiaries, was also a party to the Purchase Agreement as a guarantor. On May 6, 2008, Sterling Energy was merged with and into Sterling Chemicals, Inc. Upon consummation of the merger, Sterling Energy no longer had independent existence and, consequently, our senior secured notes are no longer guaranteed by Sterling Energy. On March 29, 2007, we completed a private offering of the unregistered senior secured notes pursuant to the Purchase Agreement. In connection with that offering, we entered into an indenture, dated March 29, 2007, among us, Sterling Energy, as guarantor, and U. S. Bank National Association, as trustee and collateral agent. On August 30, 2007, we made an initial filing of an exchange offer registration statement, of which this prospectus forms a part, to exchange our unregistered senior secured notes for a new issue of substantially identical debt securities registered under the

Securities Act. Pursuant to a registration rights agreement among us, Sterling Energy and the initial purchasers, we agreed to use commercially reasonable efforts to cause the registration statement to become effective by December 24, 2007, and complete the exchange offer within 50 days of the effective date of the registration statement. This prospectus forms a part of a registration statement that was filed to comply with our obligations under the registration rights agreement. However, as the registration statement was not declared effective by December 24, 2007, the interest rate on our senior secured notes increased by 0.25% per annum on each of December 25, 2007, March 24, 2008 and June 23, 2008. The interest on our senior secured notes will increase by

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an additional 0.25% per annum on August 21, 2008 if the registration statement is not declared effective by that date. As such, penalty interest is expected to be between \$0.4 million and \$0.5 million depending upon the effectiveness date of the registration statement, of which \$0.2 million was accrued as of March 31, 2008, and we expect to accrue an additional \$0.2 million in the second quarter of 2008. All of this additional interest will cease to accrue when the registration statement is declared effective by the SEC and the interest rate on our senior secured notes will automatically decrease back to the face amount of 101/4% per annum.

Our indenture contains affirmative and negative covenants and customary events of default, including payment defaults, breaches of covenants and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, other than an event of default triggered upon certain bankruptcy events, the trustee under our indenture or the holders of at least 25% in principal amount of our outstanding senior secured notes may declare the senior secured notes to be due and payable immediately. Upon an event of default, the trustee may also take actions to foreclose on the collateral securing our outstanding senior secured notes, subject to the terms of an intercreditor agreement dated March 29, 2007, among us, Sterling Energy, the trustee and The CIT Group/Business Credit, Inc. Our indenture does not require us to maintain any financial ratios or satisfy any financial maintenance tests. We are currently in compliance with all of the covenants contained in our indenture.

Interest is due on our outstanding senior secured notes on April 1 and October 1 of each year. Our outstanding senior secured notes, which mature on April 1, 2015, are senior secured obligations and rank equally in right of payment with all of our existing and future senior indebtedness. Subject to specified permitted liens, our outstanding senior secured notes are secured (i) on a first priority basis by all of any guarantors' fixed assets and certain related assets, including, without limitation, all property, plant and equipment, and (ii) on a second priority basis by any guarantors' other assets, including, without limitation, accounts receivable, inventory, capital stock of our domestic restricted subsidiaries, intellectual property, deposit accounts and investment property.

On December 19, 2002, we entered into a Revolving Credit Agreement with The CIT Group/Business Credit, Inc., as administrative agent and a lender, and certain other lenders. Our revolving credit facility had an initial term ending on September 19, 2007. Our revolving credit facility is secured by first priority liens on all of our accounts receivable, inventory and other specified assets, and was also secured by all of the issued and outstanding capital stock of Sterling Energy before it was merged into us. On March 29, 2007, we amended and restated our revolving credit facility to, among other things, extend the term of our revolving credit facility until March 29, 2012, reduce the maximum commitment thereunder to \$50 million, make certain changes to the calculation of the borrowing base and lower the interest rates and fees charged thereunder. Borrowings under our revolving credit facility now bear interest, at our option, at an annual rate of either a base rate plus 0.0% to 0.50% or the LIBOR rate plus 1.50% to 2.25%, depending on our borrowing availability at the time. We are also required to pay an aggregate commitment fee of 0.375% per year (payable monthly) on any unused portion of our revolving credit facility. Available credit under our revolving credit facility is subject to a monthly borrowing base of 70% of eligible accounts receivable plus 65% of eligible inventory. As of December 31, 2007, our borrowing base exceeded the maximum commitment under our revolving credit facility, making the total credit available under our revolving credit facility \$50 million. However, since that time, the monetization of accounts receivable and inventory associated with our exit from the styrene business significantly decreased the borrowing base under our revolving credit facility. In response to the expected continued lower levels of accounts receivable and inventory, as well as our lesser need for a working capital facility, on June 30, 2008, we reduced our commitment under our revolving credit facility to \$25 million. As of March 31, 2008, total credit available under our revolving credit facility was limited to \$9.5 million. As of March 31, 2008, there were no loans outstanding under our revolving credit facility, and we had \$4.1 million in letters of credit outstanding resulting in borrowing availability of \$5.4 million. Pursuant to Emerging Issues Task Force Issue No. 95-22, Balance Sheet Classification of Borrowings under Revolving Credit Agreements That Include both a Subjective Acceleration Clause and a Lock-Box Arrangement, any balances outstanding under our revolving credit facility would be classified as a current portion of long-term debt.

Our revolving credit facility contains numerous covenants and conditions, including, but not limited to, restrictions on our ability to incur indebtedness, create liens, sell assets, make investments, make capital expenditures, engage in mergers and acquisitions and pay dividends. Our revolving credit facility also includes various circumstances and conditions that would, upon their occurrence and subject in certain cases to notice and grace periods, create an event of

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default thereunder. Our revolving credit facility does not require us to maintain any financial ratios or satisfy any financial maintenance tests. We are currently in compliance with all of the covenants contained in our revolving credit facility.

Our liquidity (i.e., cash and cash equivalents plus total credit available under our revolving credit facility) was \$176 million at March 31, 2008, an increase of \$38 million compared to our liquidity at December 31, 2007. This increase was primarily due to the monetization of the working capital from our prior styrene business. As a result of our exit from the styrene business, we expect our future cash flows from operations to be significantly less volatile than previous years. We expect to have positive cash flows from continuing operations for the reasonably foreseeable future, and we believe that our cash on hand and cash generated from continuing operations, along with credit available under our revolving credit facility, will be sufficient to meet our short-term and long-term liquidity needs for the reasonably foreseeable future.

Working Capital

Our working capital, excluding assets and liabilities from discontinued operations, was \$163.7 million as of March 31, 2008, an increase of \$57.7 million from our working capital of \$106.0 million on December 31, 2007. This increase in working capital from continuing operations resulted primarily from the monetization of the working capital from our discontinued styrene business.

Cash Flow

Net cash provided by our operations was \$44.3 million in 2007, compared to the net cash used in our operations of \$14.2 million in 2006. This improvement in net cash flow in 2007 was primarily driven by the cash payment received from INEOS NOVA discussed above and a portion of the monetization of the styrene-related working capital as we shut down the styrene unit during the fourth quarter of 2007.

Net cash flow used in our investing activities was \$6.2 million and \$7.3 million in 2007 and 2006, respectively. In 2007, the \$6.2 million was primarily for capital expenditures, whereas 2006 included insurance proceeds of \$2.0 million and proceeds from the sale of fixed assets of \$3.0 million, which partially offset the \$11.5 million of capital expenditures.

Net cash provided by financing activities was \$41.4 million in 2007 compared to zero in 2006, and was due to our debt refinancing discussed above.

Net cash used in our operations was \$14.2 million in 2006, compared to net cash provided by our operations of \$68 million in 2005. This reduction in net cash flow provided by our operations in 2006 was primarily driven by an increase in accounts receivable and inventories due to an increase in styrene production and sales volumes. As of December 31, 2005, styrene production and sales volumes were negatively affected by a fire in our styrene unit which resulted in partial closure of our styrene unit while repairs were being conducted.

Net cash flow used in our investing activities was \$7 million in 2006 and \$10 million in 2005. Cash flows from investing activities in 2006 included insurance proceeds of \$2 million and proceeds from the sale of fixed assets of \$3 million.

There were no net repayments under our revolving credit facility during 2006 compared to \$18 million of net repayments in 2005.

Net cash provided by our operations was \$72.3 million for the first quarter of 2008, compared to the \$8.6 million in net cash provided by our operations during the first quarter of 2007. This improvement in net cash flow in the first quarter of 2008 was primarily due to the monetization of the working capital from our prior styrene business of approximately \$66 million. Net cash flow used in our investing activities was \$2.0 million during the first quarter of 2008, compared to the \$46.2 million during the first quarter of 2007, primarily due to a change in our restricted cash associated with the debt refinancing discussed above. There was zero cash flow provided by financing activities in the first quarter of 2008 compared to \$85.2 million in the first quarter of 2007 related to our debt refinancing discussed above.

Table of Contents***Capital Expenditures***

Our capital expenditures in continuing operations were \$3.8 million, \$4.9 million and \$4.9 million in 2007, 2006 and 2005, respectively, and for discontinued operations were \$2.6 million, \$6.6 million and \$4.6 million in 2007, 2006 and 2005, respectively. Our capital expenditures during the first quarter of 2008 and 2007 for continuing operations were \$2.0 million and \$0.7 million, respectively, and for discontinued operations were zero and \$1.5 million, respectively, and were primarily for routine safety, environmental and replacement capital.

We expect our remaining capital expenditures in 2008 to be approximately \$6.0 million, including \$4.0 million for a capital project to prevent the discharge of process wastewater during periods of heavy rain at our Texas City site, and an additional \$2.0 million for routine safety, environmental and replacement capital.

Our capital expenditures for environmentally related prevention, containment and process improvements to continuing operations were \$0.5 million, \$1.5 million and \$1.0 million in 2007, 2006, 2005, respectively, and were zero, \$0.5 million and \$1.0 million for discontinued operations in 2007, 2006 and 2005, respectively.

Contractual Cash Obligations

The following table summarizes our significant contractual obligations at December 31, 2007, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Less than 1 Year⁽¹⁾	1-3 Years	4-5 Years	More than 5 Years	Total
	(Dollars in thousands)				
Senior secured notes	\$	\$	\$	\$ 150,000	\$ 150,000
Interest payments on debt ⁽²⁾	15,690	46,638	31,092	23,319	116,739
Operating leases	293	879	513		1,685
Purchase obligations ⁽³⁾	35,000	70,000	64,000	117,000	286,000
Pension and other postretirement benefits	4,458	2,346	2,279	4,959	14,042
Contractual obligations of discontinued operations	325				325
Total⁽⁴⁾⁽⁵⁾	\$ 55,766	\$ 119,863	\$ 97,884	\$ 295,278	\$ 568,791

(1) Payment obligations under our revolving credit facility are not presented because there were no outstanding borrowings as of December 31, 2007, and interest payments fluctuate depending on the interest rate and outstanding balance under our revolving credit facility at any point in time.

(2) On December 25, 2007, March 24, 2008 and June 23, 2008, the interest rate on our senior secured notes increased by 0.25% per annum because our registration statement to exchange our unregistered notes for registered notes having the same terms and conditions had not been declared effective by the SEC. The interest on our senior secured notes will increase by an additional 0.25% per annum on August 21, 2008 if the registration statement is not declared effective by this date. As such, penalty interest is expected to be between \$0.4 million and \$0.5 million depending upon the effectiveness date of the registration statement, of which \$0.2 million was

accrued as of March 31, 2008.

- (3) For the purposes of this table, we have considered contractual obligations for the purchase of goods or services as agreements involving more than \$1 million that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Most of the purchase obligations identified include variable pricing provisions. We have estimated the future prices of these items, utilizing forward curves where available. The pricing estimated for use in this table is subject to market risk.
- (4) Our Series A Preferred Stock is excluded from our contractual cash obligations as it is not currently redeemable or probable of redemption. If the Series A Preferred Stock had been redeemable as of December 31, 2007, the redemption amount would have been approximately \$83.9 million. The liquidation value of our Series A Preferred Stock as of December 31, 2007 is \$66.1 million.
- (5) Unrecognized tax benefits are not included in the table due to the high degree of uncertainty associated with the realization of our net operating loss carryforward.

As of March 31, 2008, there have been no significant changes to the contractual obligations disclosed above.

Critical Accounting Policies, Use of Estimates and Assumptions

A summary of our significant accounting policies is included in Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2007 and the quarter ended March 31, 2008, included in this

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prospectus. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. The following accounting policies are the ones we believe are the most important to the portrayal of our financial condition and results and require our most difficult, subjective or complex judgments.

Revenue Recognition

We produce acetic acid and plasticizers and recognize revenues (and the related costs) when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed and determinable, and collectibility is reasonably assured.

Acetic Acid. Pursuant to a production agreement, all acetic acid produced is sold to BP Chemicals, who takes delivery, title and risk of loss at the time the acetic acid is produced. BP Chemicals, in turn, markets and sells the acetic acid and pays us a portion of the profits derived from those sales. BP Chemicals reimburses us monthly for 100% of our fixed and variable costs (excluding direct depreciation associated with machinery and equipment used in the manufacturing of acetic acid) of production and the revenue associated with the reimbursement of these costs is matched against our costs as they are incurred. We recognize revenue related to the profit sharing component of the production agreement based on quarterly estimates received from BP Chemicals. These estimates are based on the profits from sales of the acetic acid purchased from our acetic acid plant.

Plasticizers. We generate revenues from our plasticizers operations through a tolling agreement with BASF. BASF purchases all of our plasticizers and takes delivery, title, and risk of loss at the time of production. We receive fixed, level quarterly payments which are recognized on a straight-line basis. In addition, BASF reimburses us monthly for our actual fixed and variable production costs (excluding direct depreciation associated with machinery and equipment used in the manufacturing of plasticizers), and the revenue associated with the reimbursement of these costs is matched against our costs as they are incurred.

Deferred revenue. Deferred credits are amortized over the life of the contracts which gave rise to them. As of December 31, 2007 and 2006, we had a balance in deferred income of approximately \$11 million and \$10 million, respectively, related to continuing operations, which primarily represent certain payments received for our oxo-alcohol operations, which were part of our plasticizers business, that are being amortized using the straight-line method over the remaining life of the contract. As of December 31, 2007, in discontinued operations, we had a balance in deferred income of approximately \$59 million pertaining to the terminated NOVA supply agreement, which is being amortized using the straight-line method over the contractual non-compete period and is reflected in discontinued operations.

As of March 31, 2008, we had a balance in deferred income of approximately \$10 million related to continuing operations which primarily pertained to the oxo-alcohols payment referred to above, and in discontinued operations, we had a balance of \$57 million pertaining to the terminated NOVA supply agreement referred to above.

Styrene. Styrene revenue was recognized from sales in the open market, raw materials conversion agreements and long-term supply contracts. Styrene revenue (and corresponding cost of sales) from raw materials conversion agreements was recognized on a gross basis and does not include raw material components supplied by our customers.

Inventories

Inventories are carried at the lower-of-cost-or-market value. Cost is primarily determined on a first-in, first-out basis, except for stores and supplies, which are valued at average cost. The comparison of cost to market value involves estimation of the market value of our products. For the years ended December 31, 2007, 2006 and 2005, this

comparison led to a lower-of-cost-or-market adjustment in discontinued operations of \$1.4 million, zero and \$2.7 million, respectively. The adjustments in 2007 and 2005 were due to decreasing benzene and styrene prices from December to January during each period. For the quarter-ended March 31, 2008, there were no such adjustments. Prior to exiting the styrene business, we entered into agreements with other companies to exchange chemical inventories in order to minimize working capital requirements and to facilitate distribution logistics.

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Balances related to quantities due to or payable by us in connection with these exchange agreements are included in inventory. However, we do not expect to have any significant exchange balances or activity subsequent to 2007.

Preferred Stock Dividends

We record preferred stock dividends on our Series A Preferred Stock in our consolidated statements of operations based on the estimated fair value of dividends at each dividend accrual date. Our Series A Preferred Stock has a dividend rate of 4% per quarter of the liquidation value of the outstanding shares of our Series A Preferred Stock, and is payable in arrears in additional shares of our Series A Preferred Stock on the first business day of each calendar quarter. The liquidation value of each share of our Series A Preferred Stock is \$13,793.11 per share, and each share of Series A Preferred Stock is convertible into shares of our common stock (on a one to 1,000 share basis, subject to adjustment). The carrying value of our redeemable preferred stock in our consolidated balance sheets represents the cumulative balance of the initial fair value at original issuance in 2002 plus the fair value of each of the quarterly dividends paid since issuance.

The fair value of our preferred stock dividends is determined each quarter using valuation techniques that include a component representing the intrinsic value of the dividends (which represents the greater of the liquidation value of the preferred shares being issued or the fair value of the common stock into which the shares could be converted) and an option component (which is determined using a Black-Scholes Option Pricing Model). These dividends are recorded in our consolidated statements of operations, with an offset to redeemable preferred stock in our consolidated balance sheets. As we are in an accumulated deficit position, these dividends are treated as a reduction to additional paid-in capital. Assumptions utilized in the Black-Scholes model include:

	2008	2007	2006	2005
Risk-free interest rate	2.5%	3.5%	4.7%	4.4%
Volatility	54.5%	55.5%	46.2%	50.3%
Dividend yield				
Expected term	5.0	5.0	5.0	5.0

Long-Lived Assets

We assess our long-lived assets for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. To analyze recoverability, we project undiscounted net future cash flows over the remaining life of the assets. If the projected cash flows from the assets are less than the carrying amount, an impairment would be recognized. Any impairment loss would be measured based upon the difference between the carrying amount and the fair value of the relevant assets. For these impairment analyses, impairment is determined by comparing the estimated fair value of these assets, utilizing the present value of expected net cash flows, to the carrying value of these assets. In determining the present value of expected net cash flows, we estimate future net cash flows from these assets and the timing of those cash flows and then apply a discount rate to reflect the time value of money and the inherent uncertainty of those future cash flows. The discount rate we use is based on our estimated cost of capital. The assumptions we use in estimating future cash flows are consistent with our internal planning.

Income Taxes

Deferred income taxes are provided for revenue and expenses which are recognized in different periods for income tax and financial statement purposes. Deferred tax assets are regularly assessed for recoverability based on both historical and anticipated earnings levels, and a valuation allowance is recorded when it is more likely than not that these

amounts will not be recovered. As a result of our analysis, we concluded that a valuation allowance was needed against our deferred tax assets. As of December 31, 2007 and March 31, 2008, our valuation allowance was \$36.2 million, for each period, which resulted in an overall net deferred tax asset/liability balance of zero as of December 31, 2007 and March 31, 2008. In July 2006, the Financial Accounting Standards Board, or the FASB, issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, or FIN 48, to clarify the accounting for uncertain tax positions accounted for in accordance with FASB Statement No. 109, Accounting for Income Taxes. This interpretation prescribes a two-step approach

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for recognizing and measuring tax benefits and requires explicit disclosure of any uncertain tax position. We adopted the provisions of FIN 48 as of January 1, 2007, which had no impact on our accumulated deficit.

Employee Benefit Plans

We sponsor domestic defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets and health care cost increase projections. Assumptions are determined based on our historical data and appropriate market indicators, and are evaluated each year as of the plans' measurement dates. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs reported in our financial statements. As mentioned below, in accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, or SFAS No. 158, as of our fiscal year-ended December 31, 2006, we recognized the funded status of our defined benefit postretirement plans in our balance sheet and provided the required disclosures. We also measured the assets and benefit obligations of our defined benefit postretirement plans as of December 31, 2006. The effect of the adoption of SFAS No. 158 was a reduction in our liabilities of \$10 million and a change in stockholders' equity (deficiency in assets), net of tax, of \$7 million.

Effective July 1, 2007, we froze all accruals under our defined benefit pension plan for our hourly employees, which resulted in a plan curtailment under SFAS No. 88 *Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*. As a result, we recorded a pre-tax curtailment gain of \$0.1 million in the second quarter of 2007. During the third quarter of 2007, we approved an amendment (to be effective December 31, 2007) to our postretirement medical plan which ended Medicare-supplemental medical and prescription drug coverage for retirees who are Medicare eligible. This amendment affects the majority of participants currently enrolled in the Sterling Retiree Medical Plan who are either enrolled in Medicare due to disability or because they are 65 or over, and was communicated to the participants during the third quarter of 2007. This plan amendment reduced our other postretirement benefit plan liability by \$13 million with a corresponding increase to accumulated other comprehensive income.

Plant Turnaround Costs

As a part of normal recurring operations, each of our manufacturing units is completely shut down from time to time, for a period typically lasting two to four weeks, to replace catalysts and perform major maintenance work required to sustain long-term production. These periods are commonly referred to as *turnarounds* or *shutdowns*. Costs of turnarounds are expensed as incurred. As expenses for turnarounds can be significant, the impact of expensing turnaround costs as they are incurred can be material for financial reporting periods during which the turnarounds actually occur. Turnaround costs expensed during 2007, 2006 and 2005 for continuing operations were less than \$0.1 million, \$1.4 million and \$2.9 million, respectively, and for discontinued operations were zero, \$8.5 million and \$1.1 million, respectively. Turnaround costs expensed during the first quarter of 2008 for continuing operations were less than \$0.1 million.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS No. 157. This statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We adopted SFAS No. 157 in the first quarter of 2008 and determined that it had no impact on our condensed consolidated financial statements. In February 2008, the FASB issued SFAS No. 157-2, *Effective Date of FASB Statement No.*

157, or SFAS No. 157-2, which defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). An entity that has issued interim or annual financial statements reflecting the application of the measurement and disclosure provisions of SFAS No. 157 prior to February 12, 2008, must

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continue to apply all provisions of SFAS No. 157. We are currently evaluating the impact of our adoption of the deferred portion of SFAS No. 157, effective January 1, 2009, on our condensed consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, or SFAS No. 159. SFAS No. 159, which amends SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, allows certain financial assets and liabilities to be recognized, at our election, at fair market value, with any gains or losses for the period recorded in the statement of operations. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and did not have a material impact on our condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, or SFAS No. 141R. SFAS No. 141R broadens the guidance of SFAS No. 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. SFAS No. 141R expands on required disclosures to improve the statement users' abilities to evaluate the nature and financial effects of business combinations. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS No. 141R to have a material impact on our condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements; an amendment of ARB No. 51, or SFAS No. 160. This statement establishes the accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests and applies prospectively to business combinations for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS No. 160 to have a material impact on our condensed consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities, or SFAS No. 161. This statement requires enhanced disclosures about an entity's derivative and hedging activities, with the intent to provide users of financial statements with an enhanced understanding of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. We are currently evaluating the impact of the adoption of SFAS No. 161 on our condensed consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

The table below provides information about our market sensitive financial instruments as of December 31, 2007 and constitutes a forward-looking statement.

Expected Maturity Dates	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value December 31, 2007
(Dollars in thousands)								
Outstanding senior secured notes						\$ 150,000	\$ 150,000	\$ 152,250

Our financial results can be affected by volatile changes in raw materials, natural gas and finished product sales prices. Borrowings under our revolving credit facility bear interest, at our option, at an annual rate of either a base rate plus 0.0% to 0.50% or the LIBOR rate plus 1.50% to 2.25%, depending on our borrowing availability at the time. There were no borrowings under our revolving credit facility during the first quarter of 2008. Our \$150 million of senior secured notes bear interest at an annual rate of 101/4%, payable semi-annually on April 1 and October 1 of each year. The fair value of our outstanding senior secured notes is based on broker quotes for private transactions. As of March 31, 2008, the fair value of our outstanding senior secured notes was approximately \$150 million.

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BUSINESS

We are a North American producer of selected petrochemicals used to manufacture a wide array of consumer goods and industrial products. Our primary products are acetic acid and plasticizers.

Our acetic acid is used primarily to manufacture vinyl acetate monomer, which is used in a variety of products, including adhesives and surface coatings. Pursuant to the Production Agreement that began in 1986 and extends to 2016, all of our acetic acid production is sold to BP Chemicals and we are BP Chemicals' sole source of acetic acid production in the Americas. BP Chemicals markets all of the acetic acid that we produce and pays us, among other amounts, a portion of the profits derived from its sales of the acetic acid we produce. In addition, BP Chemicals reimburses us for 100% of our fixed and variable costs of production. Prior to August 2006, BP Chemicals also paid us a set monthly amount. However, under the terms of this Production Agreement, beginning in August 2006, the portion of the profits we receive from the sales of acetic acid produced at our plant increased and BP Chemicals was no longer required to pay us the set monthly amount. This change in payment structure did not affect BP Chemicals' obligation to reimburse us for all of our fixed and variable costs of production. We believe that we have one of the lowest cost acetic acid facilities in the world. Our acetic acid facility utilizes BP Chemicals' Cativa Technology, which we believe offers several advantages over competing production methods, including lower energy requirements and lower fixed and variable costs. We also jointly invest with BP Chemicals in capital expenditures related to our acetic acid facility in the same percentage as the profits from the business are divided. We initially pay for 100% of the capital expenditures related to our acetic acid business and then invoice BP Chemicals for its portion. The net amount that is not reimbursed by BP Chemicals represents our basis in the property, plant and equipment related to our acetic acid business, which is capitalized and depreciated over its useful life. Acetic acid production has two major raw material requirements—methanol and carbon monoxide. BP Chemicals, a producer of methanol, supplies 100% of our methanol requirements related to our production of acetic acid. All of the required carbon monoxide is supplied by Praxair from a partial oxidation unit constructed by Praxair on land leased from us at our site in Texas City, Texas.

All of our plasticizers, which are used to make flexible plastics, such as shower curtains, floor coverings, automotive parts and construction materials, are sold to BASF pursuant to a long-term production agreement that extends until 2013, subject to some early termination rights held by BASF that begin in 2010. Under our agreement with BASF, BASF provides us with most of the required raw materials, markets the plasticizers we produce, and is obligated to make certain fixed quarterly payments to us and to reimburse us monthly for our actual production costs and capital expenditures related to our plasticizers facility. In May 2008, we entered into an amended production agreement with BASF, effective as of April 1, 2008. This amended agreement was entered into in connection with BASF's nomination of zero pounds of PA under the existing production agreement due to deteriorating market conditions which were not expected to improve over the next few years, which resulted in the shutdown of our PA unit. See Contracts.

Prior to December 3, 2007, we manufactured styrene. However, on September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA. Under this supply agreement, NOVA had the exclusive right to purchase 100% of our styrene production (subject to existing contractual commitments), the amount of styrene supplied in any particular period being at NOVA's option, based on a full-cost formula. In November 2007, the styrene supply agreement with NOVA, which was subsequently assigned by NOVA to INEOS NOVA, obtained clearance under the Hart-Scott-Rodino Act. This clearance caused the supply agreement and the railcar agreement to become effective and triggered a \$60 million payment to us in November 2007. In addition, in accordance with the terms of the supply agreement, INEOS NOVA assumed substantially all of our contractual obligations for future styrene deliveries. After the supply agreement became effective, INEOS NOVA nominated zero pounds of styrene under the supply agreement for the balance of 2007 and, in response, we exercised our right to terminate the supply agreement and permanently shut down our styrene facility. Under the supply

agreement, we are responsible for the closure costs of our styrene facility and are also subject to a long-term commitment to not reenter the styrene business until December of 2012. We operated our styrene facility through early December 2007, as we completed our production of inventory and exhausted our raw materials and purchase requirements, and sold substantially all our inventory during the first quarter of 2008. During 2007 and the first quarter of 2008, we incurred closure costs to decommission our styrene facility of approximately \$1 million and \$9 million, respectively. We expect to incur up to \$4 million in additional

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decommissioning costs related to the closure of our styrene facility. In mid-July, with the decontamination process for the styrene facility nearing completion, we announced a reduction in work force in order to reduce our staffing to a level appropriate for our existing operations and site development projects. As a result, seven members of our salaried work force were immediately laid off. In addition, we made offers for early retirement to several members of our hourly work force and our salaried administrative and process supervisors. Upon completion of the down-sizing of our hourly work force and our administrative and process supervisor positions, which will occur after the period for accepting offers of early retirement has closed in September, total staff reductions are expected to be approximately 40 employees, and we expect to recognize approximately \$2.2 million in severance costs in the third and fourth quarters of 2008, in accordance with SFAS No. 146, Accounting for Costs Associated with Exit of Disposal Activities.

We manufacture all of our petrochemicals products at our Texas City facility. In terms of production capacity, our Texas City site has the sixth largest acetic acid facility in the world. Our Texas City site covers an area of 290 acres, and is strategically located on Galveston Bay.

We own the acetic acid and plasticizers manufacturing units located at our Texas City site. We also lease a portion of our Texas City site to Praxair, who constructed a partial oxidation unit on that land, and we lease a portion of our Texas City site to S&L Cogeneration Company, a 50/50 joint venture between us and Praxair Energy Resources, Inc., who constructed a cogeneration facility on that land. We lease space for our principal offices located in Houston, Texas. We currently operate in two segments: acetic acid and plasticizers.

Business Strategy

Grow Our Business. We believe that our acetic acid facility is positioned for cost-effective future capacity expansions at lower incremental cost due to previous investments made by us and BP Chemicals, including the installation of a new reactor in 2003 that is capable of producing up to 1.7 billion pounds of acetic acid annually. We intend to grow our acetic acid business through capacity expansions that take advantage of this positioning. Currently, we have low-cost debottlenecking opportunities which could increase annual capacity of our acetic acid facility to approximately 1.2 billion pounds, an increase of approximately 7%.

Our Texas City site offers approximately 160 acres for future expansion by us or by other companies that can benefit from our existing infrastructure and facilities, and includes a greenbelt around the northern edge of the plant site. Our Texas City site is strategically located on Galveston Bay and we benefit from a deep water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 160 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use, and a supportive political environment for growth. In addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, we have on-site access to a number of raw material pipelines and are in close proximity to a number of the larger refinery complexes.

Given our under-utilized infrastructure, our management and engineering expertise, as well as ample unoccupied land, we believe that there are significant opportunities for further development of our Texas City site. We are currently pursuing numerous initiatives to attract new manufacturing and/or storage related businesses to our Texas City site, including opportunities involving renewable fuels projects, gasification, energy projects and chemicals terminalling. Specifically, we are seeking long-term contractual business arrangements or partnerships that will provide us with an ability to realize the value of our under-utilized assets through profit sharing or other cash generating arrangements. For development projects that may have significant capital expenditure requirements, we are considering joint ventures or other arrangements where we would contribute certain of our assets and management expertise to

minimize our share of the capital costs. In any case, we expect any new facility constructed at our Texas City site to lower the amount of overall fixed costs allocated to each of our operating units and provide us with additional profit.

We plan to evaluate strategic acquisitions, focusing on chemical businesses and assets which would allow us to increase our market share of products we currently produce or those that would provide upstream or downstream integration within our existing businesses.

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Improve Organization Efficiency and Cost Structure. We continually seek to improve our cost competitiveness through organizational efficiencies, productivity enhancements, operating controls and general cost reductions. We believe that the expansion of our acetic acid business, the further development of our Texas City site and acquisitions will lead to further cost efficiencies.

Industry Overview

Acetic Acid. The North American acetic acid industry has enjoyed a period of sustained domestic demand growth, as well as substantial export demand. This has led to North American industry utilization rates of 86% and Tecnon projects utilization rates to increase to over 98% by 2013, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer, and consequently acetic acid, in North America in the short term. The North American acetic acid industry is inherently less cyclical than many other petrochemical products due to a number of important features. There are only four large producers of acetic acid in North America and historically these producers have made capacity additions in a disciplined and incremental manner, primarily using small expansion projects or exploiting debottlenecking opportunities. In addition, the leading technology required to manufacture acetic acid is controlled by two global companies, which permits these companies to control the pace of new capacity additions through the licensing or development of such additional capacity. We believe the limited availability of this technology also creates a significant barrier to entry into the acetic acid industry by potential competitors.

Global production capacity of acetic acid as of December 31, 2007 was approximately 24 billion pounds per year, with current North American production capacity at approximately 7 billion pounds per year. The North American acetic acid market is mature and well developed and is dominated by four major producers that account for approximately 94% of the acetic acid production capacity in North America. Demand for acetic acid is linked to the demand for vinyl acetate monomer, a key intermediate in the production of a wide array of polymers. Vinyl acetate monomer is the largest derivative of acetic acid, representing over 40% of global demand. Annual global production of vinyl acetate monomer is expected to increase from 10.4 billion pounds in 2005 to 12.2 billion pounds in 2010, although the recent difficulties in the housing and automotive sectors will likely cause reduced demand for vinyl acetate monomer in North America in the short term. The North American acetic acid industry tends to sell most of its products through long-term sales agreements having cost plus pricing mechanisms, eliminating much of the volatility seen in other petrochemicals products and resulting in more stable and predictable earnings and profit margins.

Plasticizers. Plasticizers are produced from either ethylene-based linear alpha-olefins feedstocks or propylene-based technology. Linear plasticizers typically receive a premium over competing propylene-based branched products for customers that require enhanced performance properties. However, the markets for competing plasticizers may be affected by the cost of the underlying raw materials, especially when the cost of one olefin rises faster than the other, or by the introduction of new products. Over the last few years, the price of linear alpha-olefins has increased sharply as supply has declined, which has caused many consumers to switch to lower cost branched products, despite the loss of some performance properties. Ultimately, we expect branched plasticizers to replace linear plasticizers for most applications over the long-term. In addition, in 2005, BP Chemicals announced the permanent closure of its linear alpha-olefins production facility in Pasadena, Texas, the primary source of supply of this feedstock to the oxo-alcohols production unit at our plasticizers facility. As a result, we modified our plasticizers facilities during the third quarter of 2006 to produce branched plasticizers products and, on July 31, 2006, we permanently shut down our oxo-alcohols production unit. Due to the closure of our oxo-alcohols unit and our conversion to the production of branched plasticizers, the phthalate esters production unit at our plasticizers facility now uses oxo-alcohols supplied by BASF that have a different chemical composition. In December 2007, BASF caused the shutdown of our PA unit by nominating zero pounds of PA under the existing production agreement.

On May 27, 2008, we entered into our Amended Plasticizers Production Agreement with BASF, with an effective date of April 1, 2008. The Amended Plasticizers Production Agreement amends certain provisions of the Old Plasticizers Production Agreement. The Amended Plasticizers Production Agreement was entered into in connection with BASF's nomination of zero pounds of PA under the Old Plasticizers Production Agreement in

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response to deteriorating market conditions which were not expected to improve over the next few years, causing the shutdown of our PA unit.

The Amended Plasticizers Production Agreement relieves BASF of most of its obligations under the Old Plasticizers Production Agreement related to our PA manufacturing unit. BASF's obligations under the Old Plasticizers Production Agreement related to our esters manufacturing unit were not affected by the Amended Plasticizers Production Agreement and are continuing in accordance with the same terms as existed under the Old Plasticizers Production Agreement. In exchange for being relieved of its obligations related to our PA manufacturing unit, BASF is required to pay us an aggregate amount of approximately \$3.2 million, \$3.0 million of which was paid in May 2008, and the balance of which is due and payable on or before August 15, 2008. However, we are obligated to refund 75% of this amount if we restart our PA manufacturing unit before January 1, 2009, 50% of this amount if we restart our PA manufacturing unit during 2009 and 25% of this amount if we restart our PA manufacturing unit during 2010. The \$3.2 million represents the termination of BASF's obligations under the Old Plasticizers Production Agreement with respect to the operation of our PA manufacturing unit, and will be recognized using the straight-line method over the restricted period of April 1, 2008 through December 31, 2010 under the Amended Plasticizers Production Agreement. During the first half of 2008, BASF is also required to pay us approximately \$3.7 million for reimbursement of certain direct fixed and variable costs associated with the shutdown and decontamination of our PA manufacturing unit, which amounts are not subject to refund. All direct fixed and variable costs associated with the shutdown and decontamination of our PA unit have been incurred and expensed, and the \$3.7 million in cost reimbursements has been recognized as revenue in the first six months of 2008. The quarterly fixed periodic payments under the Old Plasticizers Production Agreement with respect to the operation of our PA and esters manufacturing units will not change; however, the quarterly fixed periodic payments are now related to the operation of our esters manufacturing unit under the Amended Plasticizers Production Agreement.

In addition, under the Amended Plasticizers Production Agreement, (i) the methods for calculating payments required to be made by BASF for achieving reductions in direct fixed and variable costs and (ii) BASF's right to terminate the Amended Plasticizers Production Agreement in the event that direct fixed and variable costs exceed a specified threshold (unless we elect to cap BASF's reimbursement obligations) have both been modified to exclude costs savings and direct fixed and variable costs pertaining to our PA manufacturing unit.

After April 1, 2008, the Amended Plasticizers Production Agreement also removed all restrictions or rights BASF formerly had during the term of the Old Plasticizers Production Agreement with respect to our use or disposition of the PA manufacturing unit, including a limited purchase right, the right to request capacity increases and consultation rights regarding future capital expenditures with respect to our PA manufacturing unit.

As a result of the Amended Plasticizers Production Agreement and subsequent permanent shutdown of our PA unit by BASF, our management determined that a triggering event, as defined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," had occurred and during the second quarter of 2008, we performed an asset impairment analysis on our PA manufacturing unit. We analyzed the undiscounted cash flow stream from our PA business over the remaining life of the PA manufacturing unit and compared it to the \$6.6 million net book carrying value of our PA manufacturing unit. This analysis showed that the undiscounted projected cash flow stream from our PA business was less than the net book carrying value of our PA manufacturing unit. As a result, we performed a discounted cash flow analysis and subsequently concluded that our PA manufacturing unit was impaired and should be written down to zero. This write-down caused us to record an impairment of \$6.6 million in June 2008.

Other than the impairment discussed above, we do not believe the shutdown of our PA manufacturing unit will have a material adverse affect on our financial position, results of operations or cash flows as the required quarterly fixed periodic payments previously related to the PA manufacturing unit will continue throughout the original term of the contract and have been allocated to the operation of the esters manufacturing unit and all decontamination and

shutdown costs were reimbursed by BASF.

Styrene. The North American styrene industry is currently in a protracted down cycle, primarily as a result of over-supply. This extended down cycle resulted from two major developments. Initially, export demand, which historically has represented over 20% of North American production capacity, has significantly diminished. In

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recent months, U.S. styrene producers have seen an increase in styrene exports, largely due to delays in the start up of announced new capacity in the Middle East. However, this increase is expected to reverse itself after the new styrene plant being constructed in Al Jubail, Saudi Arabia is completed, which is currently expected to occur later in 2008. Regional cost pressures, in addition to new production capacity being added in Asia and the Middle East, have made it difficult for North American producers to compete in these export markets on a continuous basis. In addition, a significant amount of styrene capacity has been added globally over the past five to ten years by producers of propylene oxide using so-called PO-SM technology, which produces styrene as a co-product. Propylene oxide is a key intermediate in the production of polyurethane, and polyurethane demand growth has been significantly greater than demand growth for styrene, exacerbating the over-supply of styrene. During periods of over-supply, production rates for styrene producers decrease significantly. When production rates are low, unit production costs increase due to the allocation of fixed costs over a lower production volume and a reduction in the efficiency of the manufacturing unit, both in energy usage and in the conversion rates for raw materials. Compounding these cost impacts, prices for the principal styrene raw materials, benzene and ethylene, are currently near historical highs, putting pressure on margins on styrene sales even though styrene contract prices are at near historic highs.

Over the last five years, China has been the driver for growth in styrene demand, representing approximately 75% of the world's styrene demand growth in that period. Historically, we have positioned ourselves to take advantage of peaks in the Asian styrene markets, with a large portion of our styrene capacity not being committed under long-term arrangements. However, over the last several years, relatively high benzene and domestic natural gas prices significantly limited our ability to sell styrene into the Asian markets, and high styrene prices have reduced styrene global demand growth rates. In addition, several of our competitors announced their intention to build new styrene production units outside the United States, further complicating our ability to sell styrene into the Asian markets. In 2006, our competitors added 2.6 billion pounds of new styrene capacity in Asia and an additional 1.6 billion pounds in 2007. The remaining announced construction projects are scheduled to start up in 2008 and beyond. If and when these new units are completed, we anticipate more difficult market conditions, especially in the export markets, until the additional supply is absorbed by growth in styrene demand or significant capacity rationalization occurs.

CMAI currently is projecting no additional capacity increases in North America through 2010, with operating rates reaching a trough of 75% in 2007, and less than 80% operating rates projected through 2010, without any further industry restructuring. Although we believe an improved North American industry outlook is possible, this largely depends on a significant industry restructuring. Previously, styrene and polystyrene industry participants, including The DOW Chemical Company and NOVA Chemicals have announced a desire to seek transactions which would restructure the North American styrene and polystyrene industries, thereby improving the balance of supply and demand in North America. More recently, on October 1, 2007, NOVA Chemicals expanded its European joint venture with INEOS to include North American styrene and solid polystyrene assets, and, in May of 2008, Americas Styrenics LLC, a joint venture between The Dow Chemical Company and Chevron Phillips Chemical Company, which includes selected styrene and polystyrene assets of the two companies in North America and South America, began operations.

Product Summary

The following table summarizes our principal products, including our capacity, the primary end uses for each product, the raw materials used to produce each product and the major competitors for each product. Capacity represents rated annual production capacity as of December 31, 2007, which is calculated by estimating the number of days in a typical year that a production facility is capable of operating after allowing for downtime for regular maintenance, and multiplying that number of days by an amount equal to the facility's optimal daily output based on the design feedstock mix. As the capacity of a facility is an estimated amount, actual production may be more or less

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than capacity, and the following table does not reflect actual operating rates of any of our production facilities for any given period of time.

Sterling Product (Capacity)	Intermediate Products	Primary End Products	Raw Materials	Major Competitors
<i>Acetic Acid</i> (1.1 billion pounds per year)	Vinyl acetate monomer, terephthalic acid, and acetate solvents	Adhesives, PET bottles, fibers and surface coatings	Methanol and Carbon Monoxide	Celanese AG, Eastman Chemical Company and Lyondell Chemical Company
<i>Plasticizers</i> (200 million pounds of esters and 130 million pounds of phthalic anhydride per year)	Flexible polyvinyl chloride	Flexible plastics, such as shower curtains and liners, floor coverings, cable insulation, upholstery and plastic molding	Oxo-Alcohols and Orthoxylene	ExxonMobil Corporation, Eastman Chemical Company and BASF Corporation

Products

Acetic Acid. Our acetic acid is used primarily to manufacture vinyl acetate monomer, which is used in a variety of products, including adhesives and surface coatings. We have the third largest production capacity for acetic acid in North America. Our acetic acid unit has a rated annual production capacity of approximately 1.1 billion pounds, which represents approximately 17% of total North American capacity. All of our acetic acid production is sold to BP Chemicals, and we are BP Chemicals' sole source of production in the Americas. We sell our acetic acid to BP Chemicals pursuant to a Production Agreement that extends until 2016. For a further description of our agreement with BP Chemicals, please refer to *Acetic Acid-BP Chemicals* under *Contracts*.

Plasticizers. Our plasticizers business is comprised of two separate products: phthalate esters and phthalic anhydride, together commonly referred to as plasticizers. Our phthalate esters are made from phthalic anhydride and oxo-alcohols, and phthalic anhydride is also sold as a separate product. All of our plasticizers, which are used to make flexible plastics such as shower curtains, floor coverings, automotive parts and construction materials, are sold to BASF pursuant to a long-term production agreement that extends until 2013, subject to some early termination rights held by BASF beginning in 2010. In December 2007, BASF caused the shutdown of our PA unit by nominating zero pounds of PA in response to deteriorating market conditions which are not expected to improve in the foreseeable future. This shutdown will not have a material adverse affect on our financial conditions or results of operations. For a further description of our agreement with BASF, please refer to *Plasticizers-BASF* under *Contracts*.

Styrene. Styrene was previously one of our principal products. Styrene is a commodity chemical used to produce intermediate products such as polystyrene, expandable polystyrene resins and ABS plastics, which are used in a wide variety of products such as household goods, foam cups and containers, disposable food service items, toys, packaging and other consumer and industrial products. As previously discussed, we permanently shut down our styrene plant in the fourth quarter of 2007 and exited the styrene business in 2008.

Sales and Marketing

Our petrochemicals products are generally sold to customers for use in the manufacture of other chemicals and products, which in turn are used in the production of a wide array of consumer goods and industrial products

throughout the world. We have long-term agreements that provide for the dedication of 100% of our production of acetic acid and plasticizers, each to one customer. Under our Production Agreement, we are reimbursed for our actual fixed and variable manufacturing costs and also receive an agreed share of the profits earned from this business. Under our plasticizers agreement, we are reimbursed for our manufacturing costs and also receive a

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quarterly facility fee for each production unit included in our plasticizers business, but do not share in the profits or losses from that business. These agreements are intended to:

optimize our capacity utilization rates;

lower our selling, general and administrative expenses;

reduce our working capital requirements;

insulate the financial results our plasticizers operations from the effects of declining markets and changes in raw materials prices; and

in some cases, gain access to certain improvements in manufacturing process technology.

Prior to the effectiveness of the long-term styrene supply contract with NOVA discussed above, we previously sold styrene through multi-year contracts, conversion agreements and spot transactions in both domestic and international markets.

For information regarding our export sales, see Note 10 of the Notes to Consolidated Financial Statements for the year ended December 31, 2007 included in this prospectus.

Contracts

Our significant multi-year contracts are described below.

Acetic Acid-BP Chemicals

In 1986, we entered into the Production Agreement with BP Chemicals, which has since been amended several times. BP Chemicals markets all of the acetic acid that we produce and pays us, among other amounts, a portion of the profits derived from its sales of the acetic acid we produce. In addition, BP Chemicals reimburses us for 100% of our fixed and variable costs of production. Prior to August 2006, BP Chemicals also paid us a set monthly amount. However, under the terms of this Production Agreement, beginning in August 2006, the portion of the profits we receive from the sales of acetic acid produced at our plant increased and BP Chemicals was no longer required to pay us the set monthly amount. This change in payment structure did not affect BP Chemicals' obligation to reimburse us for all of our fixed and variable costs of production.

Plasticizers-BASF

Since 1986, we have provided all of our plasticizers production exclusively to BASF pursuant to a production agreement, which has been amended several times. Under this production agreement, BASF provides us with most of the required raw materials and markets the plasticizers we produce, and is obligated to make certain fixed quarterly payments to us and to reimburse us monthly for our actual production costs and capital expenditures relating to our plasticizers facility. Effective January 1, 2006, we amended this production agreement to extend the term of the agreement until 2013, subject to some early termination rights held by BASF beginning in 2010, increase the quarterly payments made to us by BASF and eliminate our participation in the profits and losses realized by BASF in connection with the sale of the plasticizers we produce. Additionally, on April 28, 2006, BASF notified us that it was exercising its right under the amended production agreement to terminate its future obligations with respect to the operation of our oxo-alcohols production unit effective July 31, 2006. In December 2007, BASF caused the shutdown of our PA unit by nominating zero pounds of PA in response to deteriorating market conditions which are not

expected to improve in the foreseeable future. As a result of this shutdown, in May 2008, we entered into an amended production agreement with BASF, effective as of April 1, 2008. The amended agreement relieves BASF of most of its obligations related to our PA manufacturing unit, requires that BASF pay approximately \$3.7 million to us for reimbursement of certain direct fixed and variable costs associated with the shutdown and decontamination of our PA manufacturing unit. The amended agreement also requires that BASF pay to us an aggregate amount of approximately \$3.2 million (the remaining \$0.2 million of which is required to be paid on or before August 15, 2008), subject to a 25%-75% refund right in BASF's favor if we restart our PA unit before the end of 2010, depending on the year in which we restart the unit. Under the amended agreement, BASF is still required to make the same quarterly fixed periodic payments as previously required. In

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addition, under the amended production agreement, the methods for calculating (i) payments required to be made by BASF to us for achieving reductions in direct fixed and variable costs and (ii) BASF's right to terminate the agreement in the event that direct fixed and variable costs exceed a specified threshold (unless we elect to cap BASF's reimbursement obligations), have both been modified to exclude costs savings and direct fixed and variable costs pertaining to our PA manufacturing unit. The amended agreement also removed all restrictions or rights BASF formerly had with respect to our use or disposition of the PA manufacturing unit, including a purchase right, the right to request capacity increases and consultation rights regarding future capital expenditures with respect to our PA unit. For more discussion of our amended agreement with BASF, see *Industry Overview* *Plasticizers*.

Sales to major customers constituting more than 10% or more of total revenues are included in Note 10 of the *Notes to Consolidated Financial Statements* for the year ended December 31, 2007 included in this prospectus.

Raw Materials and Energy Resources

The aggregate cost of raw materials and energy resources used in the production of our products is far greater than the total of all other costs of production combined. As a result, an adequate supply of raw materials and energy at reasonable prices and on acceptable terms is critical to the success of our business. Although we believe that we will continue to be able to secure adequate supplies of raw materials and energy, we may be unable to do so at acceptable prices or payment terms. See *Risk Factors*. Under our agreements with BP Chemicals and BASF, BP Chemicals is required to provide our methanol requirements to produce acetic acid and BASF is required to provide us with most of the major raw materials necessary to produce plasticizers. These sources of raw materials tend to mitigate certain risks typically associated with obtaining raw materials, as well as decrease our working capital requirements.

Acetic Acid. Acetic acid is manufactured primarily from carbon monoxide and methanol. Praxair is our sole source for carbon monoxide and supplies us with all of the carbon monoxide we require for the production of acetic acid from its partial oxidation unit located on land leased from us at our Texas City site. Currently, our methanol requirements are supplied by BP Chemicals under the Production Agreement.

Plasticizers. The primary raw materials for plasticizers are oxo-alcohols, orthoxylene and PA, which are supplied by BASF under our long-term production agreement.

Technology and Licensing

In 1986, we acquired our Texas City site from Monsanto Company, or Monsanto. In connection with that acquisition, Monsanto granted us a non-exclusive, irrevocable and perpetual right and license to use Monsanto's technology and other technology Monsanto acquired through third-party licenses in effect at the time of the acquisition. We use these licenses in the production of acetic acid and plasticizers and also previously used those licenses in the production of styrene.

During 1991, BP Chemicals Ltd., or BPCL, purchased Monsanto's acetic acid technology, subject to existing licenses. Under a technology agreement with BP Chemicals and BPCL, BPCL granted us a non-exclusive, irrevocable and perpetual right and license to use acetic acid technology owned by BPCL and some of its affiliates at our Texas City site, including any new acetic acid technology developed by BPCL at its acetic acid facilities in England or pursuant to the research and development program provided by BPCL under the terms of such agreement.

Although we do not engage in alternative process research, we do monitor new technology developments and, when we believe it is necessary, we typically seek to obtain licenses for process improvements.

Competition

There are only four large producers of acetic acid in North America and historically these producers have made capacity additions in a disciplined and incremental manner, primarily using small expansion projects or exploiting debottlenecking opportunities. In addition, the leading technology required to manufacture acetic acid is controlled by two global companies, which permits these companies to control the pace of new capacity additions through the licensing or development of such additional capacity. The limited availability of this technology also creates a

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significant barrier to entry into the acetic acid industry by potential competitors. The North American plasticizers industry is a mature market, with phthalate esters like those produced by us being subject to excess production capacity and diminishing demand due to the ability of consumers to substitute different raw materials based on relative costs at the time, as well as increasing health concerns regarding these products. A list of our principal competitors is set forth in the Product Summary table above.

Environmental, Health and Safety Matters

Our operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous or toxic and that are extensively regulated by environmental and health and safety laws, regulations and permit requirements. Environmental permits required for our operations are subject to periodic renewal and may be revoked or modified for cause or when new or revised environmental requirements are implemented. Changing and increasingly strict environmental requirements can affect the manufacture, handling, processing, distribution and use of our chemical products and, if so affected, our business and operations may be materially and adversely affected. In addition, changes in environmental requirements may cause us to incur substantial costs in upgrading or redesigning our facilities and processes, including our waste treatment, storage, disposal and other waste handling practices and equipment.

A business risk inherent in chemical operations is the potential for personal injury and property damage claims from employees, contractors and their employees and nearby landowners and occupants. While we believe our business operations and facilities generally are operated in compliance with all applicable environmental and health and safety requirements in all material respects, we cannot be sure that past practices or future operations will not result in material claims or regulatory action, require material environmental expenditures or result in exposure or injury claims by employees, contractors or their employees or the public. Some risk of environmental costs and liabilities is inherent in our operations and products, as it is with other companies engaged in similar businesses.

Our operating expenditures for environmental matters (mostly waste management and compliance) for continuing operations were approximately \$11.2 million and \$13.3 million in 2007 and 2006, respectively, and for discontinued operations were approximately \$6.6 million and \$7.1 million in 2007 and 2006, respectively. For environmentally related capital projects in continuing operations, we spent \$0.5 million and \$2.0 million in 2007 and 2006, respectively, and zero in both 2007 and 2006 for discontinued operations. In 2008, we anticipate spending approximately \$4 million for capital projects related to waste management, incident prevention and environmental compliance. We do not expect to make any capital expenditures in 2008 related to remediation of environmental conditions.

In light of our historical expenditures and expected future results of operations and sources of liquidity, we believe we will have adequate resources to conduct our operations in compliance with applicable environmental, health and safety requirements. Nevertheless, we may be required to make significant site and operational modifications that are not currently contemplated in order to comply with changing facility permitting requirements and regulatory standards. Additionally, we have incurred, and may continue to incur, liability for investigation and cleanup of waste or contamination at our own facilities or at facilities operated by third parties where we have disposed of waste. We continually review all estimates of potential environmental liabilities, but we may not have identified or fully assessed all potential liabilities arising out of our past or present operations or the amount necessary to investigate and remediate any conditions that may be significant to us. Based on information available at this time and reviews undertaken to identify potential exposure, we believe any amount reserved for environmental matters is adequate to cover our potential exposure for clean-up costs.

Air emissions from our Texas City facility are subject to certain permit requirements and self-implementing emission limitations and standards under state and federal laws. Our Texas City facility is subject to the federal government's

June 1997 National Ambient Air Quality Standards, or NAAQS, which lowered the ozone and particulate matter concentration thresholds for attainment. Our Texas City facility is located in an area that the Environmental Protection Agency, or EPA, has classified as not having achieved attainment under the NAAQS for ozone, either on a 1-hour or an 8-hour basis. Ozone is typically controlled by reduction of emissions of volatile organic compounds, or VOCs, and nitrogen oxide, or NOx. The Texas Commission for Environmental Quality, or TCEQ, has imposed strict requirements on regulated facilities, including our Texas City facility, to ensure that the

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air quality control region will achieve attainment under the NAAQS for ozone. Local authorities may also impose new ozone and particulate matter standards. Compliance with these stricter standards may substantially increase our future control costs for emissions of NO_x, VOCs and particulate matter, the amount and full impact of which cannot be determined at this time.

In 2002, the TCEQ adopted a revised State Implementation Plan, or SIP, in order to achieve compliance with the 1-hour ozone standard under the Clean Air Act by 2007. The EPA approved this 1-hour SIP, which required an 80% reduction of NO_x emissions, and extensive monitoring of emissions of highly reactive volatile organic carbons, or HRVOCs, such as ethylene, in the Houston-Galveston-Brazoria area, or the HGB area. We are in full compliance with these regulations. However, the HGB area failed to attain compliance with the 1-hour ozone standard, and Section 185 of the Clean Air Act requires implementation of a program of emissions-based fees until the standard is attained. These Section 185 fees will be assessed on all NO_x and VOC emissions in 2008 and beyond in the HGB area which are in excess of 80% of the baseline year. The method for calculating baseline emissions, as well as other details of the program, has not yet been developed. At the present time, we do not expect to be assessed any fee for our emissions for 2008, primarily due to the reduction in emissions from our Texas City facility following the closure of our styrene facility.

In April 2004, the HGB area was designated a moderate non-attainment area with respect to the 8-hour ozone standard of the Clean Air Act, which resulted in mandated compliance with the 8-hour ozone standard no later than June 15, 2010. However, on June 15, 2007, the Governor of the State of Texas requested that the EPA reclassify the HGB area as a severe non-attainment area, which will likely change the mandated compliance date for the 8-hour ozone standard from June 15, 2010 to June 15, 2019, as the EPA has begun the process of reclassification. On May 23, 2007, the TCEQ formally adopted revisions to the SIP designed to achieve compliance with the 8-hour ozone standard in the HGB area, as a moderate non-attainment area. This 8-hour SIP calls for relatively modest additional controls at our Texas City facility which will require very little expense on our part. However, the 8-hour SIP will need to be revised if and when the HGB area is reclassified from moderate to severe. The timing and content of any revised 8-hour SIP have not yet been determined. Based on these developments, it is difficult to predict our final cost of compliance under these regulations. However, given the permanent shutdown of our PA, styrene and ethylbenzene facilities, we estimate the additional cost of compliance will range from zero to \$4 million for capital expenditures and the purchase of NO_x emissions allowances, depending on the terms of the final 8-hour SIP.

To reduce the risk of offsite consequences from unanticipated events, we acquired a greenbelt buffer zone adjacent to our Texas City site in 1991. We also participate in a regional air monitoring network to monitor ambient air quality in the Texas City community.

Employees

As of March 31, 2008, we had 236 employees, of whom approximately 39% (all of our hourly employees at our Texas City site) were represented by the Union. On May 1, 2007, we entered into a new collective bargaining agreement with the Union which is effective through May 1, 2012. Under the new collective bargaining agreement, we and the Union agreed to the scope of work of the employees, hours of work, increases in wages, benefits, vacation time, sick leave and other customary terms. The new collective bargaining agreement also specifies grievance procedures should any disputes arise between us and any of our represented employees.

Insurance

We maintain insurance coverage at levels that we believe are reasonable and typical for our industry. A portion of our insurance coverage is provided by a captive insurance company maintained by us and a few other chemical companies. However, we are not fully insured against all potential hazards incident to our business. Additionally, we

may incur losses beyond the limits of, or outside the coverage of, our insurance. We maintain full replacement value insurance coverage for property damage to our facilities and business interruption insurance. Nevertheless, a significant interruption in the operation of one or more of our facilities could have a material adverse effect on our business. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage.

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We do not currently carry terrorism coverage on our Texas City site. After the terrorist attacks of September 11, 2001, many insurance carriers (including ours) created exclusions for losses from terrorism from all risk property insurance policies. While separate terrorism insurance coverage is available, the premiums for such coverage are very expensive, especially for chemical facilities, and these policies are subject to very high deductibles. In addition, available terrorism coverage typically excludes coverage for losses from acts of foreign governments, as well as nuclear, biological and chemical attacks. Consequently, we believe that it is not economically prudent to obtain terrorism insurance on the terms currently being offered in the industry.

Properties

Our petrochemicals site is located in Texas City, Texas, approximately 45 miles south of Houston, on a 290-acre site on Galveston Bay near many other chemical manufacturing complexes and refineries. We own all of the real property which comprises our Texas City site and we own the acetic acid and plasticizers manufacturing facilities located at the site. We also lease a portion of our Texas City site to Praxair, who constructed a partial oxidation unit on that land, and lease a portion of our Texas City site to S&L Cogeneration Company, a 50/50 joint venture between us and Praxair Energy Resources, Inc., who constructed a cogeneration facility on that land. Our Texas City site offers approximately 160 acres for future expansion by us or by other companies who could benefit from our existing infrastructure and facilities, and includes a greenbelt around the northern edge of the plant site. After giving effect to the railcar sale to NOVA, we now own 97 railcars and, at our Texas City site, we have facilities to load and unload our products and raw materials in ocean-going vessels, barges, trucks and railcars.

Substantially all of our Texas City, Texas site, and the tangible properties located thereon, are subject to a lien securing our obligations under our existing notes.

We lease the space for our principal executive offices, located at 333 Clay Street, Suite 3600 in Houston, Texas.

We believe our properties and equipment are sufficient to conduct our business.

Legal Proceedings

On July 5, 2005, Patrick B. McCarthy, an employee of Kinder-Morgan, Inc., or Kinder-Morgan, was seriously injured at Kinder-Morgan's facilities near Cincinnati, Ohio while attempting to offload a railcar containing one of our plasticizers products. On October 28, 2005, Mr. McCarthy and his family filed a suit in the Court of Common Pleas, Hamilton County, Ohio (Case No. A0509 144) against us and six other defendants. Since that time, the plaintiffs have added two additional defendants to this lawsuit. In addition, we and some of the other defendants have brought Kinder-Morgan into this lawsuit as a third-party defendant. The plaintiffs are seeking in excess of \$32 million in alleged compensatory and punitive damages. Discovery is ongoing in this case as to the underlying cause of the accident and the parties' respective liabilities, if any. At this time, it is impossible to determine what, if any, liability we will have for this incident and we will vigorously defend the suit. We believe that all, or substantially all, of any liability imposed upon us as a result of this suit and our related out-of-pocket costs and expenses will be covered by our insurance policies, subject to a \$1 million deductible which was met in January 2008. As of June 30, 2008, we have received \$0.2 million from our insurance carrier for the reimbursement of amounts exceeding the deductible, and we have accrued for an additional \$0.2 million for the reimbursement of amounts exceeding the deductible which were incurred during the second quarter of 2008. We do not believe that this incident will have a material adverse effect on our business, financial position, results of operations or cash flows, although we cannot guarantee that a material adverse effect will not occur.

On August 17, 2006, we initiated an arbitration proceeding against BP Chemicals to resolve a dispute involving the interpretation of provisions of our acetic acid Production Agreement with BP Chemicals. Under the Production

Agreement, BP Chemicals reimburses our manufacturing expenses and pays us a percentage of the profits derived from the sales of the acetic acid we produce. Historically, the costs of manufacturing charged to our acetic acid business, and reimbursed by BP Chemicals, included the amounts we paid Praxair for carbon monoxide, hydrogen and a blend of carbon monoxide and hydrogen commonly referred to as blend gas. Our acetic acid business has always used all of the carbon monoxide produced by Praxair, other than the small amount of carbon monoxide included in the blend gas. Until July 1, 2006, all of the blend gas produced by Praxair was used by the oxo-alcohols plant included in our plasticizers business. During the period when the oxo-alcohols plant was

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operating, BP Chemicals was compensated for the use of this blend gas by our oxo-alcohols plant through a credit to the amount of our manufacturing expenses reimbursed by BP Chemicals. Effective July 1, 2006, we permanently closed our oxo-alcohols plant. BP Chemicals has taken the position that it is entitled to continue to deduct a portion of the blend gas credit from the reimbursement of our manufacturing expenses, even though our oxo-alcohols plant has been closed and is no longer taking any blend gas and the Praxair facilities have been modified so that the carbon monoxide previously used in blend gas can be used in our acetic acid operations. Effective August 1, 2006, BP Chemicals began short paying our invoices for manufacturing expenses by the portion of the credit that BP Chemicals claims should continue through July 31, 2016. The disputed portion of the credit averaged approximately \$0.3 million per month during 2006 and 2007, before adjusting for the portion of the profits we receive from BP Chemicals' sale of the acetic acid we produce. We are also seeking additional damages from BP Chemicals in the arbitration based on what we believe are breaches of duty by BP Chemicals. The parties have abated the arbitration proceedings while they attempt to reach a negotiated settlement. As part of the agreement to abate the arbitration proceedings, BP Chemicals reimbursed us \$0.8 million on February 5, 2007, which was 50% of the disputed credit through that date, and has continued and will continue to pay 50% of the disputed amount each month during the period of negotiation. As of June 30, 2008, the disputed amount is \$8.1 million and we have received payments totaling \$3.8 million. We are not recording any revenue related to any portion of the disputed amount until the matter is resolved. The parties have stipulated that the payments are made without prejudice, in that BP Chemicals is not admitting liability and continues to insist that we remain liable for the disputed portion of the blend gas credit. According to the agreement, either party may reinstate the arbitration process at any time after August 1, 2007. If the arbitration is reinstated and an award is made, the amounts paid by BP Chemicals will be credited against any sums awarded to us or refunded by us to BP Chemicals, depending on the ruling of the arbitration panel. We believe that our acetic acid Production Agreement does not contemplate the continuation of any portion of the blend gas credit under these circumstances and will vigorously pursue our position. Although we are in a dispute with BP Chemicals over the interpretation of this contractual provision, we believe that we continue to have a constructive working relationship with BP Chemicals, as has been the case since 1986. As part of the on-going settlement negotiations over the blend gas issue, we are discussing an extension of the term of the acetic acid Production Agreement.

On February 21, 2007, we received a summons naming us, several benefit plans and the plan administrators for those plans as defendants in a class action suit, Case No. H-07-0625 filed in the United States District Court, Southern District of Texas, Houston Division. The plaintiffs seek to represent a proposed class of retired employees of Sterling Fibers, Inc., one of our former subsidiaries that we sold in connection with our emergence from bankruptcy in 2002. The plaintiffs are alleging that we were not permitted to increase their premiums for retiree medical insurance based on a provision contained in the asset purchase agreement between us and Cytec Industries Inc. and certain of its affiliates governing our purchase of our former acrylic fibers business in 1997. During our bankruptcy case, we specifically rejected this asset purchase agreement and the bankruptcy court approved that rejection. The plaintiffs are claiming that we violated the terms of the benefit plans and breached fiduciary duties governed by the Employee Retirement Income Security Act and are seeking damages, declaratory relief, punitive damages and attorneys' fees. The parties have taken minimal discovery to date. The plaintiffs have moved for partial summary judgment and for class certification related to their claims for denial of benefits under our retiree medical plans. The parties have fully briefed the issues and the motions are pending before the court. However, the court has stayed all proceedings while the plaintiffs pursue administrative remedies under the terms of our retiree medical plans. The plaintiffs appealed that denial as permitted in the applicable benefit plan and an appeal with the plan administrator was heard on July 29, 2008. On April 23, 2008, the plan administrator denied the plaintiffs' claims under the terms of our retiree medical plans. We are vigorously defending this action and are unable to state at this time if a loss is probable or remote and are unable to determine the possible range of loss related to this matter, if any.

On March 4, 2008, Gulf Hydrogen and Energy, L.L.C., or Gulf Hydrogen, filed suit against us in the 212th District Court of Galveston County, Texas (Cause No. 08CV0220) to enforce the provisions of a Memorandum of

Understanding, or MOU, entered into between us and Gulf Hydrogen involving the possible sale of our outstanding equity interests to Gulf Hydrogen for approximately \$390 million. This lawsuit also names certain of our officers, a director and our primary stockholder as defendants. Gulf Hydrogen does not allege a

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specific amount of money damages in the lawsuit but has asked the court to enforce certain MOU provisions which expired on March 1, 2008 including restrictions on our ability to engage in negotiations related to transactions that would result in a change of control or to enter into mergers, stock sales or other transactions relating to a material part of our business or operations and other insignificant restrictions customary for transactions of a similar nature. Gulf Hydrogen alleges that the defendants breached the terms of the MOU and made certain misrepresentations in connection therewith. We are vigorously defending this lawsuit, which we believe is completely without merit. We do not believe that this incident will have a material adverse affect on our business, financial position, results of operations or cash flows, although we cannot guarantee that a material adverse effect will not occur.

We are subject to various other claims and legal actions that arise in the ordinary course of our business. We do not believe that any of these claims and actions, separately or in the aggregate, will have a material adverse effect on our business, financial position, results of operation or cash flows, although we cannot guarantee that a material adverse effect will not occur.

Table of Contents**MANAGEMENT****Executive Officers and Directors**

Our board of directors is composed of seven directors. The following table sets forth the names, ages and titles of the individuals who are our executive officers and directors. All of our directors are elected until the next annual meeting of stockholders and until their successors are elected and qualified. All executive officers hold office until their successors are elected and qualified.

Name	Age	Position with Company
John V. Genova	53	President, Chief Executive Officer and Director
John R. Beaver	47	Chief Financial Officer and Senior Vice President Finance
Kenneth M. Hale	46	Senior Vice President, General Counsel and Corporate Secretary
Paul C. Rostek	52	Senior Vice President Commercial
Walter B. Treybig	52	Senior Vice President Manufacturing
Bruce E. Moore	43	Treasurer
Richard K. Crump	62	Director
Steven L. Gidumal	50	Director
Byron J. Haney	47	Director
Karl W. Schwarzfeld	32	Director
Philip M. Sivin	36	Director
Dr. Peter Ting Kai Wu	71	Director
John W. Gildea	64	Director

John V. Genova. Mr. Genova became our President and Chief Executive Officer and a director on May 27, 2008. Mr. Genova most recently served as Vice President of Corporate Planning for Tesoro Corporation, an independent refiner of oil and gas products, where he was responsible for business plan development, capital management programs, competitor assessment and benchmarking programs, as well as a corporate performance scorecard process. Prior to becoming Vice President at Tesoro in 2005, Mr. Genova served as Executive Vice President Refining and Marketing of Holly Corporation since 2004. Mr. Genova began his career as an engineer with ExxonMobil Corporation in 1976, working in a variety of positions, including Executive Assistant to the Chairman and General Manager, Corporate Planning, responsible for development of ExxonMobil's corporate plans during 2002 and 2003. He also serves as a member of the Board of Directors of Encore Acquisition Company, which is engaged in the development of onshore North American oil and natural gas reserves. In addition, Mr. Genova has provided consulting services to investment banks, private equity companies and hedge funds.

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

Kenneth M. Hale. Mr. Hale has been our General Counsel since January of 2001 and our Senior Vice President and Corporate Secretary since January of 2003. On January 1, 2005, Mr. Hale also became the head of our Human Resources & Administration Department. 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 1994 until December of 1997, and at the law firm of Honigman Miller Schwartz and Cohn from May of 1990 until December of 1993, where he specialized in mergers and acquisitions, finance, securities and general corporate matters.

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Paul C. Rostek. Mr. Rostek has been our Senior Vice President Commercial since August of 2004. Prior to attaining this position, Mr. Rostek was our Vice President Nitriles from December 1996 to December 2002, and then served as our Vice President Corporate Alliance & New Ventures from January 2003 to July 2004. Mr. Rostek joined us when we acquired our previously owned pulp chemicals business from Tenneco Inc. in August 1992 and initially served as our Vice President ERCO System Group based out of Toronto, Canada from August of 1992 through November of 1996.

Walter B. Treybig. Mr. Treybig joined us in 1993 and has been our Senior Vice President Manufacturing since January of 2003. Prior to that time, Mr. Treybig served as our Plant Manager since 1998 and our Manager of Environmental, Health and 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. Mr. Moore has been our Treasurer since January of 2003. Prior to becoming our Treasurer, Mr. Moore served as 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.

Richard K. Crump. Mr. Crump has been a director since December 2001. Mr. Crump recently retired from his position as our President and Chief Executive Officer, positions he 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.

Steven L. Gidumal. Mr. Gidumal has been a director since November 2006. Mr. Gidumal is a Managing Director and a Co-Chief Investment Officer of Resurgence Asset Management, L.L.C. or 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 operations), 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. Mr. Haney has been a 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 Managing Director and Co-Chief Investment Officer in 2006, Mr. Haney served as Managing Director of Resurgence since 1994. Mr. Haney joined Resurgence in 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. Mr. Schwarzfeld has been a 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 as Director of Operations of Resurgence 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 a Portfolio Administrator of Resurgence from August of 1998 through July 2000.

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Philip M. Sivin. Mr. Sivin has been a 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 had served as Senior Vice President and General Counsel of M.D. Sass Investors Services, Inc. and M.D. Sass Associates, Inc. since 2000. Prior to joining M.D. Sass in 2000, Mr. Sivin was an attorney at Sullivan & Cromwell LLP in New York specializing in corporate, securities, real estate and investment management transactions. Mr. Sivin also currently serves as a member of the Board of Directors and Executive Officer of M.D. Sass Investors 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.

Dr. Peter Ting Kai Wu. Dr. Wu has been a 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 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 2007 was bestowed a similar award by the Polymer Society of Taiwan for his life-time contributions to the polymers industry.

John W. Gildea. Mr. Gildea has been a 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.

Board of Directors

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 to be 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 due to their employment by Resurgence. 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, and Mr. Sivin is member of the Board of Directors and executive officer of M.D. Sass Investors Services, Inc. Mr. Genova is our President and Chief Executive Officer and, consequently, is considered

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not independent under the listing standards of the New York Stock Exchange. Mr. Crump is considered not independent under the listing standards of the New York Stock Exchange due to his prior service as our President and Chief Executive Officer.

Committees of the Board

Our board of directors 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 and Safety Committee. Generally speaking, our board committees work on key issues in greater detail than would be possible at full meetings of our board of directors. Each of our 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. 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 Annual Report on Form 10-K for the year ended December 31, 2007. 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 of directors 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 of directors 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 of directors 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. 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.

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Compensation Committee

Our Compensation Committee is currently comprised of two of our non-employee directors, John W. Gildea (Chairman) and Steven L. Gidumal. 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 of directors 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-base programs, deferred compensation plans and other cash or stock incentive programs);

reviewing and making recommendations to our board of directors 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" below.

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 to 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 of directors 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. 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 of directors 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 of directors 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 of directors and conducts inquiries into the backgrounds and qualifications of possible candidates for positions on our board of directors (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). Our

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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 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 of directors 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 and Safety Committee is currently comprised of two of our directors, Richard K. Crump (Chairman) and Dr. Peter T.K. Wu. Our Environmental, Health and 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 and Safety Committee also conducts ongoing environmental planning activities and makes recommendations to our board of directors concerning the selection of external environmental auditors, including their compensation and the proposed terms of their engagement.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

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

attract, motivate and retain talented and productive executives;

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

support our short-term and long-term goals.

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

Processes and Procedures for Determining Compensation

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

Our Compensation Committee uses a number of sources to determine the compensation paid to each of our senior executives. One of the primary sources of information used by our Compensation Committee 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. Historically, this analysis was performed in tandem with similar analyses performed for all our salaried employees by the same compensation consulting firm directly engaged by us rather than our Compensation Committee. However, in January of 2007, our Compensation Committee directly engaged The Hay Group, Inc., a different firm from that engaged by us to review our compensation program for our other salaried employees, to perform an in depth analyses of our senior executive compensation program. 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. The compensation consulting firm also typically makes several recommendations for changes to our program. This report and analysis provides our Compensation Committee with

the ability to compare our senior executive compensation program to those offered by other chemical manufacturers and a select group of non-chemical companies of comparable size and performance, and determine whether the compensation paid to each of our senior executives is both competitive and reasonable in relation to the duties required of that executive. Our Compensation Committee does not, however, compare our compensation program against the compensation offered by all of the companies included in the S&P Chemicals Index used in the Performance Graph contained in our Form 10-K because many of those companies are not considered to be our competitors, either in the market for our products or for executive talent.

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In the years falling in between these more in-depth analyses, the head of our Human Resources and Administration Department (currently Mr. Hale, one of our Named Executive Officers) provides our Compensation Committee with summary market data from several compensation consulting firms. Our Compensation Committee uses this data to assess general trends in the levels of base salaries paid to senior executives in our industry, in our geographic locale and in the United States as whole. The compensation consulting firms from whom summary market data is obtained may vary from year to year. For example, in 2006, our Compensation Committee received summary market data from The Hay Group, Inc., Hewitt Associates, Inc., Business and Legal Reports, Inc. and Mercer Human Resource Consulting LLC, while 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. After reviewing the summary market data, our Compensation Committee determines an overall budget for increases in the base salaries of our senior executives as a group. Once this overall budget is established, our Compensation Committee confers with our 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 Chief Executive Officer.

Total Compensation

The major components of our senior executive compensation program are base salary, annual incentive compensation and stock-based compensation, in addition to a few perquisites and other personal benefits to our senior executives, such as group life insurance. In addition, we maintain a 401(k) Plan for all of our employees, and currently match the contributions into our 401(k) Plan made by each of our salaried employees, on a dollar-for-dollar basis, up to 6% of the participant's base salary. We also provide all of our senior executives with post-employment compensation in the form of our salaried employees' pension plan and our Key Employee Protection Plan. However, benefit accruals under our salaried employees' pension plan were frozen as of January 1, 2005. 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 and long-term stock-based compensation opportunities linked 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. In 2007, we did not pay any non-equity incentive compensation under our Bonus Plan, although we did pay discretionary bonuses to our senior executives, which averaged about 32% of the total cash compensation paid to our senior executives (excluding Mr. Vanderhoven, who retired on May 1, 2007, and, consequently, was not paid a discretionary bonus).

Base Salaries

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

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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 was given too much weight because our practice of making one large grant of stock options to each of our Named Executive Officers, rather than annual grants, artificially skewed the compensation expense reported for the year of the grant. 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, on February 8, 2008, our Compensation Committee approved increases in the annual base salaries (effective as of March 1, 2008) of each of our Named Executive Officers consistent with the market data it reviewed. The following table sets forth the existing and new annual base salary levels for each of our Named Executive Officers:

	2007	2008
Richard K. Crump	\$ 390,000	\$ 405,000
John R. Beaver	205,000	223,250
Kenneth M. Hale	234,000	243,500
Paul C. Rostek	221,750	230,750
Walter B. Treybig	204,750	213,000

Annual Incentive Compensation

In addition to base salaries, our senior executives and other qualified employees can earn additional cash incentive compensation each year under our Bonus Plan. The additional compensation available under this plan is intended to reward the achievement of annual corporate financial goals and personal performance. Under our Bonus Plan, the amount paid to each of our salaried employees, including our Named Executive Officers, is based on our EBITDA and the employee's Bonus Target (which is a percentage of his or her base salary), with 50% of that amount being subject to adjustment based on the employee's performance during the year. Mr. Crump's Bonus Target is 100% and the Bonus Target of each of our other Named Executive Officers is 40% (other than Mr. Vanderhoven, who retired on May 1, 2007, and previously had a Bonus Target of 50%). If we attain our threshold level of EBITDA (\$35 million of EBITDA) in any calendar year, each of our salaried employees, including our Named Executive Officers, is entitled to a bonus of up to 50% of their Bonus Target. If we attain our target level of EBITDA (\$70 million of EBITDA) in any calendar year, each of our salaried employees is entitled to a bonus of up to 100% of their Bonus Target. Finally, if we attain our maximum level of EBITDA (\$140 million of EBITDA) in any calendar year, each of our salaried employees is entitled to a bonus of up to 200% of their Bonus Target. No additional amounts are payable under our Bonus Plan for exceeding \$140 million of EBITDA in any calendar year. If our EBITDA is between any of the specified levels, the maximum payment under the Bonus Plan for each salaried employee is pro-rated between the two levels on a straight-line basis. For example, if we attained \$52.5 million in EBITDA in a year, each of our salaried employees would be entitled to a bonus of up to 75% of their Bonus Target. EBITDA, which we define as income/(loss) before tax, interest expense (net), depreciation, amortization and write-downs is a non-GAAP measure we use as an approximation of cash flow from operations before tax. Our definition of EBITDA may differ from that of other companies. Our Compensation Committee is currently considering revising the manner in which bonuses are earned under our Bonus Plan to reflect our exit from the styrene business, although no determination has been made as to what, if any, changes will be made.

Our Bonus Plan is administered by our Compensation Committee, who determines the amount of annual incentive compensation paid to each of our senior executive officers, including the Named Executive Officers, in those years when we achieve the minimum level of financial performance required for a payment under our Bonus Plan. In evaluating an individual's performance, our Compensation Committee relies, to some extent, on the assessment by our Chief Executive Officer of that individual. The maximum amount payable under our Bonus Plan for any year is not determined until the audit of our financial statements has been completed and our Form 10-K for

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that year has been approved by our Audit Committee and our Board. Generally, a senior executive must still be employed by us at the time the bonus is paid in order to receive a bonus payment. We believe that the potential to earn above market bonuses in any given year helps us attract, motivate and retain talented and productive senior executives and supports our short-term goals for that year. In addition, by 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, we believe that our Bonus Plan provides an effective tool for recognizing both individual performance and our overall corporate performance.

On January 27, 2006, our Compensation Committee amended our Bonus Plan to provide our salaried employees the ability to earn a bonus based on their individual performance, irrespective of our financial performance during the year. However, if a bonus is paid based on achieving our financial performance targets, no additional bonus is paid under this provision of our Bonus Plan. Our Compensation Committee considered a variety of factors before electing to make this change to our Bonus Plan, including the marked increase in compensation paid to, and intense competition to attract and retain, employees in the petrochemicals and oil and gas industries resulting from the dramatic increase in oil prices over the last several years and the reconstruction efforts following Hurricane Katrina. Our Chief Executive Officer and our four Senior Vice Presidents are excluded, however, from this new portion of our Bonus Plan. Whether a bonus is paid to our Chief Executive Officer or any of our Senior Vice Presidents in any year when we do not attain the minimum financial performance required for a payment under our Bonus Plan, and if so, the amount to be paid, is determined by our Compensation Committee at that time based upon its review of their individual performance during the year in question.

For 2007, we did not achieve the threshold level of EBITDA required for the payment of a bonus under our Bonus Plan. However, on February 8, 2008, our Compensation Committee authorized the payment of discretionary bonuses to each of our Named Executive Officers in recognition of their 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 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. The following table sets forth the amount of bonuses paid to our Named Executive Officers:

Richard K. Crump	\$ 390,000
John R. Beaver	82,000
Kenneth M. Hale	118,600
Paul C. Rostek	88,700
Walter B. Treybig	81,900

Our Compensation Committee also authorized the payment of discretionary bonuses to each of our named Executive Officers on February 24, 2006, even though we did not attain the minimum level of EBITDA in 2005 required for the payment of a bonus under our Bonus Plan. The discretionary bonuses were paid to our Named Executive Officers to reward them for achieving our goal of reducing fixed costs by at least \$20 million during 2005.

In evaluating the amounts of bonuses paid to each of our Named Executive Officers for each year, whether they were paid under our Bonus Plan or were discretionary, our Compensation Committee and our Board considered numerous factors, including, among others, his 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 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 that our management team functions as a team and that our success is dependent on the efforts of all of the members of our senior management as a group.

Stock-Based Compensation

Under the stock-based portion of our senior executive compensation program, our senior executives and other key employees are eligible for awards of incentive stock options, non-qualified stock options, stock appreciation

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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;

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

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

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

Our Compensation Committee or our Board specifies the number of shares covered by each award under our 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 of control, which includes 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 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 any individual. Our 2002 Stock Plan was 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 an initial grant of stock options to our executive officers and certain other employees in amounts our Compensation Committee felt were adequate to provide the appropriate incentives and achieve the desired alignment with the long-term interests of our stockholders. Our Compensation Committee has only approved three additional grants of any award under our 2002 Stock Plan since that time, which grants were made (i) on November 5, 2004 to Mr. Rostek in connection with Mr. Rostek being promoted to our Senior Vice President - Commercial so that his overall compensation and incentives would be aligned with those of our other Named Executive Officers, (ii) on May 2, 2008 to Mr. Beaver in connection with his promotion to Senior Vice President - Chief Financial Officer for similar reasons and (iii) on May 27, 2008 to Mr. Genova in connection with his engagement as our President and Chief Executive Officer. All of the outstanding options held by our Named Executive Officers have vested and are exercisable. No option may be exercised after the tenth anniversary of the date of grant or the earlier termination of the option. All options have been granted with an exercise price at or above the fair market value of a share of our common stock on the date of grant.

We do not have any program, plan or practice in place for selecting grant dates for awards under our 2002 Stock Plan in coordination with the release of material non-public information. With three exceptions, all of the awards under our 2002 Stock Plan were granted on February 11, 2003, at the first meeting of our new Board following our emergence from bankruptcy in December of 2002. The other awards were granted in connection with the promotion of Mr. Rostek to our Senior Vice President Commercial, the promotion of Mr. Beaver to our Senior Vice President Chief Financial Officer and the engagement of Mr. Genova as our President and Chief Executive Officer. Each of these awards was 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 new stockholders in connection with our emergence from bankruptcy That amount

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was far in excess of the trading price of a share of our common stock on the over-the-counter market on each of the two grant dates. 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.

Under our Code of Ethics and Conduct, all of our employees, including each of the 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 any 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, with the approval of our Corporate Governance Committee, 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 and our Corporate Governance Committee have 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 generally disallows a tax deduction to public companies for compensation paid to a company's chief executive officer or any of its other four most highly compensated executive officers in excess of \$1 million in any year, with certain performance-based compensation being specifically exempt from this deduction limit. In 2007, 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 2007.

Table of Contents**Compensation Tables*****Summary Compensation Table***

The following table shows certain information regarding the compensation we paid each individual who served as our Chief Executive Officer or our Chief Financial Officer (or acted in a similar capacity during 2007) and our other three most highly compensated executive officers during 2007, or our Named Executive Officers, for fiscal years ended December 31, 2007, December 31, 2006 and December 31, 2005, respectively. In 2007, base salaries accounted for approximately 61.27% of the total cash compensation paid to our Named Executive Officers.

Name And Principal Position	Fiscal Year	Salary ⁽²⁾	Bonus	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
						Qualified Compensation Earnings ⁽⁴⁾		
Richard K. Crump ⁽¹⁾	2007	\$ 390,000	\$ 390,000	\$ 0	\$ 0	\$ 25,341	\$ 28,589	\$ 833,930
President and Chief Executive Officer	2006	388,333	0	30,973	267,003	46,588	28,145	761,042
	2005	378,500	46,875	294,245	0	74,359	25,562	819,541
John R. Beaver ⁽⁶⁾	2007	190,617	82,000	0	0	0	13,879	286,496
Senior VP Finance and Chief Financial Officer	2006	156,583	7,500	5,807	37,812	4,443	11,424	223,569
	2005	149,250	18,750	55,171	0	7,091	10,178	240,440
Paul G. Vanderhoven ⁽⁷⁾	2007	86,640	0	0	0	5,511	459,727	551,878
Senior VP Finance and Chief Financial Officer	2006	255,167	0	8,518	87,974	26,504	16,316	394,475
	2005	244,417	40,625	80,917	0	42,303	15,662	423,922
Kenneth M. Hale	2007	232,042	118,600	0	0	0	15,269	365,911
Senior VP, General Counsel and Secretary	2006	220,583	0	7,098	60,863	3,562	15,335	307,441
	2005	209,583	34,375	67,431	0	5,685	14,440	331,514
Paul C. Rostek	2007	220,000	88,700	32,972	0	0	14,604	356,276
Senior VP Commercial	2006	209,667	0	89,024	57,851	9,879	14,474	380,895
	2005	200,458	34,375	197,832	0	13,232	14,087	459,982
Alter B. Treybig	2007	203,125	81,900	0	0	627	13,603	299,255
Senior VP Manufacturing	2006	193,583	0	6,453	53,401	7,161	12,923	273,520
	2005	185,250	34,375	61,301	0	11,429	15,354	307,709

(1) Mr. Crump retired effective May 27, 2008. Prior to that time, Mr. Crump served as our President and Chief Executive Officer.

(2) Includes amounts deferred under our 401(k) Savings and Investment Plan.

(3)

Please refer to Footnote 2 of our Consolidated Financial Statements for the fiscal year ended December 31, 2007 included in this prospectus for a description of the assumptions used in determining compensation cost for the stock options reflected in this column which were granted in 2003 or, in the case of Mr. Rostek, in 2004.

- (4) Pension value changes in 2007 for Messrs Beaver, Hale and Rostek were -\$575, -\$576 and -\$16,433, respectively.
- (5) Includes (i) values of group life insurance provided by us in excess of \$50,000, (ii) amounts paid for clubs and associations, (iii) premiums for executive life insurance paid by us, (iv) matching contributions paid by us under our 401(k) Savings and Investment Plan and (v) values of parking paid by us in excess of Internal Revenue Service limitations, as follows:

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	Fiscal Year	Group Life	Clubs and Associations	401(k) Matching Contributions	Executive Parking
Richard K. Crump	2007	\$ 7,326	\$ 0	\$ 13,500	\$ 685
	2006	7,277	0	13,200	590
	2005	4,615	585	12,600	684
John R. Beaver	2007	746	1,240	11,437	456
	2006	614	1,415	9,395	0
	2005	388	835	8,955	0
Paul G. Vanderhoven	2007	613	0	5,198	228
	2006	1,616	910	13,200	590
	2005	1,543	835	12,600	684
Kenneth M. Hale	2007	944	825	13,500	0
	2006	600	1,535	13,200	0
	2005	565	1,340	12,535	0
Paul C. Rostek	2007	1,366	0	12,553	685
	2006	1,304	0	12,580	590
	2005	809	585	12,008	685
Walter B. Treybig	2007	1,250	165	12,188	0
	2006	1,193	115	11,615	0
	2005	741	500	11,096	0

Mr. Crump's All Other Compensation includes executive life insurance premiums paid by us of \$7,078 in each of 2007, 2006 and 2005. Mr. Vanderhoven's All Other Compensation includes payment of \$68,188 for unused vacation time and a severance payment of \$385,500 paid upon Mr. Vanderhoven's retirement from employment. Mr. Treybig's All Other Compensation includes \$3,017 paid in 2005 for travel expenses related to obtaining his Masters in Business Administration Degree from Tulane University.

- (6) Mr. Beaver was promoted to our Senior Vice President - Financial and Chief Financial Officer on May 4, 2007. Prior to that, Mr. Beaver served as one of our Vice Presidents and our Corporate Controller. Consequently, Mr. Beaver's compensation for 2007 reflects compensation paid to him in his capacity as our Senior Vice President - Finance and Chief Financial Officer for approximately eight months and compensation paid to him in his capacity as one of our Vice Presidents and our Corporate Controller for approximately four months, and Mr. Beaver's compensation for 2006 and 2005 reflects compensation paid to him in his capacity as one of our Vice Presidents and our Corporate Controller.
- (7) Mr. Vanderhoven retired on May 1, 2007. Prior to that time, Mr. Vanderhoven served as our Senior Vice President - Finance and Chief Financial Officer.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers, including each of our Named Executive Officers. These indemnification agreements require us to, among other things, indemnify these individuals against certain liabilities that may arise in connection with their status or service as one of our directors or executive officers and to advance their expenses incurred as a result of any proceeding for which they may be entitled to indemnification. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under the General Corporation Law of the State of Delaware and are in addition to any other rights these individuals may have under our organizational documents or applicable law. We believe that these

indemnification agreements enhance our ability to attract and retain knowledgeable and experienced directors and executive officers.

Employment Agreements

Mr. Genova's employment as our President and Chief Executive Officer is governed by an Employment Agreement dated effective as of May 27, 2008. Under his employment agreement, Mr. Genova earns a base salary initially set at \$395,000 per year (subject to annual increases at the discretion of our Board of Directors) and he participates in our bonus and incentive plans and all of our other employee benefit plans made available to our executive officers generally.

Under his employment agreement, Mr. Genova is eligible for severance benefits if his employment is terminated in specified ways and for specified reasons. That termination must either result from the expiration of the

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term of his employment agreement, Mr. Genova resigning for Good Reason or Mr. Genova being terminated by us without Cause (as these terms are defined in his employment agreement). The agreement is initially for a three-year term with automatic one-year extensions each year unless we elect to stop the automatic extensions. If Mr. Genova's employment with us is terminated in a way that results in his being eligible for severance benefits under his agreement with us, Mr. Genova is entitled to a lump sum payment determined by multiplying his annual base salary plus his Target Bonus (as defined in the agreement) by 2.75. Once the base amount of the lump sum payment is determined, the final amount of the lump sum payment depends on whether a Change of Control (as defined in the agreement) occurs during the period starting two years prior to the termination of his employment and ending 180 days after the date of the termination of his employment. If a Change of Control has not (and does not) occur within that specified period, the amount of the lump sum payment is reduced by 50%. However, if the lump sum payment is payable in connection with a Change of Control, up to 50% of the lump sum payment is subject to repayment by Mr. Genova if he, within one year after the termination of his employment, owns, manages, operates or controls (or joins in the ownership, management, operation or control of), or becomes employed by or connected in any manner with, any business engaged in the manufacture or sale of acetic acid, propylene, biodiesel or renewable fuels anywhere in Texas or any of its contiguous states.

Currently, if Mr. Genova terminated his employment for Good Reason or was terminated by Sterling for Cause, he would be paid a lump sum amount equal to \$2,172,500 if a Change of Control occurs during his protection period or \$1,086,250 if no Change of Control occurs during his protection period.

In addition to the lump sum payment, Mr. Genova would also be entitled to his accrued but unpaid salary, compensation for unused vacation time and any unpaid vested benefits earned or accrued under any of Sterling's benefit plans (other than qualified plans). Also, for a period of 18 months, Mr. Genova (and the members of his family who are currently eligible to receive benefits under our primary group medical plan) would continue to be covered by all of our life, health care, medical and dental insurance plans and programs (excluding disability) to the extent we continue to provide such coverage to our executive officers generally, as long as he makes a timely COBRA election and pays the regular employee premiums required under our plans and programs. In addition, our obligation to continue to provide coverage under our plans and programs with respect to any particular type of plan or program ends if and when Mr. Genova becomes eligible for similar coverage under a subsequent employer's plan without being subject to any preexisting-condition exclusion under that plan.

If any payment or distribution to Mr. Genova under his employment agreement is subject to excise tax pursuant to Section 4999 of the Internal Revenue Code, he is also entitled to receive a gross-up payment from us in an amount such that, after payment by Mr. Genova of all taxes on the gross-up payment, the amount of the gross-up payment remaining is equal to the lesser of (i) the excise tax imposed under Section 4999 of the Internal Revenue Code and (ii) 25% of the sum of Mr. Genova's annual base compensation plus his Bonus Target under our Bonus Plan for the year of payment.

Grants of Plan-Based Awards

None of our Named Executive Officers were granted any equity incentive plan awards, other stock awards or other option awards in 2007 under our 2002 Stock Plan discussed above in Compensation Discussion & Analysis, or otherwise. The following table provides information with respect to each grant of an award made to a Named Executive Officer in 2007 under our Bonus Plan.

Name	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
	Threshold	Target	Maximum

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Richard K. Crump	\$ 195,000	\$ 390,000	\$ 780,000
John R. Beaver	41,000	82,000	164,000
Paul G. Vanderhoven	64,250	128,500	257,000
Kenneth M. Hale	46,800	93,600	187,200
Paul C. Rostek	44,350	88,700	177,400
Walter B. Treybig	40,950	81,900	163,800

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As noted below under *Non-Equity Incentive Plan Information* *Bonus Plan*, we did not exceed the threshold level of EBITDA required for a payment under our Bonus Plan in 2007. However, on February 8, 2008, our Compensation Committee did authorize the payment of discretionary bonuses to each of our Named Executive Officers (other than Mr. Vanderhoven, who retired on May 1, 2007).

Non-Equity Incentive Plan Information *Bonus Plan*

As discussed above in *Compensation Discussion & Analysis*, we maintain a Bonus Plan that pays additional compensation to our salaried employees in the form of a cash bonus. The amount of additional incentive compensation available under our Bonus Plan is based on our EBITDA and formulae set for the individual's job classification (with individuals having greater management responsibility having the opportunity to earn larger percentages). Payments under our Bonus Plan are also impacted by individual performance, with 50% of the maximum bonus amount that can be earned by each senior executive being subject to adjustment based on that executive's performance during the year. If a bonus is earned under our Bonus Plan in any year, the bonus is paid after the audit of our financial statements for that year has been completed.

We did not exceed the threshold level of EBITDA required for a payment under our Bonus Plan in 2007. However, on February 8, 2008, our Compensation Committee authorized the payment of discretionary bonuses to each of our Named Executive Officers (other than Mr. Vanderhoven, who retired on May 1, 2007) in recognition of their 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 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. The following table sets forth the amount of bonuses paid to our Named Executive Officers:

Richard K. Crump	\$ 390,000
John R. Beaver	82,000
Kenneth M. Hale	118,600
Paul C. Rostek	88,700
Walter B. Treybig	81,900

Equity Incentive Plan Information *2002 Stock Plan*

Under our 2002 Stock Plan, our Board or Compensation Committee may issue stock options, stock awards, stock appreciation rights or stock units to our senior executives, other key employees and consultants. Our 2002 Stock Plan is administered by our Board, in consultation with our Compensation Committee, and may be amended or modified from time to time by our Board. Our Board or our Compensation Committee determines the exercise price of stock options, any applicable vesting provisions and the other terms and provisions of each award granted under our 2002 Stock Plan. 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, and may become fully exercisable in the event of a change of control. For purposes of our 2002 Stock Plan, a change of control means:

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 voting power of all our outstanding securities entitled to vote generally in the election of directors;

the sale, lease, exchange or transfer of substantially all of our properties and assets; or

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.

In no event can any option be exercised after the tenth anniversary of the date of grant or the earlier termination of the option. We have reserved 363,914 shares of our common stock for issuance under our 2002 Stock Plan (subject to adjustment).

Under our 2002 Stock Plan, we have granted awards on only four occasions. On February 11, 2003, we granted options to purchase an aggregate of 326,000 shares of our common stock, at an exercise price of \$31.60 per share, to

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our senior executives and certain of our other key employees, all of which vested over the next three years in three equal installments. On November 5, 2004, we granted options to purchase 27,500 shares of our common stock, at an exercise price of \$31.60 per share, to Mr. Rostek in connection with his promotion to Senior Vice President Commercial. Mr. Rostek's stock options also had a three-year vesting schedule, with the final installment vesting on November 5, 2007. On May 2, 2008, we granted options to purchase 5,000 shares of our common stock, at an exercise price of \$31.60 per share, to Mr. Beaver in connection with his promotion to Senior Vice President Chief Financial Officer. Mr. Beaver's options also have a three year vesting schedule, with the first installment vesting on March 2, 2009. When Mr. Genova signed his employment agreement with us in May 2008, we granted Mr. Genova options to purchase 120,000 shares of our common stock at an exercise price of \$31.60 per share. These options also have a three-year vesting schedule, with the first installment vesting and becoming exercisable on May 27, 2009. As of December 31, 2007, of the options awarded under our 2002 Stock Plan, 15,833 of those options had been exercised and 92,167 of those options had lapsed or expired without being exercised.

The following table provides information regarding securities authorized for issuance under our 2002 Stock Plan as of December 31, 2007:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average		Number of Securities Remaining Available for Future
		Exercise Price of Outstanding Options, Warrants and Rights	Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))	
Equity compensation plans approved by security holders ⁽¹⁾	245,500	\$	31.60	118,414
Equity compensation plans not approved by security holders				
Total	245,500	\$	31.60	118,414

- ⁽¹⁾ Our 2002 Stock Plan was authorized and established under our confirmed Joint Plan of Reorganization Under Chapter 11, Title 11, United States Code, or our Plan of Reorganization, which became effective on December 19, 2002. Our Plan of Reorganization provides that, without any further act or authorization, confirmation of our Plan of Reorganization and entry of the confirmation order is deemed to satisfy all applicable federal and state law requirements and all listing standards of any securities exchange for approval by the board of directors or the stockholders of our 2002 Stock Plan. No additional stockholder approval of our 2002 Stock Plan has been obtained.

Outstanding Equity Awards at 2007 Fiscal Year-End

The following table provides information on the value of unexercised stock options as of December 31, 2007 held by each of our Named Executive Officers. There were no exercises of options or stock appreciation rights during the 2007 fiscal year by any of our Named Executive Officers, and none of our Named Executive Officers held any shares or units of stock or stock appreciation rights at December 31, 2007.

Name	Option Awards Equity Incentive Plan Awards:				
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date
Richard K. Crump	120,000	0	0	\$ 31.60	02/11/13
John R. Beaver	22,500	0	0	\$ 31.60	02/11/13
Paul G. Vanderhoven	0	0	0		
Kenneth M. Hale	27,500	0	0	\$ 31.60	02/11/13
Paul C. Rostek	27,500	0	0	\$ 31.60	11/05/14
Walter B. Treybig	25,000	0	0	\$ 31.60	02/11/13

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None of our Named Executive Officers exercised any stock options or stock appreciation rights during the 2007 fiscal year or held any restricted stock, stock appreciation rights or similar equity awards during the 2007 fiscal year.

Pension Benefits

The following table provides information with respect to each plan that provides for payments or other benefits at, following or in connection with the retirement of our Named Executive Officers.

Name	Plan Name	Number of Years	Present Value of	Payments During Last Fiscal Year
		Credited Service	Accumulated Benefit ⁽¹⁾	
Richard K. Crump	Salaried Employees Pension Plan	19	481,604	0
	Pension Benefit Equalization Plan	19	0	0
	Supplemental Employee Retirement Plan	19	400,556	0
John R. Beaver	Salaried Employees Pension Plan	12	81,132	0
	Pension Benefit Equalization Plan	12	0	0
	Supplemental Employee Retirement Plan	12	0	0
Paul G. Vanderhoven	Salaried Employees Pension Plan	28	429,164	0
	Pension Benefit Equalization Plan	28	0	0
	Supplemental Employee Retirement Plan	28	63,792	0
Kenneth M. Hale	Salaried Employees Pension Plan	7	64,932	0
	Pension Benefit Equalization Plan	7	0	0
	Supplemental Employee Retirement Plan	7	0	0
Paul C. Rostek	Salaried Employees Pension Plan	24	166,043	0
	Pension Benefit Equalization Plan	24	0	0
	Supplemental Employee Retirement Plan	24	0	0
Walter B. Treybig	Salaried Employees Pension Plan	12	131,696	0
	Pension Benefit Equalization Plan	12	0	0
	Supplemental Employee Retirement Plan	12	0	0

⁽¹⁾ Please refer to Footnote 8 of our Consolidated Financial Statements for the fiscal year ended December 31, 2007 included in this prospectus for a description of the valuation methods utilized to determine the present value of accumulated benefits under our Salaried Employees Pension Plan, our Pension Benefit Equalization Plan and our Supplemental Employee Retirement Plan and all material assumptions used in quantifying such present values.

Pension Plans

Salaried Employees Pension Plan. When we were formed in 1986, we established our defined benefit Salaried Employees Pension Plan as a component of our overall compensation program in recognition of the contributions of our employees to our operations, and as a tool for encouraging employee retention by providing a method for ensuring adequate income during retirement. Most of our salaried employees, including each of our Named Executive Officers, participate in our Salaried Employees Pension Plan. However, effective as of January 1, 2005, we amended our Salaried Employees Pension Plan to cease further benefit accruals for all of the participants. Under the amendments, the Credited Service we use in the calculation of each employee's pension was frozen at the number of years of Credited Service he or she had earned as of January 1, 2005. In addition, the Average Earnings we use in the calculation of each employee's pension (discussed in detail below) was frozen at his or her average monthly earnings calculated as of January 1, 2005. The Vesting Service we use to determine eligibility for benefits and to calculate the amount of any early retirement penalty was not frozen and continues to accrue at the same rate and manner as it did prior to the amendment. At the time we froze benefit accruals under our Salaried

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Employees Pension Plan, we also increased our match of each participant's contributions into our 401(k) Plan to 100% of his or her contributions into our 401(k) Plan, up to 6% of his or her base salary.

Prior to the time we froze benefit accruals under our Salaried Employees Pension Plan, each participant was granted one year of Credited Service for each year in which he or she worked at least 1,000 hours. A participant that worked less than 1,000 hours in a given year was given a partial year of Credited Service based on the number of hours worked in that year. In order to be entitled to any payments under our Salaried Employees Pension Plan, a participant must have at least five years of Vesting Service. Currently, an eligible participant that retires at age 65 (or, if later, after attaining five years of Vesting Service) is entitled to a monthly payment equal to the greater of:

if he or she worked at Monsanto Company prior to April 1, 1986 and was employed by us as of September 30, 1986, 1.4% of his or her Average Earnings *times* his or her number of years of Credited Service;

1.2% of his or her Average Earnings *times* his or her number of years of Credited Service *plus* 0.45% of his or her average monthly earnings in excess of the average taxable wage bases under Section 230 of the Social Security Act) *times* the lesser of 35 and his or her number of years of Credited Service; and

if he or she was employed by us prior to June 1, 1996, \$35 *times* his or her number of years of Credited Service.

Mr. Vanderhoven is receiving monthly payments under the first and third bullet points above. Upon their retirement and reaching at least age 55, Messrs. Crump, Beaver, Hale, Rostek and Treybig will be entitled to receive monthly payments under the second bullet point above and Messrs. Crump, Beaver, Rostek and Treybig will be entitled to receive monthly payments under the third bullet point above.

A participant under our Salaried Employees Pension Plan may elect to receive his or her pension payment from a slate of several options. These options include a single life annuity, a 100% joint and survivor annuity, a 75% joint and survivor annuity, a 50% joint and survivor annuity, a 25% joint and survivor annuity, a pop-up 100% joint and survivor annuity, a pop-up 75% joint and survivor annuity, a pop-up 50% joint and survivor annuity, a pop-up 25% joint and survivor annuity, a ten-year certain and life annuity and a social security adjustment annuity.

We do not have an official policy with respect to granting extra years of Credited Service under our Salaried Employees Pension Plan. We did, however, grant past service credit under our Salaried Employees Pension Plan to our employees who had previously worked for Monsanto Company when we acquired our Texas City, Texas facility from Monsanto Company in 1986, and to our employees who had previously worked for Albright & Wilson when we acquired our former pulp chemicals business from Albright & Wilson in 1992. We have not granted any extra years of Credited Service (in the form of past service credit or otherwise) since 1992 and, given the frozen status of our Salaried Employees Pension Plan, we do not expect to grant any service credit to anyone in the future.

Under our Salaried Employees Pension Plan, a participant's Average Earnings is the average monthly earnings received by the employee during the three-year period ending December 31, 2004 or, if larger, the average monthly earnings received by the employee during the three years in which the employee was paid the most during the five year period ending December 31, 2004. For purposes of our Salaried Employees Pension Plan, earnings are, for the most part, limited to base pay, with amounts paid to the participant as a bonus, commission or other incentive plan payment and amounts paid by us for insurance or other welfare or benefit plans not taken into account. In any case, however, a participant's Average Earnings is capped based on certain limitations imposed under the Internal Revenue Code. These limitations, as of the time we ceased benefit accruals under our Salaried Employees Pension Plan, effectively limit the amount payable to a participant under our Salaried Employees Pension Plan to the amount of benefit he or she would have received if his or her Average Earnings were \$201,667. In addition, for those participants

who were given past service credit for employment with Monsanto Company or Albright & Wilson, the monthly payment under our Salaried Employees Pension Plan is reduced by the amount of his or her accrued benefit payable under the pension plans maintained by those employers.

A participant who has at least five years of Vesting Service, which includes all of our Named Executive Officers, may retire and receive payments under our Salaried Employees Pension Plan at any time after he or she reaches 55 years of age. However, the monthly payment made to that participant is reduced by 0.25% *times* the number of months remaining before his or her normal retirement date unless the Participant's age *plus* years of

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Vesting Service equals at least 80. Mr. Crump is our only Named Executive Officer who meets this criteria. If a participant retires directly from active employment between the ages of 55 and 62, he or she is also entitled to a retirement supplement in the amount of \$4 times his or her years of Vesting Service. In addition, effective as of January 1, 2008, each participant in our Salaried Employees Pension Plan may, once he or she has attained 62 years of age and has at least five years of Vesting Service, elect to take early retirement while continuing to work for us, or In-Service Retirement. Under the In-Service Retirement option, a participant's monthly benefit is determined in the same manner as if he or she had actually retired on that date. Mr. Crump is the only one of our Named Executive Officers who is eligible for In-Service Retirement at this time, although he has not elected to take In-Service Retirement.

A participant in our Salaried Employees Pension Plan may also receive the equivalent of an undiscounted pension payment prior to reaching normal retirement age if he or she has at least 21/2 years of Vesting Service and his or her employment ends prior to his or her normal retirement date due to a long-term disability. The participant may not, however, receive this payment under our Salaried Employees Pension Plan if he or she is also receiving payments under our long-term disability plan.

Pension Benefit Equalization Plan. Each of our salaried employees who is eligible to participate in our Salaried Employees Pension Plan is also eligible to participate in our Pension Benefit Equalization Plan. Our Pension Benefit Equalization Plan pays additional benefits to employees whose benefits under our Salaried Employees Pension Plan are limited as a result of specified limitations included in the Internal Revenue Code. The amount of benefits payable under our Pension Benefit Equalization Plan is designed to eliminate the effect of these limitations on the aggregate annual pension benefits payable to the participants, but not provide any additional benefits beyond that amount. These benefits are generally payable at the times we pay benefits under our Salaried Employees Pension Plan. Effective as of January 1, 2005, we amended our Pension Benefit Equalization Plan to cease benefit accruals for all participants.

Supplemental Employee Retirement Plan. Each of our employees who is a part of management or is considered highly compensated, and is subject to limitations on the amount of pension plan benefits he or she may receive under the Internal Revenue Code, is also eligible to participate in our Supplemental Employee Retirement Plan. Our Supplemental Employee Retirement Plan pays additional benefits to employees whose benefits under our Salaried Employees Pension Plan are limited as a result of his or her Average Earnings exceeding \$201,667, or due to the removal of certain Social Security integration benefits from our Salaried Employees Pension Plan. The amount of benefits payable under our Supplemental Employee Retirement Plan is designed to eliminate the effect of these limitations on the aggregate pension benefits payable to the participants, but not provide any additional benefits beyond that amount. These benefits are generally payable at the same time as when we pay benefits under our Salaried Employees Pension Plan. Effective as of January 1, 2005, we amended our Supplemental Employee Retirement Plan to cease benefit accruals for all participants.

For our Named Executive Officers, the compensation covered by our three pension plans is reported under the salary column in the Summary Compensation Table appearing in this Proxy Statement (and similar types of compensation for prior calendar years). Assuming retirement at age 65, the annual retirement benefits payable to each Named Executive Officer, excluding Mr. Vanderhoven, who retired on May 1, 2007, under these plans would be:

		Net Payment
	Reduction for	
Gross Payment	Payments	Under Equalization
Under All Plans	Under Pension Plan	and Supplemental
		Plans

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Richard K. Crump	\$	103,340	\$	56,417	\$	46,923
John R. Beaver		23,224		23,224		0
Kenneth M. Hale		19,417		19,417		0
Paul C. Rostek		38,315		38,315		0
Walter B. Treybig		28,304		28,304		0

All of the benefits appearing in the pension benefits table are computed on the assumption that the Named Executive Officer elects to be paid on a single-life annuity basis and the payments are not subject to any deduction for Social Security or other similar offset amounts. However, our Supplemental Employee Retirement Plan does

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contain an alternative formula for determining benefits which includes a Social Security offset. We have never used this alternative formula to determine the amount of any benefits paid under our Supplemental Employee Retirement Plan.

Nonqualified Deferred Compensation

As of December 31, 2007, none of our Named Executive Officers had any balances of nonqualified deferred compensation. In 2007, none of our Named Executive Officers made any contributions to nonqualified deferred compensation plans or programs, had any contributions made by us for them to any nonqualified deferred compensation plans or programs, or realized any earnings on, made any withdrawals of or received any distributions on any nonqualified deferred compensation.

Other Retirement and Post-Employment Compensation

401(k) Savings and Investment Plan

We maintain a Savings and Investment Plan, or our 401(k) Plan for the benefit of all of our employees, including our Named Executive Officers. Under our 401(k) Plan, participants may elect to contribute a portion of their base salaries into individual accounts on a pre-tax basis (up to statutory maximums), and may also contribute additional portions of their base salaries into their accounts on an after-tax basis (up to statutory maximums). We match each participant's contributions into our 401(k) Plan on a dollar-for-dollar basis, up to 6% of the participant's base salary. Each participant directs the investment of all contributions into his or her account among a slate of investment options chosen by our Employee Benefits Plans Committee (which is made up of members of senior management). Our stock is not one of the available investment options under our 401(k) Plan.

Key Employee Protection Plan

On January 26, 2000, our Board approved the initial form of our Key Employee Protection Plan, which has subsequently been amended several times, or our Key Employee Protection Plan. Our Named Executive Officers are the only current participants under our Key Employee Protection Plan and their respective multipliers and other variables for determining benefits have been set by our Compensation Committee. Our Compensation Committee is also authorized to designate additional members of our management or highly compensated employees as participants under our Key Employee Protection Plan and set their multipliers. Our Compensation Committee may terminate any participant's participation under our Key Employee Protection Plan on 60 days' notice if it determines that the participant is no longer one of our key employees.

Under our Key Employee Protection Plan, a participant can only become eligible for benefits if his or her employment is terminated in specified ways and for specified reasons. That termination must either result from the participant resigning for "Good Reason" or the participant being terminated by us for any reason other than "Misconduct" or "Disability." A termination by the participant is only considered to be for "Good Reason" if the participant resigns within 90 days after he or she acquires actual knowledge of any of the following actions or omissions by us:

for participants with multipliers of at least 2.00 (which includes each of our Named Executive Officers):

we make a material change in his or her reporting responsibilities, titles or elected or appointed offices (excluding changes resulting from the participant's death, disability or retirement); or

we assign him or her duties or responsibilities that are materially inconsistent with his or her status, positions, duties, responsibilities or functions;

we reduce the participant's compensation by a material amount;

we fail to maintain employee benefit plans, programs, arrangements and practices providing benefits to the participant that are, in the aggregate, as favorable as those under our current plans, programs, arrangements and practices (excluding changes or terminations that apply generally to all of our salaried work force and do not have a disparate impact on the participant);

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we change the location of the participant's principal place of employment by more than 75 miles;

we purport to terminate the participant for Misconduct or Disability in a manner not consistent with our Key Employee Protection Plan; or

we purport to terminate the participant's participation in our Key Employee Protection Plan (unless our Compensation Committee determines in good faith he or she is no longer one of our key employees and follows the procedures for termination set out in our Key Employee Protection Plan).

However, changes in a participant's reporting responsibilities, titles or elected or appointed offices, assignments of duties or responsibilities to the participant and reductions in the participant's compensation will not constitute Good Reason if our action was isolated and inadvertent and not taken in bad faith and we promptly remedy the issue after receiving notice from the participant.

A participant is also entitled to benefits under our Key Employee Protection Plan if we terminate him or her for any reason other than Misconduct or Disability. Misconduct under our Key Employee Protection Plan covers only specified actions or omissions by the participant and is limited to:

acts of dishonesty or gross misconduct that are demonstrably injurious to us (monetarily or otherwise) in any material respect;

the failure to comply with our published policies relating to alcohol and drugs, harassment or compliance with laws;

the failure to comply with any of our other policies if that failure continues unremedied for 30 days after receiving written notice of the failure;

the willful failure to comply with any lawful and ethical directions and instructions of our Board or our Chief Executive Officer;

the refusal or willful failure by the participant to perform, in any material respect, his or her duties if that failure is not caused by disability or incapacity and continues unremedied for 30 days after receiving written notice of that failure;

a conviction for a felony offense; or