

ASPEN GROUP, INC.
Form 10-K/A
August 25, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended **April 30, 2017**

or

“ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number **000-55107**

ASPEN GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
State or Other Jurisdiction of
Incorporation or Organization

27-1933597
I.R.S. Employer Identification No.

1660 South Albion Road, Suite 525, Denver, CO
Address of Principal Executive Offices

80222
Zip Code

(303) 333-4224

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, par value \$0.001

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>
Emerging growth company <input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Approximately \$30.4 million based on \$3.00.

The number of shares outstanding of the registrant's classes of common stock, as of July 24, 2017 was 13,612,354 shares.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the Amendment) amends our Annual Report on Form 10-K for the year ended April 30, 2017 (2017 Form 10-K), as filed with the Securities and Exchange Commission (the SEC) on July 25, 2017. We are filing this Amendment to amend Part III of the 2017 Form 10-K to include the information required by and not included in Part III of the 2017 Form 10-K because we do not intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended April 30, 2017.

In addition, the Exhibit Index in Item 15 of Part IV of the 2017 Form 10-K is hereby amended and restated in its entirety and currently dated certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to this Amendment. Because no financial statements are contained within this Amendment, we are not filing currently dated certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the 2017 Form 10-K. The 2017 Form 10-K continues to speak as of the date of the 2017 Form 10-K, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the 2017 Form 10-K other than as expressly indicated in this Amendment.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The following table represents our Board of Directors:

Name	Age	Position
Michael Mathews	55	Chairman of the Board
Michael D Anton	60	Director
Norman D. Dicks	75	Director
C. James Jensen	76	Director
Andrew Kaplan	51	Director
Malcolm F. MacLean IV	47	Director
Sanford Rich	59	Director
John Scheibelhoffer	55	Director
Rick Solomon	56	Director

Director Biographies

Michael Mathews has served as Aspen Group's Chief Executive Officer and a director since March 2012 and as Chief Executive Officer of Aspen University Inc. since May 2011. He served as Chief Executive Officer of interclick, inc. (Nasdaq: ICLK) from August 28, 2007 until January 31, 2011. From June 2007 until it was acquired by Yahoo, Inc. (NASDAQ: YHOO) in December 2011, Mr. Mathews also served as a director of interclick. From May 15, 2008 until June 30, 2008, Mr. Mathews served as the interim Chief Financial Officer of interclick. From 2004 to 2007, Mr. Mathews served as the senior vice-president of marketing and publisher services for World Avenue U.S.A., LLC, an Internet promotional marketing company. Mr. Mathews was selected to serve as a director due to his knowledge of the for profit education industry, his commitment to a debt free education, his track record of success in managing early stage and growing businesses, his extensive knowledge of the online education Internet marketing industries and his knowledge of running and serving on the boards of public companies.

Michael D Anton has served as a director of Aspen Group since March 2012 and of Aspen University for approximately 10 years. Since 1988, Dr. D Anton has been an ENT physician and surgeon at ENT Allergy Associates. Dr. D Anton was selected as a director for his experience in growing and running a successful surgery center and his knowledge of Aspen University from serving as a director prior to the 2011 Reverse Merger.

Norman D. Dicks has served as a director since November 17, 2016. He was a member of the United States House of Representatives for approximately 36 years. He has served as Senior Policy Advisor to law firm Van Ness Feldman LLP since 2013, advising clients on a wide-range of public policy, strategic, and regulatory issues, particularly those in the environmental sector. Prior to joining the firm, Congressman Dicks represented Washington State's 6th Congressional District from 1977-2013, where he received a first-term appointment to the House Appropriations Committee, a committee he served on for his entire tenure in Congress. In addition, Congressman Dicks served on and chaired the Interior Appropriations Subcommittee where he made environmental issues a priority, and worked on issues affecting the National Parks, National Forests, and Native American issues. Congressman Dicks also became the chair of the Defense Appropriations Committee, and concluded his tenure in Congress as top-ranking Democratic Member on the Defense Appropriations Committee, and top-ranking Democrat on the House Appropriations Committee. From 1990 to 1998, Congressman Dicks served on the House Intelligence Committee and was awarded the CIA Directors Medal. Upon his retirement, Congressman Dicks received the Department of Defense Distinguished Public Service Medal, the highest honor bestowed upon a civilian, for his work on behalf of military members and their families. Congressman Dicks was appointed a director for his experience and expertise on a wide range of public policy, strategic and regulatory issues. Given the regulatory nature of our business, Congressman Dicks' experience provides invaluable insight and advice to the Board and management through this critical time as we prepare to offer our debtless education solution to adults across America.

C. James Jensen has served as a director of Aspen Group since March 2012 and of Aspen University since May 2011. Since 1983, Mr. Jensen has been the managing partner of Mara Gateway Associates, L.P., a privately owned real estate investment company he co-founded. Today, Mr. Jensen provides executive coaching, consulting, and advisory services to emerging growth and mid-size companies. He is an active member of the World Presidents' Organization, serves on the board of directors of the Institute of Noetic Sciences, and is Vice Chairman of American Global Health Group. Mr. Jensen was selected as a director due to his previous service on public company boards and his experience with entrepreneurial companies. Mr. Jensen is also the author of 7 KEYS To Unlock Your Full Potential. (www.unlock7keys.com).

Andrew Kaplan has served as a director of Aspen Group since June 2014. Since January 1, 2015, Mr. Kaplan has been a Managing General Partner in Education Growth Partners, a private equity firm focused exclusively on the education and training industry. From 2000 through March 2014, Mr. Kaplan was a partner in Quad Partners, or Quad, a private equity firm focused exclusively on the education industry. During his tenure with Quad, Mr. Kaplan also served as a Managing Director of Quad College Group, the operational team focused on Quad's postsecondary portfolio. Since March 2014, Mr. Kaplan has been a consultant to the education industry. Mr. Kaplan was selected as a director for his extensive knowledge of the educational industry. From May 2014 until June 2015, Mr. Kaplan, through an entity he controls, served as a consultant to Aspen.

Malcolm F. MacLean IV has served as a director of Aspen Group since November 17, 2016. Mr. MacLean is the Managing Partner and Director of Tokyo-based Star Asia Group, which Mr. MacLean co-founded in 2006. Mr. MacLean is responsible for the day-to-day investment activities at the firm as co-Chair of the Investment Committee. Mr. MacLean is also the co-Founder and Managing Member of Taurus Capital Partners LLC, based in Los Angeles, which makes opportunistic investments in public and private companies, partnerships and other structured vehicles. Mr. MacLean was selected as a director for his extensive investment banking experience, history of entrepreneurial success and large business operational expertise.

Sanford Rich has served as a director of Aspen Group since March 2012. Since January 2016 Mr. Rich has served as the Executive Director of the New York City Board of Education Retirement System. From September 2012 to January 2016, Mr. Rich has served as the Chief of Negotiations and Restructuring for the Pension Benefit Guaranty Corporation (US. Government Agency). From October 2011 to September 2012, Mr. Rich served as Chief Executive Officer of In The Car LLC. Mr. Rich served as a director of interclick from August 28, 2007 until June 5, 2009 and as Audit Committee Chairman from August 2007 to June 2009. From February 2009 to December 2012 Mr. Rich was a Managing Director of Whitmarsh Capital Advisors, a broker-dealer. Since April 2006, Mr. Rich has served as a director and Audit Committee Chairman for InsPro Technologies (OTCQB: ITCC). Mr. Rich was selected as a director for his 35 years of experience in the financial sector and his experience serving on the audit committees of public companies.

John Scheibelhoffer has served as a director of Aspen Group since March 2012 and of Aspen University for approximately 10 years. Since 1996, Dr. Scheibelhoffer has been a physician and surgeon employed by ENT Allergy Associates. Dr. Scheibelhoffer was selected to serve as a director for his experience in running a successful surgery center and his knowledge of Aspen University from serving as a director prior to the 2011 Reverse Merger.

Rick Solomon has served as a director of Aspen Group since March 2014. From May 2009 until May 2014, Mr. Solomon served as a portfolio manager at Verition Fund, a multi-strategy, multi-manager investment platform. Mr. Solomon was selected as a director for his experience in the investment industry.

Executive Officers

Name	Age	Position
Michael Mathews	55	Chief Executive Officer
Janet Gill	61	Chief Financial Officer
Dr. Cheri St. Arnauld	60	Chief Academic Officer
Gerard Wendolowski	32	Chief Operating Officer

See above for Mr. Michael Mathews biography.

Janet Gill has been Aspen Group's Chief Financial Officer since December 11, 2014 and prior to that served as the interim Chief Financial Officer beginning March 11, 2014. From September 2012 until March 11, 2014, Ms. Gill was the Company's Controller. From 2003 until August 2012, Ms. Gill was a consultant for Resources Global Professionals, a professional services firm that helps business leaders execute internal initiatives. Previously, Ms. Gill was employed as a director of finance at Verizon and as an audit supervisor at Price Waterhouse Coopers. Ms. Gill is a Certified Public Accountant (inactive) in New York.

Cheri St. Arnauld has been Aspen Group's Chief Academic Officer since June 11, 2017. Dr. St. Arnauld previously served as Aspen University's Chief Academic Officer beginning March 6, 2014. From January 2012 until March 6, 2014, Dr. St. Arnauld was an educational consultant for the St. Arnauld Group. From August 2008 until January 2012, Dr. St. Arnauld was the Provost and Chief Academic Officer at Grand Canyon University.

Gerard Wendolowski has been Aspen Group's Chief Operating Officer since March 11, 2014. From May 2011 until March 11, 2014, Mr. Wendolowski served as Aspen University's Senior Vice President of Marketing and Business Development. From January 2008 until May 2011, Mr. Wendolowski served as the Vice President of Marketing at Atrinsic, Inc., a digital marketing firm.

Family Relationships

There are no family relationships among our directors and/or executive officers.

Board Responsibilities

The Board oversees, counsels, and directs management in the long-term interest of Aspen Group and its shareholders. The Board's responsibilities include establishing broad corporate policies and reviewing the overall performance of Aspen Group. The Board is not, however, involved in the operating details on a day-to-day basis.

Board Committees and Charters

The Board and its committees meet throughout the year and act by written consent from time to time as appropriate. The Board delegates various responsibilities and authority to its Board committees. Committees regularly report on their activities and actions to the Board. The Board currently has and appoints the members of: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee (the Nominating Committee). Each of the committees have a written charter approved by the Board which can be found on our corporate website at <http://ir.aspen.edu/governance-docs>.

The following table identifies the independent and non-independent current Board and committee members:

Name	Independent	Audit	Compensation	Nominating
Michael Mathews				
Michael D. Anton	ü			ü
Norman D. Dicks	ü		ü	
C. James Jensen	ü	ü	Chairman	
Andrew Kaplan	ü			ü
Malcolm F. MacLean IV	ü			ü
Sanford Rich	ü	Chairman		
John Scheibelhoffer	ü		ü	
Rick Solomon	ü	ü		

Director Independence

With the exception of Michael Mathews, our Board determined that all of the directors are independent in accordance with standards under the Nasdaq Listing Rules.

Our Board determined that as a result of being employed as an executive officer, Mr. Mathews is not independent under the Nasdaq Listing Rules.

Our Board has also determined that Rick Solomon, Sanford Rich and C. James Jensen are independent under the Nasdaq Listing Rules independence standards for Audit Committee members. Also, our Board has also determined that C. James Jensen, Norman D. Dicks and John Scheibelhoffer are independent under the Nasdaq Listing Rules independence standards for Compensation Committee members.

Committees of the Board of Directors

Audit Committee

The Audit Committee reviews Aspen Group's financial reporting process on behalf of the Board and administers our engagement of the independent registered public accounting firm. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of its examinations, the evaluations of our internal controls, and the overall quality of our financial reporting. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

Audit Committee Financial Expert

Our Board has determined that Mr. Sanford Rich is qualified as an Audit Committee Financial Expert, as that term is defined by the rules of the SEC and in compliance with the Sarbanes-Oxley Act of 2002.

Compensation Committee

The function of the Compensation Committee is to determine the compensation of our executive officers. The Compensation Committee has the power to set performance targets for determining periodic bonuses payable to executive officers and may review and make recommendations with respect to shareholder proposals related to compensation matters. Additionally, the Compensation Committee is responsible for administering the 2012 Equity Incentive Plan (the Plan).

Corporate Governance and Nominating Committee

The responsibilities of the Nominating Committee include the identification of individuals qualified to become Board members, the selection of nominees to stand for election as directors, the oversight of the selection and composition of committees of the Board, establish procedures for the nomination process including procedures, oversight of possible conflicts of interests involving the Board and its members, develop corporate governance principles, and the oversight of the evaluations of the Board and management. The Nominating Committee has not established a policy with regard to the consideration of any candidates recommended by shareholders. If we receive any shareholder recommended

nominations, the Nominating Committee will carefully review the recommendation(s) and consider such recommendation(s) in good faith.

Board Diversity

While we do not have a formal policy on diversity, our Board considers diversity to include the skill set, background, reputation, type and length of business experience of our Board members as well as a particular nominee's contributions to that mix. Our Board believes that diversity brings a variety of ideas, judgments and considerations that benefit Aspen and its shareholders. Although there are many other factors, the Board seeks individuals with experience on public company boards or the investment community, experience on operating growing businesses, and experience with online universities.

Board Leadership Structure

We have chosen to combine the Chief Executive Officer and Board Chairman positions. We believe that this Board leadership structure is the most appropriate for Aspen Group. Because we are a small company, it is more efficient to have the leadership of the Board in the same hands as the Chief Executive Officer. The challenges faced by us at this stage implementing our business and marketing plan and continuing and managing our growth are most efficiently dealt with by one person who is familiar with both the operational aspects as well as the strategic aspects of our business.

Board Risk Oversight

Our risk management function is overseen by our Board. Our management keeps its Board apprised of material risks and provides its directors access to all information necessary for them to understand and evaluate how these risks interrelate, how they affect us, and how management addresses those risks. Mr. Michael Mathews, as our Chief Executive Officer and Chairman of the Board, works closely together with the Board once material risks are identified on how to best address such risks. If the identified risk poses an actual or potential conflict with management, our independent directors may conduct the assessment. Presently, the primary risks affecting us are our ability to grow our business, increase our enrollment and class starts, reduce the dependence on the continued growth of our nursing school and manage our expected growth consistent with regulatory oversight. In addition, while not under the direct control of our Board, there is the regulatory risk that our planned acquisition of United States University may not be approved. Assuming we complete the acquisition, integration of United States University and our ability to grow its business will be material risks our Board will be required to focus on.

Code of Ethics

Our Board has adopted a Code of Ethics that applies to all of our employees, including our Chief Executive Officer and Chief Financial Officer. Although not required, the Code of Ethics also applies to our directors. The Code of Ethics provides written standards that we believe are reasonably designed to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure and compliance with laws, rules and regulations, including insider trading, corporate opportunities and whistleblowing or the prompt reporting of illegal or unethical behavior. We will provide a copy, without charge, to anyone that requests one in writing to Aspen Group, Inc., 1660 South Albion Road, Suite 525, Denver, CO 80222, Attention: Corporate Secretary.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who own more than 10% of our common stock to file initial reports of ownership and changes in ownership of our common stock and other equity securities with the SEC. These individuals are required by the regulations of the SEC to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of the forms furnished to us, and written representations from reporting persons, we believe that all filing requirements applicable to our officers, directors and 10% beneficial owners were complied with during fiscal year 2017 except for Form 4s due in September 2016 related to the extension of a total of 13 stock option grants to the Company's executive officers and directors detailed below. The late filings were inadvertent and were a result of omission by the Company's counsel to file as instructed. The following details the name of the Section 16 filer and the number of late transactions: (i) Michael Mathews 5, (ii) Janet Gill 1, (iii) Gerard Wendolowski 2 (iv) Michael D Anton 2, (v) Sanford Rich 1, (vi) John Scheibelhoffer 1, and (vii) James Jensen 1.

Communication with our Board of Directors

Although we do not have a formal policy regarding communications with the Board, shareholders may communicate with the Board by writing to us at Aspen Group, Inc., 1660 South Albion Road, Suite 525, Denver, CO 80222, Attention: Corporate Secretary. Shareholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

Risk Assessment Regarding Compensation Policies and Practices as they Relate to Risk Management

Our compensation program for employees does not create incentives for excessive risk taking by our employees or involve risks that are reasonably likely to have a material adverse effect on us. Our compensation has the following risk-limiting characteristics:

.

Our base pay programs consist of competitive salary rates that represent a reasonable portion of total compensation and provide a reliable level of income on a regular basis, which decreases incentive on the part of our executives to take unnecessary or imprudent risks;

.

A portion of executive incentive compensation opportunity is tied to long-term incentive compensation that emphasizes sustained performance over time. This reduces any incentive to take risks that might increase short-term compensation at the expense of longer term company results;

.

Awards are not tied to formulas that could focus executives on specific short-term outcomes;

.

Equity awards may be recovered by us should a restatement of earnings occur upon which incentive compensation awards were based, or in the event of other wrongdoing by the recipient; and

.

Equity awards, generally, have multi-year vesting which aligns the long-term interests of our executives with those of our shareholders and, again, discourages the taking of short-term risk at the expense of long-term performance.

Item 11. Executive Compensation

The following information is related to the compensation paid, distributed or accrued by us for fiscal 2017 and 2016 to all Chief Executive Officers (principal executive officers) serving during the last fiscal year and the two other most highly compensated executive officers serving at the end of the last fiscal year whose compensation exceeded \$100,000 (the Named Executive Officers).

Summary Compensation Table for Fiscal 2017

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)(1)	Option Awards (\$) (f)(2)	Total (\$) (j)
Michael Mathews (3)	2017	287,496	60,000	88,266	435,762
Chief Executive Officer	2016	200,000		90,000	290,000
Cheri St. Arnauld (4)	2017	247,000	30,000	35,000	312,000
Chief Academic Officer	2016	240,000		60,000	300,000
Gerard Wendolowski (5)	2017	240,333	30,000	103,204	373,537
Chief Operating Officer	2016	200,000		42,000	242,000

(1)

Bonuses. Represents cash bonuses.

(2)

Option Awards. These amounts do not reflect the actual economic value realized by the Named Executive Officers. The amounts in this column represent the fair value of the award as of the grant date as computed in accordance with FASB ASC Topic 718 and the SEC disclosure rules. Pursuant to SEC rules, the amounts shown disregard the impact of estimated forfeitures related to service-based vesting conditions.

(3)

Mathews. The amount under Option Awards represents 346,299 stock options of which expiration dates were extended and exercise prices re-priced in September 2016. See below for a further description of the amendment to the stock options.

(4)

St. Arnauld. The amount under Option Awards represents 58,334 five-year stock options granted to Dr. St. Arnauld. These options are exercisable at \$1.99 per share and vest in three equal increments on June 23, 2017, June 23, 2018, and June 23, 2019, subject to continued employment on each applicable vesting date.

(5)

Wendolowski. The amount under Option Awards represents 166,667 five-year stock options granted to Mr. Wendolowski. These options are exercisable at \$1.99 per share and vest in three equal increments on June 23, 2017, June 23, 2018, and June 23, 2019, subject to continued employment on each applicable vesting date. Option Awards also includes 12,501 stock options of which expiration dates were extended and exercise prices re-priced in September 2016. See below for a further description of the amendment to the stock options.

On September 13, 2016, the Company extended for 39 months from their original expiration date, a total of 410,020 stock options held by employees and directors of the Company, of which approximately 356,865 stock options were held by Named Executive Officers. As part of the extension, the option exercise prices were adjusted to Fair Market Value on the date of the extension and the original vesting period re-commenced.

Post-Fiscal Year End Grants to Named Executive Officers

On May 13, 2017, the Company granted Michael Mathews, Dr. Cheri St. Arnauld and Gerard Wendolowski 200,000, 70,000 and 200,000 five-year stock options, respectively, exercisable at \$4.90 per share. The options vest annually over three years (with the first vesting date being May 13, 2018), subject to continued employment on each applicable vesting date.

On June 11, 2017, the Company granted Cheri St. Arnauld 30,000 five-year stock options exercisable at \$6.28 which vest quarterly over a three-year period in 12 equal increments with the first vesting date being on September 11, 2017, subject to continued service as an executive officer on each applicable vesting date.

Named Executive Officer Employment Agreements

Michael Mathews. From May 16, 2013 until May 16, 2016, Michael Mathews had an Employment Agreement whereby Mr. Mathews was paid an annual base salary of \$100,000 until it was increased to \$250,000 in September 2015.

Effective November 1, 2016, Aspen Group entered into a three-year Employment Agreement with Mr. Mathews replacing his prior Employment Agreement which expired May 16, 2016. In accordance with this new Employment Agreement, Mr. Mathews receives an annual base salary of \$325,000.

Cheri St. Arnauld. From March 1, 2014 until March 1, 2017, Dr. St. Arnauld had an Employment Agreement whereby Dr. St. Arnauld was paid a base salary of \$120,000 on an annualized basis for the first six months of the Employment Agreement and after this six month period she began receiving an annual base salary of \$240,000 which was thereafter increased to \$264,000 on January 1, 2017.

Effective June 11, 2017, Aspen Group and Dr. St. Arnauld entered into a new three-year Employment Agreement. In accordance with this new Employment Agreement, Dr. St. Arnauld receives an annual base salary of \$300,000.

Gerard Wendolowski. Effective November 11, 2014, Aspen Group and Mr. Wendolowski entered into a three-year Employment Agreement. Under the Employment Agreement, Mr. Wendolowski received an annual base salary of \$200,000. Effective July 1, 2016, Aspen Group increased Mr. Wendolowski's annual base salary from \$200,000 to \$240,000 which was thereafter increased to \$264,000 on January 1, 2017 and thereafter to \$300,000 on June 11, 2017.

Bonuses

For each fiscal year during the term of the Named Executive Officers' Employment Agreements beginning May 1st and ending April 30th of the applicable fiscal year, the Named Executive Officers shall have the opportunity to earn a bonus up to 30%, 66% or 100% of his or her then base salary (the "Target Bonus") as follows:

When the Company achieves annual Adjusted EBITDA (as defined in their Employment Agreements) at certain threshold levels (each, an "EBITDA Threshold"), the Named Executive Officers shall receive an automatic cash bonus

(the Automatic Cash Bonus) equal to a percentage of his or her then base salary, and shall receive a grant of fully vested shares of the Company s common stock having an aggregate Fair Market Value (as such term is defined in the Plan) equal to a percentage of the Named Executive Officer s then base salary (the Automatic Equity Bonus). In addition, the Named Executive Officers shall be eligible to receive an additional percentage of his then Base Salary as a cash bonus (the Discretionary Cash Bonus) and an additional grant of fully vested shares of the Company s common stock having an aggregate Fair Market Value equal to a percentage of the Named Executive Officers then base salary (the Discretionary Equity Bonus) based on the Board s determination that the Named Executive Officer has achieved certain annual performance objectives established at the beginning of each fiscal year. There were no performance objectives set for 2016 or 2017.

The EBITDA Thresholds and corresponding bonus levels are set forth in the table below. For the avoidance of doubt, the Named Executive Officer shall only be eligible to receive the bonuses associated with a single EBITDA Threshold; i.e. in the event the Company attains EBITDA Threshold (2), only the bonuses associated with EBITDA Threshold (2) below (and not the bonuses associated with EBITDA Threshold (1)) shall be applicable.

EBITDA Threshold	Automatic Cash Bonus	Automatic Equity Bonus	Discretionary Cash Bonus	Discretionary Equity Bonus
\$1,000,000 -\$1,999,999	7.5%	7.5%	Up to 7.5%	Up to 7.5%
\$2,000,000 -\$3,999,999	16.5%	16.5%	Up to 16.5%	Up to 16.5%
\$4,000,000 and over	25%	25%	Up to 25%	Up to 25%

Provided, however, that the earning of the Automatic Cash Bonus is subject to the Company having at least \$2,000,000 in available cash after deducting the Target Bonuses paid to all executive officers of the Company or its subsidiaries under the same Target Bonus formula pursuant to such executives employment agreements (the Cash Threshold) and the executive officer continuing to provide services under their Employment Agreement on the applicable Target Bonus determination date. If the Company is unable to pay the Automatic Cash Bonus as a result of not meeting the Cash Threshold, no Automatic Cash Bonus will be earned for that fiscal year.

Under Mr. Mathews' Employment Agreement, the Automatic Cash Bonus is structured to exclude borrowings under the Company's Line of Credit Agreement which are designed to meet the minimum cash requirement.

Each of the Named Executive Officers is entitled to receive discretionary bonuses under their Employment Agreements at the discretion of the Compensation Committee. In fiscal 2017, the Named Executives Officers were each paid discretionary cash bonuses as disclosed in the Summary Compensation Table above.

Termination Provisions

Under their Employment Agreements, the Named Executive Officers are entitled to severance payments. All of the termination provisions are intended to comply with Section 409A of the Internal Revenue Code of 1986, or the Code, and the Regulations thereunder.

In the event of dismissal without cause or resignation for Good Reason:

.

Mr. Mathews will receive 12 months base salary, immediate vesting of unvested equity and continued benefits;

.

Dr. St. Arnaud will receive six months base salary; and

.

Mr. Wendolowski will receive six months base salary.

Immediately upon a change of control event:

Mr. Mathews will receive 18 months base salary, immediate vesting of unvested equity, continued benefits and 100% of the existing Target Bonus, if any, for that fiscal when the change of control occurs.

Dr. St. Arnauld and Mr. Wendolowski will each receive three months base salary.

In the event Mr. Mathews' Employment Agreement is terminated at the end of a term and he remains employed until the end of the Term, Mr. Mathews will be entitled to receive six months base salary.

Change of control is defined in their Employment Agreements similar to the manner that change of control is defined under 409A of the Code. Generally, Good Reason is defined as a material diminution in the executives' authority, duties or responsibilities due to no fault of his own (unless he has agreed to such diminution); or (ii) any other action or inaction that constitutes a material breach by Aspen Group under the Employment Agreement; or (iii) generally a relocation of the principal place of employment to a location outside of New York or Scottsdale for Dr. St. Arnauld.

Outstanding Equity Awards at Fiscal Year-End

Listed below is information with respect to unexercised options that have not vested, and equity incentive plan awards for each Named Executive Officer outstanding as of April 30, 2017:

Outstanding Equity Awards At Fiscal Year-End

Name	Equity Incentive Plan Awards:						Number of Shares or Units of Stock That Have Not
	Number of Unexercised Underlying Options (#)	Number of Unexercised Underlying Securities (#)	Number of Unexercised Underlying Options (#)	Number of Unexercised Underlying Securities (#)	Expiration Date	Value of Unexercised Options (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Michael Mathews	25,000	(1)		2.52	15/20		
	41,667	(2)		2.52	22/20		
	241,667	(3)		2.52	1/4/203-		

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Compensation Committee Report On Executive Compensation

Our Compensation Committee has furnished the following report for i
Statement.

The Compensation Committee of Sterling Chemicals, Inc. (*Sterling*
administering Sterling's executive compensation program and dischargin
responsibilities of Sterling's Board of Directors. Among other things, we
issues and determine the compensation of all of our senior executives and
make recommendations regarding, and administer, all of Sterling's empl
provide benefits to our senior executives.

We have reviewed the Compensation Discussion and Analysis include
and we met and held discussions with Sterling's management with respec
Statement. Based upon our review and discussions with management, we
Board of Directors that the Compensation Discussion and Analysis appea
be included herein.

No portion of this report shall be deemed to be incorporated by referen
Securities Act of 1933, as amended, or under the Securities Exchange Ac
through any general statement incorporating by reference the Proxy State
appears in its entirety, except to the extent that Sterling specifically incorp
portion of this report by reference. In addition, this report shall not otherw
soliciting material or to be filed under either of such Acts.

Respectfully sub

The Compensation
of the Board of

John W. Gildea (
Steven L. Gidum

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Compensation Discussion and Analysis

Compensation Philosophy and Objectives

Our senior executive compensation program is designed to motivate, reward and retain the management talent needed to achieve our business goals and maintain a leadership position in the petrochemicals industry. Under our program, a significant portion of the compensation of our senior executives is dependent on our financial performance and increased productivity. 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, and to benchmark the performance of our competitors and other companies of comparable size.

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' interests.

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 of each of our senior executive officers, including the Named Executive Officers. The 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, cash or stock incentive programs), and makes recommendations to our Board regarding 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 of authority to the Compensation Committee, or any of its members, of the duties delegated by our Board to the Compensation Committee.

Our Compensation Committee uses a number of sources to determine the appropriate compensation for each of our senior executives. One of the primary sources of information used by the Compensation Committee is data from independent compensation consultants. The extent of our use of these consultants varies from year to year. Once every several years, an independent analysis of each element of our senior executive compensation program, as well as the overall compensation of each of our senior executives, is performed by an independent consulting firm. This analysis has been performed in tandem with similar analyses performed for our competitors by the same compensation consulting firm directly engaged by us rather than by the Compensation Committee. Prospectively, we intend to have our Compensation Committee engage an independent compensation consulting firm and ensure that the compensation firm engaged by the Compensation Committee is a different firm from that engaged by us to review our compensation programs for other salaried employees. In January of 2007, our Compensation Committee engaged Hay Group, Inc. to perform an in depth analyses of our senior executive compensation programs for those years when an in-depth analysis is performed, the compensation consulting firm will 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 the compensation program as a whole. The compensation consulting firm also provides recommendations for changes to our program. This report and analysis are provided to the Compensation Committee with the ability to compare our senior executive compensation programs with other chemical manufacturers and a select group of non-chemical companies. The Compensation Committee will then determine whether the compensation and performance, and determine whether the compensation

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paid to each of our senior executives is both competitive and reasonable in relation to the compensation required of that executive. Our Compensation Committee does not, however, benchmark our compensation program against the compensation offered by all of the companies in the Chemicals Index used in the Performance Graph contained in our Form 10-K. The companies in the Chemicals Index are not considered to be our competitors, either in the market for our products or for executive talent.

In the years falling in between these more in-depth analyses, the head of Human Resources and Administration Department (currently Mr. Hale, one of our Named Executive Officers) meets with our Compensation Committee with summary market data from several compensation consulting firms. Our Compensation Committee uses this data to assess general trends in the salaries paid to senior executives in our industry, in our geographic locale and in the industry as a whole. The compensation consulting firms from whom summary market data is obtained vary from year to year. For example, in 2006, our Compensation Committee received summary market data from Hay Group, Inc., Hewitt Associates, Inc., Business and Legal Resources, Inc. and Human Resource Consulting LLC. 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 meets with the Chief Executive Officer to discuss the performance of each of our senior executives. Following this discussion, our Compensation Committee determines the amount of increase in the base salaries of our senior executives, including our Chief Executive Officer.

Total Compensation

The major components of our senior executive compensation program are base salaries, bonus, incentive compensation and stock-based compensation, and we also provide other personal benefits to our senior executives, such as group life insurance, dental and vision insurance, a 401(k) plan for all of our employees, and currently match the contributions made by each of our salaried employees, on a dollar-for-dollar basis, up to 6% of salary. We also provide all of our senior executives with post-employment benefits, including our salaried employees' pension plan and our Key Employee Protection Plan. The pension accruals under our salaried employees' pension plan were frozen as of January 1, 2006. Our Compensation Committee seeks to set base salaries for our senior executives that are competitive and also provides annual compensation opportunities linked to both our financial performance and 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 our compensation on variable incentive pay helps us meet our performance goals and create stockholder value in the long term. In 2006, non-equity incentive compensation for our senior executives averaged about 30% of the total cash compensation paid to our senior executives.

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 and competence. Dramatic changes in base salaries are uncommon and typically occur only to adjust for market movements, promotions or significant changes in responsibility or performance. Each year, our Compensation Committee determines the annual base salaries of our senior executives. Once every several years, an in-depth analysis 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 consulting firm regarding compensation

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consulting firm that includes an analysis of an appropriate range for the base salaries of our senior executives. Depending on the results of the analysis, our Compensation Committee may choose to make a significant increase, or make a lower than expected increase, in the base salaries of more of senior executives in that year in order to align that executive's base salary with the market for the position in question. In most years, our Compensation Committee sets a budget for increases in the base salaries of our senior executives as a group. Once that budget is established, our Compensation Committee confers with our Chief Executive Officer on the performance of each of our senior executives and, following that discussion, the Compensation Committee determines the increase in base salary for each of our senior executives, including our Chief Executive Officer. On February 23, 2007, our Compensation Committee determined the base salaries for each of our senior executives based on the results of a benchmarking study of senior executive compensation program performed by The Hay Group, Inc. in 2006 and the performance in 2006 and the contributions of each of our senior executives to our 2006 performance.

Annual Incentive Compensation

In addition to base salaries, our senior executives and other qualified employees receive additional cash incentive compensation each year under our Bonus Plan. The amount available under this plan is intended to reward the achievement of annual financial, operational and personal performance. Under our Bonus Plan, the amount paid to each employee is based on our EBITDA and the employee's Bonus Target (which is a percentage of the employee's base salary), with 50% of that amount being subject to adjustment based on the level of EBITDA during the year. If we attain a minimum threshold level of EBITDA (\$35 million) in any calendar year, each of our salaried employees, including our senior executives, is entitled to receive 50% of their Bonus Target. If we attain our target level of EBITDA (\$52.5 million) in any calendar year, each of our salaried employees is entitled to a bonus of up to 75% of their Bonus Target. Finally, if we attain \$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 bonus is payable under our bonus plan for exceeding \$140 million of EBITDA in any calendar year. If EBITDA is between any of the specified levels, the maximum payment under the Bonus Plan to a 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 is entitled to a bonus of up to 75% of their Bonus Target. EBITDA, which we define as earnings before interest expense (net), depreciation, amortization and write-downs is a non-GAAP measure and an approximation of cash flow from operations before tax. Our definition of EBITDA differs from that of other companies.

Our Bonus Plan is administered by our Compensation Committee, which determines the annual incentive compensation paid to each of our senior executive officers. In order to achieve the minimum level of financial performance required for a payment under the Bonus Plan, in evaluating an individual's performance, our Compensation Committee reviews the performance assessment of our Chief Executive Officer. The maximum amount payable under the Bonus Plan in any year is not determined until the audit of our financial statements has been completed. The potential to earn above market bonuses in any given year helps us to attract and retain talented and productive senior executives and supports our short term goals. The Bonus Plan, by requiring minimum levels of financial performance in order to earn a bonus, and the maximum bonus payable dependent upon individual performance, we believe provides an effective tool for recognizing both individual performance and overall company performance.

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No awards were made under our Bonus Plan in 2004, 2005 or 2006. However, under our Bonus Plan on February 28, 2007 related to our performance in 2006. On February 24, 2006, our Compensation Committee authorized the payment of a bonus to all of our personnel to reward them for attaining our goal of reducing fixed costs by \$10 million during 2005. Finally, in March of 2005, our Board authorized the payment of a bonus to all of our personnel in recognition of the significant efforts of many of our employees in achieving substantial cost reductions over the course of 2005. In evaluating surrounding competitive pay practices and our need to attract, retain and motivate our employees, our Compensation Committee, in evaluating the amounts of bonuses paid for each year, our Compensation Committee also considered the scope of responsibilities of each employee and evaluated each employee's performance considering a variety of factors, including, among others, the development and implementation of strategies, the achievement of results and the maintenance of environmental and safety performance.

On February 23, 2007, our Compensation Committee determined the amount of bonus payable to each of our Named Executive Officers under our Bonus Plan based on their performance in 2006. Our Compensation Committee considered a number of factors in determining the amount payable to each of our Named Executive Officers, including, among others, each Executive Officer's leadership, his influence in the development and implementation of cost reduction strategies, his performance in driving results, his dedication to safety and maintaining an ethical culture and his responsibility for maintaining high environmental health and safety performance.

On January 27, 2006, our Compensation Committee amended our Bonus Plan to give our salaried employees the ability to earn a bonus based on their individual performance based on our financial performance during the year, starting with the bonus and performance determinations made in early 2007. However, if a bonus is paid based on performance targets, no additional bonus is paid under the new provision. Our Compensation Committee considered a variety of factors before electing to amend our Bonus Plan, including the marked increase in compensation paid to, and the need to attract and retain, employees in the petrochemicals and oil and gas industries resulting from the increase in oil prices over the last few years and the reconstruction efforts following Hurricane Katrina. Our Chief Executive Officer and our four Senior Vice Presidents were not eligible for a bonus 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 performance targets required for a payment under our Bonus Plan, and if so, the amount of the bonus is determined by our Compensation Committee at that time based upon its evaluation of the performance during the year in question.

Stock-Based Compensation

Under the stock-based portion of our senior executive compensation plan, our senior executives and other key employees are eligible for awards of incentive stock options, stock appreciation rights, restricted stock awards, performance-based restricted stock awards under our 2002 Stock Plan. Our Compensation Committee determines the terms and amounts of each award granted under our 2002 Stock Plan based on a number 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

the extent that the base salary of the recipient is below industry level compensation survey described above.

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

Our Compensation Committee or our Board specifies the number of shares granted 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. The length of vesting schedule provides an incentive to our senior executives to remain with us over time, since the full benefit of the awards cannot be realized unless the company's value over a number of years. While we impose a three year vesting schedule, awards 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 exercisable in the event of a change of control, which includes the acquisition of beneficial ownership by (other than Resurgence and its affiliates) of at least 50% of our outstanding securities or 50% of the combined voting power of all our outstanding securities entitled to vote in the election of directors, (ii) the sale, lease, exchange or transfer of substantial assets or (iii) our merger or consolidation with another entity if the holder of the 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. Our 2002 Stock Plan was authorized and established on December 19, 2002, shortly after our bankruptcy protection under Chapter 11 of the Bankruptcy Code. Shortly after January 1, 2003, our Compensation Committee and our Board made an initial grant of awards to our executive officers and certain other employees in amounts our Compensation Committee believed adequate to provide the appropriate incentives and achieve the desired alignment of the interests of our stockholders. Our Compensation Committee has only approved one grant of any award under our 2002 Stock Plan since that time, which grant was made in connection with Mr. Rostek being promoted to our Senior Vice President. The purpose of aligning his overall compensation and incentives with that of our other Named Executive Officers. All of the outstanding options held by our Named Executive Officers are exercisable, except for options to purchase 9,167 shares of our common stock. No option may be exercised after the tenth anniversary of the date of grant or the date of the option. All options have been granted with an exercise price at or above the market price per share of our common stock on the date of grant.

We do not have any program, plan or practice in place for selecting grants under our 2002 Stock Plan in coordination with the release of material non-public information. Except, all of the awards under our 2002 Stock Plan were granted on February 1, 2003, at a meeting of our new Board following our emergence from bankruptcy in December 2002. One award was granted in connection with the promotion of Mr. Rostek to our Senior Vice President Commercial. Each of these awards was a grant of non-qualified stock options to purchase common stock at an exercise price of \$31.60 per share. Our Board based the amounts of these awards on an approximation of the amount invested by our new stockholders at our emergence from bankruptcy. That amount was far in excess of the trading price of our common stock on the over-the-counter market on each of the two grant dates. Our Compensation Committee is prohibited from granting options at time of the grant or possession of

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material non-public information. However, no inside information was taken into account in determining the number of options previously awarded or the exercise price of the options. We did not time the release of any material non-public information to affect the price of our securities.

Under our Code of Ethics and Conduct, all of our employees, including Executive Officers and directors, are prohibited from directly or indirectly purchasing or selling our securities while they are in possession of material inside information. We prohibit our employees from disclosing material inside information to others who may trade in our securities or request to purchase or sell any of our securities while they are in the possession of material inside information. Generally, all of our directors, officers and members of senior management are required to pre-clear all sales and purchases of our securities through our Legal Department. Our employees only need to pre-clear sales and purchases of our securities that occur during the trading windows outside a window period through our Legal Department. For this purpose, the trading windows are the 30-day period commencing one week after our annual report has been filed and the 15-day period beginning on the third business day following the close of each of our quarterly or annual financial results. Notwithstanding the foregoing policies, we may, with the approval of our Corporate Governance Committee, exempt certain employees from pre-clearance procedures if our General Counsel reasonably believes that the employee has adequate sophistication and access to legal advisors to make his or her own investment decisions. A given sale or purchase of our securities is otherwise in compliance with our Code of Ethics and Conduct if our Counsel and our Corporate Governance Committee have exempted all of our directors, officers and employees employed by Resurgence from these pre-clearance procedures. Our Code of Ethics and Conduct discourages in-and-out trading in our securities and prohibits any of our directors, officers and employees from engaging in short sales or sales against the box of any of our securities, including puts, calls or options, in each case, unless approved by a majority of the directors of the Board.

Tax Treatment

Our Compensation Committee considers the anticipated tax treatment of our 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 the compensation of a company's chief executive officer or any of its other four most highly compensated employees in excess of \$1 million in any year, with certain performance-based compensation exempt from this deduction limit. In 2006, none of our employees subject to the Section 162(m) requirements received compensation in excess of \$1 million. Consequently, the requirements of Section 162(m) do not affect the tax deductions available to us in connection with our senior executive compensation program for 2006.

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Compensation Tables

Summary Compensation Table

The following table shows certain information regarding the compensation (including salary, bonus, option awards, and non-equity incentive compensation) of the Chief Executive Officer (CEO) (who served as our Chief Executive Officer or our Chief Financial Officer in that capacity during 2006) and our other three most highly compensated executive officers (collectively, our Named Executive Officers) for fiscal years ended December 31, 2006, 2005 and December 31, 2004, respectively.

Name And Principal Position	Fiscal Year	Salary ⁽¹⁾	Bonus	Option Awards ⁽²⁾	Non-Equity Incentive Compensation	Other Compensation
Richard K. Crump <i>President and Chief Executive Officer</i>	2006	\$388,333	\$ 0	\$ 30,973	\$267,003	\$ 0
	2005	378,500	46,875	294,245	0	0
	2004	370,000	126,140	712,384	0	0
Paul G. Vanderhoven <i>Senior VP Finance and Chief Financial Officer</i>	2006	255,167	0	8,518	87,974	0
	2005	244,417	40,625	80,917	0	0
	2004	235,250	50,256	195,905	0	0
Kenneth M. Hale ⁽⁴⁾ <i>Senior VP, General Counsel and Secretary</i>	2006	220,583	0	7,098	60,863	0
	2005	209,583	34,375	67,431	0	0
	2004	195,208	38,250	163,255	0	0
Paul C. Rostek ⁽⁵⁾ <i>Senior VP Commercial</i>	2006	209,667	0	89,024	57,851	0
	2005	200,458	34,375	197,832	0	0
	2004	184,000	32,980	36,269	0	0
Walter B. Treybig <i>Senior VP Manufacturing</i>	2006	193,583	0	6,453	53,401	0
	2005	185,250	34,375	61,301	0	0
	2004	177,167	30,430	148,413	0	0

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

- (2) Please refer to Footnote 2 of our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 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.

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- (3) 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:

	Fiscal	Group	Clubs and
	Year	Life	Associations
Richard K. Crump	2006	\$7,277	\$ 0
	2005	4,615	585
	2004	4,509	1,689
Paul G. Vanderhoven	2006	1,616	910
	2005	1,543	835
	2004	1,481	1,964
Kenneth M. Hale	2006	600	1,535
	2005	565	1,340
	2004	524	2,173
Paul C. Rostek	2006	1,304	0
	2005	809	585
	2004	723	568

Walter B. Treybig	2006	1,193	115
	2005	741	500
	2004	703	115

Mr. Crump's All Other Compensation includes executive life insurance premiums paid by us of \$7,078 in 2006, \$7,078 in 2005 and \$7,078 in 2004.

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 and \$45,000 paid directly to Tulane University in 2004 towards tuition for that degree.

- (4) In addition to his duties as our Senior Vice President, General Counsel and Secretary, Mr. Hale was promoted to the Head of our Human Resources & Administration Department on January 1, 2005.

Consequently,
Mr. Hale's
compensation
for 2004 reflects
compensation
paid to him in
his capacity as
our Senior Vice
President,
General Counsel
and Secretary.

- (5) Mr. Rostek was promoted to our Senior Vice President Commercial on August 9, 2004. Prior to that, Mr. Rostek served as our Vice President Corporate Alliances & New Ventures. Consequently, Mr. Rostek's compensation for 2004 reflects compensation paid to him in his capacity as our Senior Vice President Commercial for approximately five months and compensation paid to him in his capacity as our Vice President Corporate Alliances & New Ventures for approximately seven months.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and officers, including each of our Named Executive Officers. These indemnification

us to, among other things, indemnify these individuals against certain liabilities in connection with their status or service as one of our directors or executive officers and their expenses incurred as a result of any proceeding for which they may be held liable. These indemnification agreements are intended to provide the fullest extent permitted under the General Corporation Law of the State of Colorado in addition to any other rights these individuals may have under our organizational charters and applicable law. We believe that these indemnification agreements enhance our ability to retain knowledgeable and experienced directors and executive officers.

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Table of Contents**Grants of Plan-Based Awards**

Name	Estimated P Non-Equity Threshold
Richard Crump	\$ 195,000
Paul Vanderhoven	64,250
Kenneth Hale	44,450
Paul Rostek	42,250
Walter Treybig	39,000

None of our Named Executive Officers were granted any equity incentive awards or other option awards in 2006.

Non-Equity Incentive Plan Information - Bonus

We maintain a Bonus Plan that pays additional compensation to our sales and marketing employees in the form of a cash bonus. The amount of additional incentive compensation a sales and marketing employee can earn under the Bonus Plan is based on threshold levels of our financial performance (a minimum level based on our calendar year EBITDA) and formulae set forth in the Bonus Plan (with individuals having greater management responsibility earn larger percentages). Payments under our Bonus Plan are also impacted by our overall financial performance, with 50% of the maximum bonus amount that can be earned being subject to adjustment based on that executive's performance during the year. Under our Bonus Plan in any year, the bonus is paid after the audit of our financial statements for that year has been completed. Generally, an employee must still be employed by us at the end of the year in order to receive a bonus payment. As of December 31, 2006, the Bonus Plan participants were:

Richard K. Crump
Paul G. Vanderhoven
Kenneth M. Hale
Paul C. Rostek
Walter B. Treybig

Historically, no bonuses were paid under our Bonus Plan for a calendar year in which we did not exceed the threshold level of EBITDA in that calendar year. However, on January 1, 2006, our Compensation Committee amended our Bonus Plan to provide each of our sales and marketing employees (other than our Named Executive Officers) with the ability to earn a bonus of up to 10% of their Target based on their individual performance, irrespective of the amount of bonus earned under the EBITDA-based portion of our Bonus Plan in the year. If a bonus is paid under the EBITDA-based portion of our Bonus Plan, the bonus is paid under the new provision of our Bonus Plan. Whether a bonus is paid to any sales and marketing employee or Named Executive Officers in any year when we do not attain the threshold level of EBITDA required for a bonus payment under our Bonus Plan, and if so, the amount to be paid, is determined by the Compensation Committee at that time based upon its review of their individual performance and other relevant information. This is a non-recurring question.

For 2006, we exceeded the threshold level of EBITDA required for a bonus payment under our Bonus Plan. As discussed in Compensation Discussion and Analysis, the amount of bonus paid to sales and marketing employees is based on our EBITDA and the employee's Bonus Target (whether or not the employee is a Named Executive Officer).

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base salary), with 50% of that amount being subject to adjustment based on performance during the year. On February 23, 2007, our Compensation Committee announced the amounts of the bonuses payable to each of our Named Executive Officers based on our and his performance in 2006. The following table sets forth the maximum amount of bonuses each of our Named Executive Officers were eligible to receive under our 2002 Stock Plan and the amount of bonuses paid to our Named Executive Officers:

	Maximum Possible Bonus Payment
Richard K. Crump	\$
Paul G. Vanderhoven	
Kenneth M. Hale	
Paul C. Rostek	
Walter B. Treybig	

Equity Incentive Plan Information 2002 Stock Plan

Under our 2002 Stock Plan, our Board or Compensation Committee may award stock options, restricted stock awards, stock appreciation rights or stock units to our senior executives, directors 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. The Board or Compensation Committee determines the exercise price of stock options granted under the 2002 Stock Plan and the vesting provisions and the other terms and provisions of each award granted under the 2002 Stock Plan. Options granted under the 2002 Stock Plan become fully exercisable upon the optionee's termination of employment by reason of death, disability or retirement, and are fully exercisable in the event of a change of control, which includes the acquisition of ownership by any person (other than Resurgence and its affiliates) of at least 50% of our common stock or at least 50% of the combined voting power of all our outstanding securities to vote generally in the election of directors, (ii) the sale, lease, exchange or other disposition of all of our properties and assets or (iii) our merger or consolidation with another company in which our existing voting securities own less than a majority of the voting securities of the resulting company. However, no option may be exercised after the tenth anniversary of the date of grant or the termination of the option. We have reserved 363,914 shares of our Common Stock under our 2002 Stock Plan (subject to adjustment). Under our 2002 Stock Plan, we have granted options on only two occasions. On February 11, 2003, we granted options to purchase 27,500 shares of our Common Stock, at an exercise price of \$31.60 per share, to 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 appointment as Senior Vice President - Commercial. Mr. Rostek's stock options also have a three-year vesting schedule, with the final installment of stock options to vest on our common stock scheduled to vest on November 5, 2007. As of December 31, 2006, 15,833 of those options awarded under our 2002 Stock Plan, 15,833 of those options had been exercised and 11,667 of those options had lapsed or expired without being exercised.

The following table provides information regarding securities authorized under our 2002 Stock Plan as of December 31, 2006:

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Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights
Equity compensation plans approved by security holders ⁽¹⁾	278,500	\$ 31.60
Equity compensation plans not approved by security holders		
Total	278,500	\$ 31.60

(1) Our 2002 Stock Plan was authorized and established under our confirmed Joint Plan of Reorganization Under Chapter 11, Title 11, United States Code (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 Fiscal Year-End

The following table provides information on the value of unexercised December 31, 2006 held by each of our Named Executive Officers. There were no options or stock appreciation rights during fiscal 2006 by any of our Named Executive Officers. None of our Named Executive Officers held any shares or units of stock on December 31, 2006.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Awards
			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options
Richard Crump	120,000	0	0
Paul Vanderhoven	33,000	0	0
Kenneth Hale	27,500	0	0
Paul Rostek	18,333	9,167 ⁽¹⁾	0
Walter Treybig	25,000	0	0

(1) Final installment scheduled to vest on November 5, 2007.

Option Exercises and Stock Vesting

None of our Named Executive Officers exercised any stock options or during fiscal 2006 or held any restricted stock, stock appreciation rights or during fiscal 2006.

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Pension Benefits

		Number of Years Credited Service
Richard Crump	Plan Name	
	Salaried Employees Pension Plan	19
	Pension Benefit Equalization Plan	19
	Supplemental Employee Retirement Plan	19
Paul Vanderhoven	Salaried Employees Pension Plan	28
	Pension Benefit Equalization Plan	28
	Supplemental Employee Retirement Plan	28
Kenneth Hale	Salaried Employees Pension Plan	7
	Pension Benefit Equalization Plan	7
	Supplemental Employee Retirement Plan	7
Paul Rostek	Salaried Employees Pension Plan	24
	Pension Benefit Equalization Plan	24
	Supplemental Employee Retirement Plan	24
Walter Treybig	Salaried Employees Pension Plan	12
	Pension Benefit Equalization Plan	12
	Supplemental Employee Retirement Plan	12

(1) Please refer to Footnote 7 of our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 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 a defined benefit Salaried Employees Pension Plan as a component of our overall compensation strategy to recognize the contributions of our employees to our operations, and to promote employee retention by providing a method for ensuring adequate income for our salaried employees, including each of our Named Executive Officers, and all other Salaried Employees Pension Plan. However, effective as of January 1, 2005, we amended the Salaried Employees Pension Plan to cease further benefit accruals for all of the participants. Pursuant to the amendments, the Credited Service we use in the calculation of each employee's pension benefit is the number of years of Credited Service he or she had earned as of January 1, 2005. The Average Earnings we use in the calculation of each employee's pension benefit was frozen at his or her average monthly earnings calculated as of January 1, 2005. The Service we use to determine eligibility for benefits and to calculate the actuarial present value of the pension liability was frozen at the date the plan was amended. The penalty was

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not frozen and continues to accrue at the same rate and manner as it did prior to the time we froze benefit accruals under our Salaried Employees' Pension Plan. We match of each participant's contributions into our 401(k) Plan to 100% of the participant's contributions to 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, a participant was granted one year of Credited Service for each year in which the participant worked 1,000 hours. A participant that worked less than 1,000 hours in a given year was granted a proportionate amount of Credited Service based on the number of hours worked in that year. In the event of lump-sum payments under our Salaried Employees' Pension Plan, a participant must have completed at least one year of Vesting Service. Currently, an eligible participant that retires at age 65 (or later) after at least ten years of Vesting Service is entitled to a monthly payment equal to the greater of: (i) 1.4% of his or her Average Earnings *times* his or her number of years of Credited Service;

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

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

All of our Named Executive Officers would be entitled to retire at age 65. Messrs. Crump, Vanderhoven, Rostek and Treybig would be entitled to receive monthly payments under the first bullet point above, Messrs. Crump, Vanderhoven, Rostek and Treybig would be entitled to receive monthly payments under the second bullet point above, and Messrs. Crump, Vanderhoven, Rostek and Treybig would be entitled to receive monthly payments under the third bullet point above.

A participant may elect to receive his or her pension payment from 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 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, or a 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 to our employees who had previously worked for Monsanto Company at our Texas City, Texas facility from Monsanto Company 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 terms of our Salaried Employees' Pension Plan, we do not expect to grant any service credit to our employees in the future.

Under our Salaried Employees' Pension Plan, a participant's *Average Earnings* is defined as the average monthly earnings received by the employee during the three-year period ending on the date of retirement, or, if larger, the average monthly earnings received by the employee during the three-year period ending on the date of termination of employment.

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employee was paid the most during the five year period ending December 31, 2004. Our Salaried Employees Pension Plan, earnings are, for the most part, based on the amount of amounts paid to the participant as a bonus, commission or incentive plan. The amount by us for insurance or other welfare or benefit plans not taken into account in determining a participant's Average Earnings is capped based on certain limitations imposed by 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 had his or her Earnings were \$17,500. In addition, for those participants who were given employment with Monsanto Company or Albright & Wilson, the monthly benefit under our Salaried Employees Pension Plan is reduced by the amount of his or her accrued pension benefits from other pension plans maintained by those employers.

A participant who has at least five years of Vesting Service, which includes the service of 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 benefit payable to a participant is reduced by 0.25% *times* the number of months remaining between the participant's retirement date unless the Participant's age *plus* years of Vesting Service is at least 60. Messrs. Crump and Vanderhoven are our only Named Executive Officers (although Mr. Vanderhoven is not 55 years of age yet). If a participant retires after his or her employment between the ages of 55 and 62, he or she is also entitled to a lump sum payment of an amount of \$4 times his or her years of Vesting Service. In addition, effective as of January 1, 2005, each participant in our Salaried Employees Pension Plan may, once he or she reaches 55 years of age and has at least five years of Vesting Service, elect to take early retirement benefits while continuing to work for us (*In-Service Retirement*). Under the In-Service Retirement program, the retirement benefit is determined in the same manner as if he or she had actually retired. However, since our Named Executive Officers are 62 years of age or older, none of our Named Executive Officers are eligible for In-Service Retirement at this time.

A participant in our Salaried Employees Pension Plan may also receive an accelerated, undiscounted pension payment prior to reaching normal retirement age if he or she has at least 2-1/2 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 an accelerated pension under our Salaried Employees Pension Plan if he or she is also receiving payments under a 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 salaried employees whose benefits under our Salaried Employees Pension Plan are limited by the specified limitations included in the Internal Revenue Code. The amount of the additional benefits under our Pension Benefit Equalization Plan is designed to eliminate the effect of the limitations on aggregate annual pension benefits payable to the participants, but not provide for benefits beyond that amount. These benefits are generally payable at the times we make payments 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 highly compensated or is considered highly compensated, and is subject to limitations on the amount of retirement 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 provides additional benefits to employees whose benefits under our Salaried Employees Pension Plan are limited as a result of his or her

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Average Earnings exceeding \$17,500, or due to the removal of certain Social Security benefits from our Salaried Employees Pension Plan. The amount of benefits payable under the Supplemental Employee Retirement Plan is designed to eliminate the effect of the Social Security aggregate pension benefits payable to the participants, but not provide any more than that amount. These benefits are generally payable at the same time as when they would be payable under the Salaried Employees Pension Plan. Effective as of January 1, 2005, we have amended the Supplemental Employee Retirement Plan to cease benefit accruals for all participants.

For our Named Executive Officers, the compensation covered by our Supplemental Employee Retirement Plan is solely that annual compensation reported under the salary column in the Summary Compensation Table appearing in this Proxy Statement for 2004 (and similar types of compensation for the preceding two calendar years). Assuming retirement at age 65, the annual retirement benefit payable to a Named Executive Officer under these plans would be:

	Gross Payment Under All Plans	Reduced Payment Under Plan
Richard K. Crump	\$ 103,340	\$ 50,000
Paul G. Vanderhoven	89,832	70,000
Kenneth M. Hale	19,417	15,000
Paul C. Rostek	38,315	30,000
Walter B. Treybig	28,304	22,500

All of the benefits appearing in the pension benefits table are computed on the basis of the compensation actually received by the Named Executive Officer elects to be paid on a single-life annuity basis and are not subject to any deduction for Social Security or other similar offset amount. The Supplemental Plan does contain an alternative formula for determining benefits payable under the Supplemental Plan in the event of a Social Security offset. We have never used this alternative formula to determine the amount of benefits paid under our Supplemental Plan.

Nonqualified Deferred Compensation

As of December 31, 2006, none of our Named Executive Officers have any nonqualified deferred compensation. In 2006, none of our Named Executive Officers made contributions to nonqualified deferred compensation plans or programs, had any contributions by us for them to any nonqualified deferred compensation plans or programs, or 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 (our 401(k) Plan) for all full-time employees, including our Named Executive Officers. Under our 401(k) Plan, employees may 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 on an after-tax basis (up to statutory maximums). Currently, 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 as of January 1, 2005 (the time when we froze accruals under our Salaried Employees Pension Plan). Prior to January 1, 2005, we matched only 50% of each participant's contributions into our 401(k) Plan.

participant's base salary.

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Each participant directs the investment of all contributions into his or her investment options chosen by our Employee Benefits Plans Committee (with members of senior management). Our stock is not one of the available investment options in 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 (our Key Employee Protection Plan). A copy of the current form of our Key Employee Protection Plan is an Exhibit to this filing. Our Compensation Committee has designated a select group of our management and other employees, including each of our Named Executive Officers, as participants in the Key Employee Protection Plan and has established their respective multipliers and other terms and conditions of the Plan. Our Compensation Committee is also authorized to designate additional management or highly compensated employees as participants under our Key Employee Protection Plan and set their multipliers. Our Compensation Committee may terminate a participant's participation under our Key Employee Protection Plan on 60 days' notice if the participant is no longer one of our key employees.

Under our Key Employee Protection Plan, a participant can only be terminated if his or her employment is terminated in specified ways and for specified reasons. A termination must either result from the participant resigning for Good Reason or the termination by us for any reason other than Misconduct or Disability. A termination is considered to be for Good Reason if the participant resigns within 90 days of our 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):

- o we make a material change in his or her reporting responsibilities or the titles of his or her appointed offices (excluding changes resulting from the participant's resignation or retirement); or

- o we assign him or her duties or responsibilities that are materially different from his or her current 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 or other terms and conditions of benefits to the participant that are, in the aggregate, as favorable as those provided to other employees in our programs, arrangements and practices (excluding changes or terminations that apply to all of our salaried work force and do not have a disparate impact on any particular group of employees);

we change the location of the participant's principal place of employment; or

we purport to terminate the participant for Misconduct or Disability under the terms of 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 not a key employee).

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key employees and follows the procedures for termination set out in the Key Employee Protection Plan).

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

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. The Key Employee Protection Plan covers only specified actions or omissions by the participant, to:

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

the failure to comply with our published policies relating to alcohol consumption or compliance with laws;

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

the willful failure to comply with any lawful and ethical directions and policies of 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 for 30 days after receiving written notice of that failure;

a conviction for a felony offense; or

any willful conduct that prejudices, in any material respect, our reputation or the business, with the investment community or with the public at large, if the participant should have known, that his or her conduct could have that result.

However, acts and failures to act are not considered willful if done or omitted in the reasonable belief that the action or omission was in our best interests. The Key Employee Protection Plan is limited to a physical or mental condition that a physician reasonably acceptable to us and the participant, prevents the participant from performing his or her job responsibilities, has continued for at least 180 days in any consecutive months and is reasonably expected to continue. In order to terminate a participant for Misconduct or Disability, we must give the participant written notice of termination, stating her termination date, stating that the termination is for Misconduct or Disability, and the facts and circumstances deemed to be Misconduct or to result in a finding of Disability.

If a participant's employment with us is terminated in a way that renders the participant eligible for benefits under our Key Employee Protection Plan, the participant will receive a lump sum payment. The amount of the lump sum payment is determined by multiplying the participant's multiplier by the sum of his or her highest annual base salary during the last 12 months of his or her current Bonus Target under our Bonus Plan. This amount is reduced, however, by any other separation, severance or termination payments received from us under any other plan, which we

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are required to pay by law. Once the base amount of the lump sum payment is determined, the amount of the lump sum payment depends on whether a Change of Control occurs during the period before or after the date of termination. If a Change of Control has occurred during the period within that specified period, the participant's applicable multiplier is reduced. A higher lump sum payment is payable in connection with a Change of Control for highly compensated employees, including each of our Named Executive Officers. The amount is subject to repayment by the participant if the participant, within the restricted period after termination, owns, manages, operates or controls (or joins in the ownership or control of), or becomes employed by or connected in any manner with the manufacture or sale of styrene, acrylonitrile or acetic acid anywhere in the United States. The amount repaid by the participant is a percentage of the incremental amount determined by the number of days left in the one-year restricted period when he or she first commences such activity by 365.

Under our Key Employee Protection Plan, a Change of Control can occur upon the acquisition of our securities, changes in the membership of our Board, participation in certain corporate transactions or upon our dissolution. Specifically, under our Key Employee Protection Plan, a Change of Control occurs if:

- o any individual, entity or group acquires, in the aggregate, beneficial ownership of the combined voting power of our then outstanding securities that entitles the holder to the election of directors (Voting Securities), if:
 - o the individual, entity or group is not Resurgence Asset Management or any of its affiliates' managed funds or accounts (the Resurgence Group), our employee benefit plans; and
 - o the acquisition is not made through an Excluded Transaction;
- o a majority of the members of our Board were not one of our directors or were not previously approved new directors (our Incumbent Board), although they were not who initially became one of our directors in connection with an actual or attempted election of directors or contested removal of directors, or an actual or attempted proxy or consents, is not considered to be a member of our Incumbent Board; and

we are involved in a reorganization, merger, statutory share exchange or other corporate transaction, we dispose of our assets or we acquire the assets of another entity and the transaction is not an Excluded Transaction which, for this purpose, is one where, after the transaction:

- o the beneficial holders of our outstanding Voting Securities prior to the transaction do not beneficially own more than 50% of the outstanding Voting Securities as a result of the results from the transaction or that owns our assets after the transaction in the same proportions as their pre-transaction ownership;
- o no individual, entity or group (other than the Resurgence Group or any of its employee benefit plans) beneficially owns 50% or more of the Voting Securities as a result of the results from the transaction; and

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o at least a majority of the members of the board of directors of the the transaction were members of our Incumbent Board at the time for the transaction was signed or the time the transaction was approved by our stockholders or other relevant stakeholders approve our completion of the transaction.

Whether a participant is eligible for the higher lump sum payment associated with a Change of Control depends on whether his or her termination occurred within his or her Protection Period. Every participant's Protection Period starts 180 days prior to the date on which a Change of Control occurs. A participant's Protection Period ends either two years or 18 months after the Change of Control occurs, depending on the size of the participant's Protection Period. The Protection Period for each of our Named Executive Officers ends two years after the date on which a Change of Control occurs.

If each of our Named Executive Officers terminated their employment on or before December 31, 2006, or were terminated by us for any reason other than a Change of Control on or after that date, our Named Executive Officers would be paid the following lump sum payments under the Key Employee Protection Plan:

	Base Salary	Targeted Bonus	Applicable Multiplier	Key Employee Protection Plan Payment
Richard K. Crump	\$390,000	\$390,000	2.75	\$1,072,500
Paul G. Vanderhoven	257,000	128,500	2.00	\$643,750
Kenneth M. Hale	222,250	88,900	2.00	\$543,500
Paul C. Rostek	211,250	84,500	2.00	\$511,250
Walter B. Treybig	195,000	78,000	2.00	\$477,000

(1) Payment if a Change of Control occurs between July 5, 2006 and December 31, 2008.

(2) Payment if no Change of Control occurs between July 5, 2006 and December 31, 2008.

In addition to the lump sum payment, each participant eligible for the Key Employee Protection Plan is entitled to receive his or her accrued but unpaid salary, accrued vacation compensation for unused vacation time and any unpaid vested benefits earned under our benefit plans (other than qualified plans). Also, for a period of 24 months (or until COBRA coverage), that participant will continue to be covered by all of our health and dental insurance plans and programs (other than disability), as long as the participant makes a COBRA election and pays the regular employee premiums required under the plans and programs.

and by COBRA. In addition, our obligation to continue to provide coverage under our health and dental insurance programs to a participant ends if and when that participant becomes employed by or is covered by a third party which provides the participant with substantially similar benefits.

If each of our Named Executive Officers terminated their employment with us and were terminated by us for any reason other than Misconduct or Disability, the value of these life, health care, medical and dental insurance benefits to our Named Executive Officers would have been:

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Richard K. Crump
Paul G. Vanderhoven
Kenneth M. Hale
Paul C. Rostek
Walter B. Treybig

If any payment or distribution under our Key Employee Protection Plan is subject to excise tax pursuant to Section 4999 of the Internal Revenue Code, the participant is entitled to receive a gross-up payment from us in an amount such that, after payment of the participant of all taxes on the gross-up payment, the amount of the gross-up payment is equal to the excise tax imposed under Section 4999 of the Internal Revenue Code. The maximum amount of any gross-up payment is 25% of the sum of the participant's total compensation during the last three years plus the participant's Bonus Tax.

We may terminate our Key Employee Protection Plan at any time and any termination will not become effective until 90 days after we give the participant notice of termination. In addition, we may amend our Key Employee Protection Plan at any time for any reason, but any amendment that reduces, alters, suspends, impairs or prejudices the rights of any participant in any material respect will not become effective as to that participant until after we give him or her notice of the amendment. No termination of our Key Employee Protection Plan, or any of these types of amendments, will be effective with respect to any participant if the termination or amendment is related to, in anticipation of or during the period of a Change of Control, is for the purpose of encouraging or facilitating a Change of Control, or occurs within 180 days prior to any Change of Control. Finally, no termination or amendment of our Key Employee Protection Plan can affect the rights or benefits of any participant that were accrued as of the date of termination or amendment, or that accrue later due to a Change of Control, or that are accrued within 180 days after the termination or amendment.

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Director Compensation

In 2006, none of our directors were paid any form of compensation paid in cash, which we paid in the following amounts:

Richard K. Crump⁽²⁾
Steven L. Gidumal⁽³⁾
John W. Gildea
Byron J. Haney⁽³⁾
Karl W. Schwarzfeld⁽³⁾
Philip M. Sivin⁽³⁾
Dr. Peter T.K. Wu

(1) Includes amounts paid for attendance as a member at meetings of the following Committees:

John W. Gildea	Audit Committee
	Compensation Committee
	Corporate Governance Committee (Chairman)
Byron J. Haney	Audit Committee (Chairman)
Philip M. Sivin	Compensation Committee
Dr. Peter T.K. Wu	Corporate Governance Committee (Chairman)
	Environmental, Health & Safety Committee

(2) Mr. Crump is one of our employees and, consequently, is not paid any compensation for his service as a director.

(3) All compensation for service as a director earned by Messrs. Gidumal, Haney, Schwarzfeld and

Sivin, who are employees of Resurgence, was paid to Resurgence pursuant to established policies of Resurgence.

Each of our directors is currently paid an annual retainer of \$25,000 and meeting attendance fees of \$2,500 for each Board meeting held in person and \$1,500 for each telephonic Board meeting. Our directors that serve on our Board Committees are paid meeting fees of \$1,500 for each Committee meeting held in person and \$750 for each telephonic meeting. Our Board members who are also our employees do not receive meeting fees, although all of our directors are reimbursed for their travel expenses. With the exception of compensation paid to, and stock-based awards received by, our President and Chief Executive Officer, we have never granted stock options or other equity-based awards to any of our current directors, and our President and Chief Executive Officer has never participated in any of our non-equity incentive plans, pension plans or other compensation plans. In addition, as described above under "Indemnification," we have entered into indemnification agreements with each of our directors.

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Security Ownership of Principal Stockholders and Management

The following table sets forth certain information regarding the beneficial ownership of our Preferred Stock and Common Stock as of March 27, 2007 by (i) each of our directors, (ii) each of our Named Executive Officers, (iii) each person known by us to be the beneficial owner of more than 5% of our Common Stock and (iv) all of our directors and executive officers as a group. Our Preferred Stock is currently convertible into 1,000 shares of our Common Stock for each share of Preferred Stock held by the beneficial owner. Unless otherwise noted, the mailing address of each such beneficial owner is Suite 3600, Houston, Texas 77002-4312, and we believe, based on information furnished to us by the beneficial owners listed below, that the named beneficial owner has sole investment power with respect to the shares shown below, except to the extent shared with such person's spouse pursuant to applicable law.

Name	Shares of Preferred Stock Beneficially Owned	Percentage of Outstanding Preferred Stock	Certain Common Stock Beneficially Owned ⁽¹⁾	Percentage of Certain Outstanding Common Stock
Richard K. Crump ⁽³⁾	0	0%	120,000	
Steven L. Gidumal ⁽⁴⁾	4,027.883	98.3%	1,910,100	60.0%
John W. Gildea	0	0%	0	
Byron J. Haney ⁽⁴⁾	4,027.883	98.3%	1,910,100	60.0%
Karl W. Schwarzfeld ⁽⁴⁾	4,027.883	98.3%	1,910,100	60.0%
Philip M. Sivin ⁽⁴⁾⁽⁵⁾	4,027.883	98.3%	1,910,100	60.0%
Dr. Peter Ting Kai Wu	0	0%	0	
Paul G. Vanderhoven ⁽³⁾	0	0%	33,000	
Kenneth M. Hale ⁽³⁾	0	0%	27,500	
Paul C. Rostek ⁽³⁾	0	0%	18,334	
Walter B. Treybig ⁽³⁾	0	0%	25,000	
Resurgence Asset Management, L.L.C. ⁽⁵⁾	4,027.883	98.3%	1,910,100	60.0%
Resurgence Asset Management International, L.L.C. ⁽⁵⁾	4,027.883	98.3%	1,910,100	60.0%
Re/Enterprise Asset Management, L.L.C. ⁽⁵⁾	4,027.883	98.3%	1,910,100	60.0%
Martin D. Sass ⁽⁵⁾	4,027.883	98.3%	1,910,100	60.0%
Mariner Investment Group, Inc. ⁽⁶⁾	0	0%	275,242	9.0%
Northeast Investors Trust ⁽⁷⁾	0	0%	250,827	8.0%
Merrill Lynch, Pierce, Fenner & Smith, Incorporated ⁽⁸⁾	0	0%	186,787	6.0%
Directors and current executive officers as a group (13 persons) ⁽³⁾ through ⁽⁵⁾	4,027.883	98.3%	2,156,434	63.0%

* Less than 1%

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- (1) Includes
outstanding shares
of Common Stock
and shares of
Common Stock
issuable upon
conversion of
warrants, but
excludes shares of
Common Stock
issuable upon
conversion of
outstanding
Preferred Stock.
- (2) Includes
outstanding shares
of Common
Stock, shares of
Common Stock
issuable upon
conversion of
warrants and
shares of
Common Stock
issuable upon
conversion of
outstanding
Preferred Stock.
- (3) Represents shares
of our Common
Stock issuable
upon exercise of
options granted
under the 2002
Stock Plan which
are or will
become
exercisable within
60 days of
March 27, 2007.
- (4) Represents shares
of our Preferred
Stock and shares
of our Common
Stock (including
shares of our

Common Stock issuable upon the exercise of warrants which are exercisable within 60 days of March 27, 2007) that are beneficially owned by funds and accounts managed by Resurgence and its affiliates (see Note 5). Messrs. Gidumal and Haney are Managing Directors and Co-Chief Investment Officers, Mr. Schwarzfeld is a Vice President and Mr. Sivin is a Vice President and General Counsel of Resurgence. As such, Messrs. Gidumal, Haney, Schwarzfeld and Sivin may be deemed to have beneficial ownership of such shares. Each of Gidumal, Messrs. Haney, Schwarzfeld and Sivin disclaims beneficial ownership of all such shares.

- (5) Includes
 - (a) 2,166.421 shares of our Preferred Stock

(convertible in to 2,166,421 shares of our Common Stock), 837,562 shares of our Common Stock and an additional 186,783 shares of our Common Stock issuable upon the exercise of warrants which are exercisable within 60 days of March 27, 2007 that may be deemed to be beneficially owned by Resurgence, (b) 586.245 shares of our Preferred Stock (convertible in to 586,245 shares of our Common Stock), 228,057 shares of our Common Stock and an additional 50,544 shares of our Common Stock issuable upon the exercise of warrants which are exercisable within 60 days of March 27, 2007 that may be deemed to be beneficially owned by Resurgence Asset Management International, L.L.C. (RAMI), and (c) 1,275.217 shares of our Preferred Stock (convertible in to 1,275,217 shares

of our Common Stock), 497,212 shares of our Common Stock and an additional 109,942 shares of our Common Stock issuable upon the exercise of warrants which are exercisable within 60 days of March 27, 2007 that may be deemed to be beneficially owned by Re/Enterprise Asset Management, L.L.C. (REAM). Mr. Sass may be deemed to beneficially own all of these securities. Mr. Sivin is Mr. Sass's son-in-law. Each share of our Preferred Stock is currently convertible into 1,000 shares of our Common Stock at the election of the holder. Mr. Sivin disclaims beneficial ownership of all of these securities.

In its capacity as investment advisor, Resurgence exercises voting and investment power over our securities held for

the accounts of
M.D. Sass
Corporate
Resurgence
Partners, L.P.
(Resurgence I),
M.D. Sass
Corporate
Resurgence
Partners II, L.P.
(Resurgence II),
M.D. Sass
Corporate
Resurgence
Partners III, L.P.
(Resurgence III)
and the
Resurgence Asset
Management,
L.L.C.
Employment
Retirement Plan
(the Plan).
Accordingly,
Resurgence may
be deemed to
share voting and
investment power
with respect to
our securities held
by Resurgence I,
Resurgence II,
Resurgence III
and the Plan.
Mr. Sass serves as
Chairman and
Chief Executive
Officer of
Resurgence.

In its capacity as
investment
advisor, RAMI
exercises voting
and investment
power over our
securities held for
the account of
M.D. Sass
Corporate
Resurgence

International, Ltd.
(Resurgence
International).
Accordingly,
RAMI may be
deemed to share
voting and
investment power
with respect to
our securities held
by Resurgence
International.
Mr. Sass serves as
Chairman and
Chief Executive
Officer of RAMI.

In its capacity as
investment
advisor, REAM
exercises voting
and investment
power over our
securities held for
the accounts of
(i) two employee
pension plans (the
Pension Plans)
and as an advisor
to the M.D. Sass
Associates, Inc.
Employee Profit
Sharing Plan (the
Sass Employee
Plan) and (ii) as
general partner
and sole
investment
advisor of M.D.
Sass
Re/Enterprise
Portfolio
Company, L.P.
(Re/Enterprise)
and M.D. Sass
Re/Enterprise II,
L.P.
(Re/Enterprise II).
Accordingly,
REAM may be
deemed to share

voting and investment power with respect to our securities held by each of the Pension Plans, the Sass Employee Plan, Re/Enterprise and Re/Enterprise II. Mr. Sass serves as Chairman and Chief Executive Officer of REAM.

In addition, funds which have invested side-by-side with funds managed by Resurgence and RAMI beneficially own in the aggregate 68,879 shares of our Preferred Stock (convertible in to 68,879 shares of our Common Stock), 26,712 shares of our Common Stock and an additional 5,938 shares of our Common Stock issuable upon the exercise of warrants which are exercisable within 60 days of March 27, 2007.

The mailing address of each of Martin D. Sass, Resurgence, RAMI and REAM is 1185 Avenue of the Americas, 18th

Floor, New York,
New York 10036.

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The foregoing information is based on the Schedule 13D filed by Resurgence, RAMI and REAM with the Securities and Exchange Commission on December 19, 2002, as amended by (A) Schedule 13D/A, Amendment No. 1, filed by Resurgence, RAMI and REAM with the Securities and Exchange Commission on February 13, 2004, (B) Schedule 13D/A, Amendment No. 2, filed by Martin D. Sass, Resurgence, RAMI and REAM with the Securities and Exchange Commission on June 25, 2004, (C) Schedule 13D/A, Amendment No. 3, filed by Martin D. Sass, Resurgence, RAMI and REAM with the Securities and Exchange Commission on February 14, 2005, (D) Schedule 13D/A, Amendment No. 4, filed by Martin D. Sass, Resurgence, RAMI and REAM with the Securities and Exchange Commission on March 8, 2005, (E) Schedule 13D/A, Amendment No. 5, filed by Martin D. Sass, Resurgence,

RAMI and REAM
with the Securities
and Exchange
Commission on
March 2, 2006, and
(F) Schedule 13D/A,
Amendment No. 6,
filed by Martin D.
Sass, Resurgence,
RAMI and REAM
with the Securities
and Exchange
Commission on
February 28, 2007.

- (6) Includes 64,554
shares of our
Common Stock
issuable upon
exercise of warrants
that are exercisable
within 60 days of
March 27, 2007.
Mariner Investment
Group, Inc. (Mariner)
is an investment
adviser registered
under Section 203 of
the Investment
Advisers Act of 1940.
Mariner furnishes
investment advice to
several investment
companies exempt
from the Investment
Company Act of
1940, and also serves
as investment
manager to certain
other separate
accounts. In its role
as investment adviser
and manager, Mariner
possesses voting
and/or investment
power over all of the
shares of our
Common Stock and
warrants owned by
these investment
companies and

accounts, which is 100% of the shares of our Common Stock and warrants described in the table above as being held by Mariner. Mariner disclaims beneficial ownership of all of these shares of our Common Stock and warrants. The mailing address of Mariner is 500 Mamaroneck Avenue, 4th Floor, Harrison, New York 10528. This information is based on the Schedule 13G filed by Mariner with the Securities and Exchange Commission on February 14, 2005, as amended by Schedule 13G/A, Amendment No. 1, filed by Mariner on April 11, 2005 and Schedule 13G/A, Amendment No. 2, filed by Mariner on February 13, 2007.

- (7) The mailing address of Northeast Investors Trust is 150 Federal Street, Boston, Massachusetts 02110. This information is based on the Schedule 13G filed by Northeast Investors Trust with the Securities and Exchange Commission on February 13, 2003, as amended by Schedule 13G/A,

Amendment No. 1,
filed by Northeast
Investors Trust with
the Securities and
Exchange
Commission on
January 19, 2007.

- (8) The mailing address
of Merrill Lynch,
Pierce, Fenner &
Smith, Incorporated
is 4 World Financial
Center, New York,
New York 10080.
This information is
based on the
Schedule 13G filed
by Merrill Lynch,
Pierce, Fenner &
Smith, Incorporated
and Merrill Lynch &
Co., Inc. with the
Securities and
Exchange
Commission on
February 13, 2006.

None of the shares listed in the Beneficial Ownership Table have been pledged by any of our Executive officers, directors or director nominees. We are not aware of any of our shareholders pledging any of the shares listed in the Beneficial Ownership Table that would result in a change of control. We do not have any director qualifying shares.

Related Person Transactions

Transactions.

Resurgence has beneficial ownership of a substantial majority of the securities due to its investment and disposition authority over securities owned by our managed funds and accounts. Currently, Resurgence has beneficial ownership of approximately 60% of our Preferred Stock and over 60% of our Common Stock, representing over 60% of the voting power of our equity. Each share of our Preferred Stock is currently convertible at the holder thereof at any time into 1,000 shares of our Common Stock, and the holders of our Preferred Stock are entitled to designate a number of our directors proportionate to their overall equity ownership, but in any event not less than a majority of our directors as long as they hold in the aggregate at least 35% of the total voting power. As a result, Resurgence has the ability to control our management, policies and procedures and a majority of our Board and control the

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vote on most matters presented to a vote of our stockholders. In addition, Stock, almost all of which are beneficially owned by Resurgence, carry a 4% per quarter, payable in additional shares of Preferred Stock. Each dividend share of our Preferred Stock has a dilutive effect on our shares of Common Stock, representing a percentage of the total voting power of our equity beneficially owned by us. We have issued an additional 594,832 shares of our Preferred Stock (convertible into shares of common stock) in dividends, which represents 8.6% of the current total value of our securities and carries an aggregate liquidation value of \$8,204,583. Since we have issued Preferred Stock, we have issued an additional 1,921,762 shares of our Preferred Stock (convertible into 1,921,762 shares of our common stock) in dividends, which represents 10.6% of the total voting power of our equity securities and carries an aggregate liquidation value of \$11,115,000. Messrs. Gidumal, Haney, Schwarzfeld and Sivin, are members of our Board of Directors. Pursuant to established policies of Resurgence, all director compensation is paid to Resurgence. During 2006, we paid Resurgence an aggregate of \$115,000 for director compensation earned by Messrs. Gidumal, Haney, Sivin and Schwarzfeld.

Approval Process for Related Person Transactions and Other Conflicts of Interest

Our Code of Ethics and Conduct. Under our Code of Ethics and Conduct, our directors, officers and employees is restricted from being subject, or even appearing to have, any interests or relationships that conflict with our best interests. Specifically, our directors, officers and employees are prohibited from having any conflict of interest unless the underlying transaction has been specifically approved by our Board in accordance with Delaware law and our Code of Ethics and Conduct. Our Code of Ethics and Conduct lists certain circumstances and situations that are considered to involve a conflict of interest, including where one of our directors, officers or employees (or any other person having a close personal relationship with a director, officer, member, in-law, business associate or person living in the same household) obtains a significant financial or other beneficial interest in one of our competitors;

engages in a significant personal business transaction involving us for

accepts money, gifts of other than nominal value, excessive hospital care or medical treatment from one of our suppliers, customers or competitors;

participates in any sale, loan or gift of our property; or

learns of a business opportunity through association with us and discloses that opportunity to a third party or invests in that opportunity without first offering us the opportunity to otherwise participate in that opportunity.

Each of our directors and officers, and each of our employees who has the authority to influence the use or disposition of any significant amount of our funds or assets, are required to certify to us annually that he or she is in full compliance with the provisions of our Code of Ethics and Conduct policy (or disclose any potential or actual conflicts with those provisions) and to provide this certification each year through their director and officer questionnaires submitted in connection with preparing our proxy statement. The rest of our employees, including each of our non-executive Officers, make this certification each year as a part of our annual ethics training.

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Our Corporate Governance Committee and Our Governance Principles

our Corporate Governance Committee, our Corporate Governance Committee's policy of independence of our Board members and possible conflicts of interest involving any of our Board members or senior executives. If a conflict of interest issue arises involving any of our directors or senior executive officers, our Corporate Governance Committee will advise to our Board with respect to how that conflict of interest should be resolved. Our Corporate Governance Committee also acts on behalf of our Board in overseeing the operations of our compliance functions, including the development and revision of our compliance guidelines and principles for adoption by our Board. Our General Counsel oversees our compliance and monitoring programs, corporate information and reporting policies, standards, practices and procedures, including the day-to-day monitoring of compliance matters by our officers and other employees. Through our Governance Principles adopted by our Board on the recommendation of our Corporate Governance Committee, we expressed its expectation that all of our directors, officers and employees will adhere to and comply with our Code of Ethics and Conduct and our Code of Ethics and Standards for Senior Financial Officers. Our Corporate Governance Principles require our directors to report any actual or potential conflict of interest that may arise for that director to our Corporate Governance Committee and our General Counsel, and to recuse himself or herself from discussion or decision affecting his or her personal, business or professional interests. Our Board is authorized to consider and resolve any issues involving a potentially interested director's participation, and may exclude that director from consideration of the matter. Our Board is also authorized to consider and resolve any conflict of interest involving our Chief Executive Officer or any of our Senior Vice Presidents. Our Chief Executive Officer is authorized to consider and resolve any conflict of interest questions involving our officers, with appropriate observation of the principles and policies set forth in our Governance Principles.

As the payment of the fees and expenses of Resurgence and the other transactions referred to in Transactions above did not present a conflict of interest involving any of our directors, officers or employees, our procedures and policies described above do not require a review of those transactions.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and anyone who beneficially owns more than 10% of our Common Stock to file reports with the Securities and Exchange Commission regarding their ownership of, and transactions in, our securities, and to furnish us with copies of those reports. Based solely on the reports furnished to us and written representations from our officers and directors, none of our officers, directors or 10% stockholders failed to file any reports required on a timely basis during 2006.

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Stockholder Proposals For Next Year's Annual Meeting

In order for a stockholder proposal to be included in our proxy statement for the annual meeting to be held in 2008, the proposal must be submitted before December 22, 2007 to the following address: Sterling Chemicals, Inc., 333 Clay Street, Suite 3600, Houston, Texas 77002, Attention: Corporate Secretary. In order for a stockholder proposal that is submitted in a proxy statement to be brought before our annual meeting to be held in 2008, the proposal must be received on or after December 25, 2007 but no later than February 22, 2008 to the address above. If a proposal is received after that date, proxies for our 2008 annual meeting of stockholders will not be given discretionary authority to vote on that matter without discussion of the matter at the meeting for our 2008 annual meeting of stockholders.

Householding of Annual Meeting Materials

The Securities and Exchange Commission has adopted rules that permit brokers and other intermediaries such as brokers to satisfy delivery requirements for proxy materials to two or more security holders sharing the same address by delivering a single proxy statement addressed to those security holders. This process, which is commonly referred to as "householding," potentially provides extra convenience for security holders and cost savings. In the past, some brokers may household proxy materials, delivering a single proxy statement to all security holders sharing an address unless contrary instructions have been received from the security holders. Once you have received notice from your broker or us that they are householding proxy materials to your address, householding will continue until you are notified otherwise. You may revoke your consent. If, at any time, you no longer wish to participate in householding, you may prefer to receive a separate proxy statement, please notify your broker if you are using a brokerage account or us if you hold registered securities. You can notify us by sending a request to Sterling Chemicals, Inc., 333 Clay Street, Suite 3600, Houston, Texas 77002, Attention: Corporate Secretary.

* * *

Whether or not you plan to attend the Annual Meeting, please complete and return the enclosed proxy and return it in the enclosed envelope. No postage is required for mail in the United States.

By Order of the Board of Directors
/s/ Kenneth M. Hale
Kenneth M. Hale
Corporate Secretary
Houston, Texas
April 4, 2007

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There are three ways to vote your Proxy
COMPANY #

Your telephone or Internet vote authorizes the Named Proxies to vote in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK ««««

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, (Central) on May 21, 2007.

Please have your proxy card and the last four digits of your Social Security Identification Number available. Follow the simple instructions the voter information statement.

VOTE BY INTERNET <http://www.eproxy.com/schi/> QUICK ««««

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Time on May 21, 2007.

Please have your proxy card and the last four digits of your Social Security Identification Number available. Follow the simple instructions to obtain and return an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage paid envelope. Return it to Sterling Chemicals, Inc., c/o Shareowner ServicesSM, P.O. Box 1000, 55164-0873.

If you vote by Phone or Internet, please do not mail your proxy card.
øPlease detach hereø

The undersigned hereby revokes any proxies heretofore given and does not intend to give or vote as follows:

1. Election of directors: 01 Richard K. Crump
03 Dr. Peter Ting Kai Wu

Vote FOR all nominees listed WITHHOLD AUTHORITY to vote on all nominees listed

Vote FOR all nominees listed, except that authority to vote withheld for the following nominee: Write the number of the nominee in the box provided to the right.

2. Proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2007. For Against

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

Address change? Mark box Indicate changes
below:

SIGN HERE EXACTLY AS NAME(S) APPEAR(S) ON THE CARD

Date

Signature(s)

NOTE: When shares are held by joint tenants, both should sign. When sign as administrator, executor, guardian, etc., please indicate your full title as such. If a partnership name by authorized person.

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STERLING CHEMICALS, INC.
ANNUAL MEETING OF STOCKHOLDERS
Tuesday, May 22, 2007
10:00 a.m. Houston Time
Akin Gump Strauss
Hauer & Feld LLP
1111 Louisiana
Suite 4400
Houston, TX 77002

Common Stock / CUSIP 859166100

øPlease detach hereø

Sterling Chemicals, Inc.
333 Clay Street, Suite 3600
Houston, TX 77002

For The Annual Meeting To Be Held May 22,

The undersigned hereby constitutes and appoints Richard K. Crump and each of them, attorneys and agents, with full power of substitution, to vote the undersigned's shares of Common Stock, par value \$0.01 per share, of Sterling Chemicals, Inc. (the "Company") at the Annual Meeting of Stockholders of the Company to be held at the offices of Akin Gump Strauss Hauer & Feld LLP located at 1111 Louisiana Street, Suite 4400, Houston, Texas 77002 at 10:00 a.m., Houston time, on Tuesday, May 22, 2007, and at any adjournment or postponement thereof, in accordance with the instructions noted below, and to exercise all authority with respect to such other matters as may properly come before the meeting, and to sign any adjournment or postponement thereof. Receipt of notice of such meeting therefor dated April 4, 2007 is hereby acknowledged.

This Proxy will be voted in accordance with the Stockholder's specifications. In the absence of any such specification, this Proxy will be voted:

FOR each nominee for director; and

FOR the proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2007.

(Continued and to be signed and dated on other side.)

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There are three ways to vote your Proxy
COMPANY #

Your telephone or Internet vote authorizes the Named Proxies to vote in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK «««

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, (Central) on May 21, 2007.

Please have your proxy card and the last four digits of your Social Security Identification Number available. Follow the simple instructions the v

VOTE BY INTERNET <http://www.eproxy.com/schi/> QUICK «««

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 PM on May 21, 2007.

Please have your proxy card and the last four digits of your Social Security Identification Number available. Follow the simple instructions to obtain and return an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage paid envelope. Return it to Sterling Chemicals, Inc., c/o Shareowner ServicesSM, P.O. Box 55164-0873.

If you vote by Phone or Internet, please do not mail your proxy card.
øPlease detach hereø

The undersigned hereby revokes any proxies heretofore given and does not intend to give or vote as follows:

- 1. Election of directors:

01 Steven L. Gidumal,	05
02 Byron J. Haney,	06
03 Karl W. Schwarzfeld,	07
04 Philip M. Sivin,	

- o Vote FOR all nominees listed
- o WITHHOLD AUTHORITY to vote for all nominees listed

o Vote FOR all nominees listed, except that authority to vote withheld for the following nominee(s): Write the number(s) of the nominee(s) in the box provided to the right.

- 2. Proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for the Company for the year ending December 31, 2007.
 - o For

the fiscal year ending December 31, 2007.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

Address change? Mark box Indicate changes o
below:

SIGN HERE EXACTLY AS NAME(S) APPEAR(S) ON THE CARD

Date

Signature(s)

NOTE: When shares are held by joint tenants, both should sign. When sign as administrator, executor, guardian, etc., please indicate your full title as such. If a partnership name by authorized person.

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**STERLING CHEMICALS, INC.
ANNUAL MEETING OF STOCKHOLDERS
Tuesday, May 22, 2007
10:00 a.m. Houston Time
Akin Gump Strauss
Hauer & Feld LLP
1111 Louisiana
Suite 4400
Houston, TX 77002**

Series A Convertible Preferred Stock

øPlease detach hereø

**Sterling Chemicals, Inc.
333 Clay Street, Suite 3600
Houston, TX 77002**

For The Annual Meeting To Be Held May 22,

The undersigned hereby constitutes and appoints Richard K. Crump and each of them, attorneys and agents, with full power of substitution, to vote Series A Convertible Preferred Stock, par value \$0.01 per share, of Sterling Chemicals, Inc. (Company) standing in the name of the undersigned at the Annual Meeting of the Company to be held at the offices of Akin Gump Strauss Hauer & Feld LLP, 1111 Louisiana, Suite 4400, TX 77002 at 10:00 a.m., Houston time, on Tuesday, May 22, 2007, or any adjournment or postponement thereof, in accordance with the instructions contained herein and the exercise of discretionary authority with respect to such other matters as may properly arise or any adjournment or postponement thereof. Receipt of notice of such meeting and the Statement therefor dated April 4, 2007 is hereby acknowledged.

This Proxy will be voted in accordance with the Stockholder's specifications. In the absence of any such specification, this Proxy will be voted:

FOR each nominee for director; and

FOR the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2007.

(Continued and to be signed and dated on other pages.)