

STERLING CHEMICALS INC

Form S-4/A

May 08, 2008

As filed with the Securities and Exchange Commission on May 8, 2008

Registration No. 333-145803

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Amendment No. 3
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
Sterling Chemicals, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

2860

*(Primary Standard Industrial
Classification Code Number)*

72-0395707

*(I.R.S. Employer
Identification Number)*

333 Clay Street, Suite 3600
Houston, Texas 77002-4109
(713) 650-3700

*(Address, including zip code, and telephone number
including area
code, of registrant's principal executive offices)*

Kenneth M. Hale
Senior Vice President, General Counsel
and Corporate Secretary
333 Clay Street, Suite 3600
Houston, Texas 77002-4109
(713) 650-3700

*(Name, address, including zip code, and telephone
number,
including area code, of agent for service)*

Copy to:

J. Michael Chambers
Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana, 44th Floor
Houston, Texas 77002-5200
(713) 220-5800

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, or the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Information in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. We may not exchange these securities until the registration statement is effective. This prospectus is not an offer to sell or a solicitation of an offer to buy the securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 8, 2008

PROSPECTUS

\$150,000,000

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

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

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

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

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

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

Each broker-dealer that receives registered notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such registered notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended, or the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of registered notes received in exchange for unregistered notes where such unregistered notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for such period of time as may be required under the Securities Act to permit resales of registered notes, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

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

See Risk Factors beginning on page 15 of this prospectus for a discussion of risks that you should consider before participating in this exchange offer.

The date of this prospectus is _____, 2008

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ABOUT THIS PROSPECTUS

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

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

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC's public reference room at 100 F. Street

N.E., NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. You can also find more information about us at our Internet website located at <http://www.sterlingchemicals.com>. Our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports are available free of charge through our website. Our website provides a hyperlink to a third-party website where these reports may be viewed and printed at no cost as soon as reasonably practicable after we have electronically filed such material with the SEC. Except for such reports that may be specifically incorporated by reference in this prospectus, information that has been filed with the SEC or that is contained on our website does not constitute part of this prospectus.

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

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act.

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

the cyclical nature of the petrochemicals industry;

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

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

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

the adequacy of our liquidity;

our environmental management programs and safety initiatives;

our market sensitive financial instruments;

future uses of, and requirements for, financial resources;

future contractual obligations;

future amendments, renewals or terminations of existing contractual relationships;

business strategies;

growth opportunities;

competitive position;

expected financial position;

future cash flows or dividends;

budgets for capital and other expenditures;

plans and objectives of management;

outcomes of legal proceedings;

compliance with applicable laws;

our reliance on marketing partners;

adequacy of insurance coverage or indemnification rights;

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

petrochemicals industry production capacity or operating rates;

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

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

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

customer preferences;

our ability to attract or retain high quality employees;

operating hazards attendant to the petrochemicals industry;

casualty losses, including those resulting from weather related events;

changes in foreign, political, social or economic conditions;

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

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

effects of litigation;

cost, availability or adequacy of insurance; and

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

INDUSTRY AND MARKET DATA

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

PRODUCTION CAPACITY

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

PROSPECTUS SUMMARY

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

The Company

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

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

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

All of our plasticizers, which are used to make flexible plastics, such as shower curtains, floor coverings, automotive parts and construction materials, are sold to BASF Corporation, or BASF, pursuant to a long-term production agreement that extends until 2013, subject to some limited early termination rights held by BASF beginning in 2010. Under our agreement with BASF, they provide us with most of the required raw materials, market the plasticizers we produce, and are obligated to make certain fixed quarterly payments to us and to reimburse us monthly for our actual production costs and capital expenditures relating to our plasticizers facility.

Until early 2008 our primary products also included styrene. Styrene is a commodity chemical used to produce intermediate products such as polystyrene, expandable polystyrene resins and ABS plastics, which are used in a wide variety of products such as household goods, foam cups and containers, disposable food service items, toys, packaging and other consumer and industrial products. Over the last five years, we had generated approximately \$31 million of cumulative negative cash flows from our styrene operations, and we anticipated negative cash flows from our styrene operations for the foreseeable future. Due to the current and future expected market conditions for styrene discussed in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operation, we explored

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

styrene supply agreement with NOVA, which was subsequently assigned by NOVA to INEOS NOVA LLC, or INEOS NOVA, obtained clearance under the Hart-Scott-Rodino Act. This clearance caused the supply agreement to become effective and triggered a \$60 million payment obligation to us, which was paid by INEOS NOVA in November 2007. In addition, in accordance with the terms of the supply agreement, INEOS NOVA assumed substantially all of our contractual obligations for future styrene deliveries. Once the supply agreement became effective, INEOS NOVA nominated zero pounds of styrene under the supply agreement for the balance of 2007, and in response we exercised our right to terminate the supply agreement and permanently shut down our styrene plant. As a result of our decision to permanently shut down our styrene plant, we expect to incur closure costs of \$10 million to \$15 million and we will have no future cash flows from our styrene operations except for liquidation of our working capital and any potential plant salvage value. For a description of this agreement and its effect on our business, see Recent Developments below.

We manufacture all of our petrochemicals products at our site in Texas City, Texas. In terms of production capacity, our Texas City site has the sixth largest acetic acid facility in the world. The Texas City site covers an area of 290 acres, is strategically located on Galveston Bay and benefits from a deep-water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks and weigh scales, stainless and mild steel storage tanks, three waste deepwells, 135 acres of available land zoned for heavy industrial use, additional land zoned for light industrial use and a supportive political environment for growth. In addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, have on-site access to a number of key raw material pipelines, as well as close proximity to a number of large refinery complexes.

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

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

Current Industry Conditions

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

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

licensing or development of such additional capacity. The limited availability of this technology also creates a significant barrier to entry into the acetic acid industry by potential competitors.

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

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

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

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

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

Chemicals expanded its European joint venture with INEOS to include North American styrene and solid polystyrene assets, and The DOW Chemical Company announced on April 10, 2007, that it had signed a non-binding memorandum of understanding with Chevron Phillips Chemical Co. to form a joint venture involving selected styrene and polystyrene assets of the two companies in North America and South America.

Competitive Strengths

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

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

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

Our long-term plasticizers business relationship with BASF, established in 1986, was extended in 2006 until the end of 2013 subject to some limited termination rights held by BASF beginning 2010. In December 2007, BASF caused the shutdown of our phthalic anhydride unit by nominating zero pounds of phthalic anhydride in response to deteriorating market conditions which are not expected to improve in the foreseeable future. The shutdown will not have a material adverse effect on our financial condition, results of operations or cash flows. Under this agreement, BASF reimburses 100% of our costs, including capital expenditures, and pays us fixed quarterly fees, eliminating most, if not all, of our exposure to market risk in our plasticizers business.

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

Well-Invested Production Assets. Over the past five years, we and BP Chemicals invested \$19 million in capital in our acetic acid facility. A new and larger reactor was installed in 2003, which was sized for an ultimate capacity in excess of 1.7 billion pounds of annual production. A new and larger product column is expected to be installed during the facility turnaround scheduled for 2009. All new capital investments for our acetic acid facility are being made with a view to ultimately achieving 1.7 billion pound annual production capacity in a cost efficient

manner. We believe that the capital cost to expand our acetic acid facility to maximum capacity would be significantly less than the cost for new capacity at a greenfield location. In 2006, BASF invested approximately \$4 million to convert our plasticizers production unit over to a new range of esters as part of the extension of its production agreement with us which runs until 2013. BASF is responsible for all capital investment in the plasticizers, esters and phthalic anhydride production facilities through the length of the agreement. We and third parties subject to agreements with us invested a further \$22 million in site infrastructure capital over the past five years, including the rebuilding of a ship dock and two barge docks. Given the condition of our Texas City site and infrastructure, we anticipate spending only approximately \$2 million annually on utilities and services maintenance over the next five years.

Attractive Logistics Assets and Infrastructure. Our logistics assets include strategic access to the intercoastal waterway and the Gulf of Mexico, a deep water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks, direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site, truck loading racks and weigh scales, stainless and mild steel storage tanks, three waste deepwells, 135 acres of available land zoned for heavy industrial use, additional land zoned for light industrial use and a supportive political environment for growth. We are in the heart of one of the largest petrochemical complexes on the Gulf Coast, in close proximity to a number of large refinery complexes. As a result, we have on-site access to a number of key raw material pipelines and convenient access to several of our suppliers and customers. Currently, our dock facilities can accommodate new uses and we have 31 tanks available for third party use or terminalling. These assets present a substantial opportunity to grow our business by attracting new chemical related businesses to our Texas City site and significant opportunities for further development.

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

Experienced Management Team. Our senior management team consists of five executives with an average of over 27 years of experience in the chemicals industry, 15 years of which have been with us. Our management team has demonstrated expertise in reducing costs, improving profitability and expanding profitable production capacity, while exiting unprofitable businesses through various economic cycles.

Business Strategy

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

Our Texas City site offers approximately 135 acres for future expansion by us or by other companies that can benefit from our existing infrastructure and facilities, and includes a greenbelt around the northern edge of the plant site. Our Texas City site is strategically located on Galveston Bay and we benefit from a deep water dock capable of handling ships with up to a 40-foot draft, as well as four barge docks and direct access to Union Pacific and Burlington Northern Santa Fe railways with in-motion rail scales on site. Our Texas City site also has truck loading racks, weigh scales, stainless and mild steel storage tanks, three waste deepwells, 135 acres of available land zoned for heavy industrial use and additional land zoned for light industrial use, and a supportive political environment for growth. In

addition, we are in the heart of one of the largest petrochemical complexes on the Gulf Coast and, as a result, have on-site access to a number of key raw material pipelines and are in close proximity to a number of the larger refinery complexes.

Given our under-utilized infrastructure, our management and engineering expertise, as well as ample unoccupied land, we believe that there are significant opportunities for further development of our Texas City

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

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

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

Recent Developments

On September 17, 2007, we entered into a long-term exclusive styrene supply agreement and a related railcar purchase and sale agreement with NOVA. Under the supply agreement, NOVA had the exclusive right to purchase 100% of our styrene production (subject to existing contractual commitments), the amount of styrene supplied in any particular period being at NOVA's option, based on a full-cost formula. In November 2007, the styrene supply agreement with NOVA, which was subsequently assigned by NOVA to INEOS NOVA, obtained clearance under the Hart-Scott-Rodino Act. This clearance caused the agreement to become effective and triggered a \$60 million payment obligation to us, which was paid by INEOS NOVA in November 2007 and was recorded as deferred income. In addition, in accordance with the terms of the supply agreement, INEOS NOVA assumed substantially all of our contractual obligations for future styrene deliveries. Once the supply agreement became effective, INEOS NOVA nominated zero pounds of styrene under the supply agreement for the balance of 2007, and in response we exercised our right to terminate the supply agreement and permanently shut down our styrene plant. Under the supply agreement, we are responsible for the closure costs of our styrene facility and are also subject to a long-term commitment to not reenter the styrene business for a period of time. The closure costs of the styrene facility are expected to be between \$10 million and \$15 million. These expected costs include \$4 million to \$5 million in severance payments for workforce reductions and \$6 million to \$10 million in inventory disposal costs for inventory produced subsequent to September 30, 2007. Severance costs have not been accrued in the consolidated balance sheets as we have not met the requirement to accrue a liability under SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities (as amended), or SFAS No. 146. In addition, we are currently evaluating business alternatives at our Texas City facility, and if successful, some portion of the severance costs may not occur. The inventory disposal costs are not accrued in the consolidated balance sheet as we are not legally obligated to incur them, and therefore, these expected costs do not represent asset retirement obligations under SFAS No. 143,

Accounting for Asset Retirement Obligations, or SFAS No. 143. Approximately \$1 million of these costs were expensed during the fourth quarter of 2007, with the balance expected to be expensed during 2008. The cash flow impact of these costs will be offset by approximately \$90 million from the monetization of styrene-related working capital received at the end of the first quarter of 2008. We recorded an impairment charge of \$4 million (before taxes) during the fourth quarter of 2007 related to incomplete capital projects associated with our styrene operations.

We operated our styrene manufacturing unit through early December, as we completed our production of inventory and exhausted our raw materials and purchase requirements. In 2008, significant effort was put forth for a number of

activities, including selling styrene and co-products from our inventory, shipping product to customers, billing and collecting for sales activity and decommissioning and decontaminating the styrene production facility and related tanks and storage areas. Our styrene-related personnel continue to work in and support the styrene

business by performing activities necessary to sell the remaining products (including marketing, fulfillment of sales orders and delivery of product) and to permanently shut down and decommission the unit. We have not developed plans for a reduction in workforce at this time as we hope to transition these employees to new business ventures after their work in styrene is complete. Our last sale of styrene was made in January 2008 and sales of by-products have continued through the first quarter of 2008. Additionally, we expect significant cash flow from operations to be generated from the collection of styrene-related accounts receivable during the first quarter of 2008.

Accordingly, consistent with the guidance EITF Abstracts, Topic No. D-104, Clarification of Transition Guidance in Paragraph 51 of FASB Statement No. 144, we will report the operating results of the styrene business as discontinued operations in our consolidated financial statements beginning in the first quarter of 2008. The revenues for the styrene operations for the years ended December 31, 2007, 2006 and 2005 were \$681.5 million, \$524.7 million and \$513.8 million, respectively.

Unless certain strategic initiatives being pursued are implemented, we anticipate reducing our workforce over the next nine months in connection with our exit from the styrene business. This reduction of workforce would result in severance costs of between \$4 million and \$5 million. In an effort to mitigate these disruptions, reduce costs and add value to our Texas City site, we are actively engaged in third-party discussions regarding strategic initiatives that would require the services of many of our dedicated styrenics employees. If one or more of these strategic initiatives are consummated over the next few months, the reduction to our workforce, the amount of severance payments and the other styrene business closure costs could be reduced.

Principal Executive Offices

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

THE EXCHANGE OFFER

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

The Exchange Offer

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

Registration Rights

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

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

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

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

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

Resales

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

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

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

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

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

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

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

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

Expiration Time

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

Conditions to the Exchange Offer

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

Procedures for Tendering Unregistered Notes

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

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

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

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

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

if you are a broker-dealer that will receive registered notes for your own account in exchange for unregistered notes that were acquired as a result of market-making activities, you will deliver a prospectus, as required by law, in connection with any resale of the registered notes.

Withdrawal of Tenders	A tender of unregistered notes pursuant to this exchange offer may be withdrawn at any time prior to the expiration date. Any unregistered notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of this exchange offer.
Guaranteed Delivery Procedures	If you wish to tender your unregistered notes and your unregistered notes are not immediately available or you cannot deliver your unregistered notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC's Automated Tender Offer Program prior to the expiration date, you must tender your unregistered notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offer Guaranteed Delivery."
Delivery of the Registered Notes	The registered notes issued pursuant to this exchange offer will be delivered to holders who tender unregistered notes promptly following the expiration time.
Effect on Holders of Unregistered Notes	As a result of the making of, and upon acceptance for exchange of all validly tendered unregistered notes pursuant to the terms of the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement and, accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you are a holder of unregistered notes and do not tender your unregistered notes in the exchange offer, you will continue to hold such unregistered notes and you will be entitled to all the rights and limitations applicable to the unregistered notes in the indenture, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.
Consequences of Failure to Exchange	All untendered unregistered notes will continue to be subject to the restrictions on transfer provided for in the unregistered notes and in the indenture. In general, the unregistered notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with this exchange offer, we do not anticipate that we will register the unregistered notes under the Securities Act.
Material United States Federal Income Tax Consequences	The exchange of unregistered notes for registered notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. For more information, see "Material U.S. Federal Income Tax Consequences."
Use of Proceeds	We will not receive any cash proceeds from the issuance of the registered notes.

Exchange Agent

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

THE REGISTERED NOTES

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

Issuer	Sterling Chemicals, Inc.
Securities Offered	\$150.0 million aggregate principal amount of 101/4% senior secured notes.
Maturity Date	April 1, 2015.
Interest	We will pay interest in cash on the principal amount of the registered notes at an annual rate of 101/4%. Interest will be payable in cash semi-annually in arrears on April 1 and October 1 of each year, beginning October 1, 2007.
Guarantees	The registered notes will be unconditionally guaranteed by all of our domestic restricted subsidiaries on a senior secured basis. Currently, we do not have any domestic restricted subsidiaries.
Collateral	<p>The registered notes and the guarantees, if any, will be secured, subject to specified permitted liens, by a first priority lien on substantially all of our and any guarantors' fixed assets and certain related assets, including, without limitation, all property, plant and equipment. The first priority lien will not extend to assets securing our revolving credit facility. The registered notes and any guarantees will be secured, subject to specified permitted liens, by a second priority lien on our and the guarantors' other assets including, without limitation, accounts receivable, inventory, capital stock of our and their respective direct subsidiaries, certain intellectual property, deposit accounts and investment property securing on a first priority basis the obligations under our revolving credit facility. Consequently, the registered notes and any guarantees will be effectively subordinated to the revolving credit facility to the extent of the value of the assets securing our revolving credit facility. See Description of Notes Collateral.</p>
Ranking	<p>The registered notes will be:</p> <ul style="list-style-type: none">senior secured obligations of the Issuer;equal in right of payment with all existing and future senior indebtedness of the Issuer;effectively senior to all existing and future senior unsecured indebtedness of the Issuer to the extent of the value of the assets securing the registered notes; and

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

The guarantee of any guarantor will be:

senior secured obligations of that guarantor;

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

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

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

As of December 31, 2007, we would have had \$150 million of senior indebtedness, all of which would have represented outstanding principal under the unregistered notes. The indenture governing the registered notes permits us, subject to specified limitations, to incur additional debt, some or all of which may be senior indebtedness.

Optional Redemption

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

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

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

Change of Control Offer

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

Asset Sale or Event of Loss Offer

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

Certain Indenture Covenants

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

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

incur indebtedness or issue disqualified capital stock;

make certain investments;

create liens on assets;

restrict dividend payments or other payments from subsidiaries to us;

consolidate or merge;

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

enter into transactions with affiliates;

designate subsidiaries as unrestricted subsidiaries;

use the proceeds of permitted sales of assets; and

change our line of business.

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

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth our summary historical consolidated financial data as of the dates and for the periods indicated. The historical consolidated statement of operations data for each of the three fiscal years ended December 31, 2005, December 31, 2006 and December 31, 2007 and the historical consolidated balance sheet data as of December 31, 2007 are derived from, and are qualified in their entirety by, our historical consolidated financial statements included elsewhere in this prospectus.

You should read the following summary and financial data together with Business, Selected Historical Consolidated Financial and Operating Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus. In the following tables (including the footnotes thereto), dollars are in thousands, except as otherwise indicated.

	Year Ended December 31,		
	2005⁽¹⁾	2006⁽¹⁾	2007
	(Dollars in thousands)		
Statement of Operations Data:			
Revenues	\$ 641,886	\$ 665,923	811,326
Cost of goods sold	653,134	654,718	801,752
Gross profit (loss)	(11,248)	11,205	9,574
Selling, general and administrative expenses	7,811	8,347	11,843
Impairment of long-lived assets		127,653	4,288
Other income		(15,724)	(225)
Interest and debt related expenses, net of interest income	10,090	10,079	15,706
Loss from continuing operations before income tax	\$ (29,149)	\$ (119,150)	(22,038)
Benefit for income taxes	(10,641)	(14,488)	(5,503)
Loss from continuing operations	\$ (18,508)	\$ (104,662)	(16,535)
Loss from discontinued operations, net of tax	(11,060)	(997)	(2,393)
Net Loss	\$ (29,568)	\$ (105,659)	(18,928)
Other Financial Data:			
Depreciation and amortization	33,342	30,476	10,908
Capital expenditures	9,460	11,547	6,411
Ratio of earnings to fixed charges ⁽²⁾			

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

⁽²⁾ Additional pre-tax earnings needed to achieve a 1:1 ratio for the years ended December 31, 2005, 2006 and 2007 were \$29.1 million, \$119.2 million and \$22.0 million, respectively.

**As of December 31,
2007**

Summary Balance Sheet Data:

Cash and cash equivalents	\$	100,183
Accounts receivable, net		85,152
Inventories, net		20,753
Property, plant and equipment, net		77,677
Total assets		306,444
Total liabilities		280,665
Redeemable preferred stock		99,866
Stockholders' equity (deficiency in assets)		(74,087)

RISK FACTORS

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

Risks Related to Our Business

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

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

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

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

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

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

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

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

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

severe weather and natural disasters;

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

environmental remediation complications; and

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

Many of these hazards can cause bodily injury or loss of life, severe damage to or destruction of property or equipment or environmental damage, and may result in suspension of operations or the imposition of civil or criminal penalties and liabilities. Furthermore, we are subject to present and future claims with respect to workplace

exposure of our employees or contractors on our premises or other persons located nearby, workers' compensation and other matters.

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

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

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

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

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

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

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

the transportation of hazardous chemicals. Our business or our customers' businesses could be adversely affected because of the cost of complying with new security regulations.

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

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

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

Approximately 38% of our employees are covered by a collective bargaining agreement that expires on May 1, 2012. Disputes with the union representing these employees or other labor relations issues may negatively affect our business.

As of December 31, 2007, we had 248 employees, of whom approximately 38% (all of our hourly employees at our Texas City site) were represented by the Texas City, Texas Metal Trades Council, AFL-CIO, or the Union, and are covered by a collective bargaining agreement which expires on May 1, 2012. Although we believe our relationship with our hourly employees is generally good, we locked out these employees for 16 weeks in 2002 and our hourly employees engaged in a one-week strike in 2004, in both cases in connection with efforts to reach new collective bargaining agreements. Future strikes or other labor disturbances could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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

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

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

Prior to our emergence from bankruptcy in 2002, we eliminated our holding company structure by merging Sterling Chemicals Holdings, Inc. with and into us. We believe that this merger qualifies as a tax-free reorganization

pursuant to Section 368(a)(1)(G) of the Internal Revenue Code (commonly referred to as a "G Reorganization") for United States federal income tax purposes. However, a judicial determination that this merger did not qualify as a G Reorganization would result in additional federal income tax liability which could materially adversely affect our business, financial condition, results of operations and cash flows.

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

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

- potential disruption of our ongoing business and distraction of management;
- unexpected loss of key employees or customers of an acquired business;
- conforming an acquired business' standards, processes, procedures or controls with our operations;
- coordinating new product and process development;
- hiring additional management or other critical personnel;
- encountering unknown contingent liabilities which could be material; and
- increasing the scope, geographic diversity and complexity of our operations.

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

We reported a material weakness in our internal controls that, if not remedied, could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our registered securities.

Based on their evaluation as of December 31, 2007, our Chief Executive Officer and Chief Financial Officer concluded as of December 31, 2007, that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act are not effective to ensure that information required to be disclosed by the company in the reports it files or submits is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the chief executive

officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure because of the identification of a material weakness in our internal control over financial reporting, which we view as an integral part of our disclosure controls or procedures.

In our assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, we identified a material weakness with respect to the appropriate application of complex accounting guidance to significant, material transactions. We lacked sufficient control procedures as well as adequate involvement of knowledgeable technical accounting resources. The material weakness resulted in a restatement of our financial statements and selected financial data for the fiscal years ended December 31, 2006, 2005, 2004 and 2003.

Any failure to remediate the material weakness or to implement the required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. Any such failure also could adversely affect the results of the periodic management evaluations which are required annually and annual auditor attestation regarding the effectiveness of our internal control over financial reporting that is currently scheduled to be required when the SEC's rules under Section 404 become applicable to us beginning with our Annual Report on Form 10-K for the year ending December 31, 2008 to be filed in early 2009 (unless the one year delay proposed by the SEC is approved). Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our registered securities.

Risks Relating to the Notes

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

As of December 31, 2007, we had total long-term debt of \$150.0 million (consisting of outstanding principal on the unregistered notes). The terms and conditions governing our indebtedness, including our notes and our revolving credit facility:

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

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

- limit our ability to obtain additional financing;

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

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

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulation. We cannot be certain that our earnings will be sufficient to allow us to pay the principal and interest on our debt, including the notes, and meet our other obligations. If we do not have enough money, we may be required to refinance all or part of our existing debt, including the notes, sell assets, borrow more money or raise equity. We may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us, if at all. Further, failing to comply with the financial and other restrictive covenants in our indebtedness could result in an event of default under such indebtedness, which could adversely affect our business, financial condition, results of operations or cash flows.

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

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

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

The notes and the related guarantees, if any, are secured, subject to certain permitted liens, by a first priority lien on substantially all of our and any guarantors' fixed assets and certain related assets, or the primary collateral,

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

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

We cannot assure you of the value of the primary collateral and secondary collateral, or the collateral. We further cannot assure you that the net proceeds of a sale of the collateral would be sufficient to repay all of the notes following a foreclosure upon the collateral (and any payments in respect of prior liens) or a liquidation of our assets or the assets of any guarantors that may grant these security interests. As of December 31, 2007, the book value of the primary collateral was \$77.6 million. The value of the collateral at any time will depend upon market and other economic conditions, including the availability of suitable buyers for the collateral. By their nature, some of the pledged assets may be illiquid and may have no readily ascertainable market value. The value of the assets constituting the collateral could be impaired in the future as a result of changing economic conditions and other factors beyond our control. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from any sale or liquidation of the collateral may be insufficient to pay our obligations under the notes in full.

If the net proceeds received from the sale of the collateral, after payment of our creditors having first priority security interests in the collateral for which the noteholders hold a second priority lien, are not sufficient to repay all amounts due with respect to the notes, you would, to the extent of the insufficiency, have only an unsecured claim against any guarantors remaining assets, if any. Moreover, the ability of the trustee for the notes to foreclose upon the collateral securing the notes would be delayed if we, or any future guarantors, were subject to proceedings under applicable bankruptcy law.

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

The security documents allow us and our subsidiaries to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the collateral securing the notes. In addition, to the extent we sell any assets that constitute collateral, the proceeds from such sale will be subject to the liens securing the notes only to the extent such proceeds would otherwise constitute collateral securing the notes under the security documents. To the extent the proceeds from any such sale of collateral do not constitute collateral under the security documents, the pool of assets securing the notes would be reduced and the notes would not be secured by such proceeds.

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

The ability of noteholders to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy or the bankruptcy of any guarantors. Under applicable federal bankruptcy laws, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to retain collateral even though the debtor is in default under the

applicable debt instruments, provided generally that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to the circumstances, but is intended in general to protect the value of the secured creditor's interest in the collateral at the commencement of the bankruptcy case and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition of the collateral by the debtor during the pendency of the bankruptcy case. In view of the lack of a precise

definition of the term "adequate protection" and the broad discretionary powers of a bankruptcy court, we cannot predict whether payments under the notes would be made following commencement of and during a bankruptcy case, whether or when the collateral agent, on behalf of the trustee and the noteholders, could foreclose upon or sell the collateral or whether or to what extent noteholders would be compensated for any delay in payment or loss of value of the collateral through the requirement of "adequate protection." Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the notes, noteholders would hold undersecured claims. Applicable federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorney's fees for undersecured claims during a debtor's bankruptcy case.

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

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

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

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

The security interest in the collateral securing the notes includes domestic assets, both tangible and intangible, whether now owned or acquired or arising in the future. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired collateral. The failure to perfect a security interest in respect of such acquired collateral may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.

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

the extent that such challenge succeeded, you would lose the benefit of the security that the collateral was intended to provide.

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

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

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

was insolvent or rendered insolvent by reason of such incurrence;

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

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

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

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

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

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

it could not pay its debts as they become due.

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

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

THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

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

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

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

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

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

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

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

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

Resale of Registered Notes

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

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

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

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

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

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

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

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

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

Terms of the Exchange Offer

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

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

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

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

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

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

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

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

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

Expiration Date; Extensions; Amendments

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

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

We reserve the right, in our sole discretion:

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

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

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

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

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

Certain Conditions to the Exchange Offer

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

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

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

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

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

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

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

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

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

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

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

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

Procedures for Tendering

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

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

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

In addition, either:

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

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

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

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

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

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

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

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

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

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

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

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

for the account of an eligible institution.

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

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

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

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

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

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

the agreement may be enforced against such participant.

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

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

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

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

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

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

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

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

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

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

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

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

Book-Entry Transfer

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

Guaranteed Delivery Procedures

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

the tender is made through an eligible institution;

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

stating that the tender is being made thereby;

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

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

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

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

Withdrawal of Tenders

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

For a withdrawal to be effective:

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

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

Any such notice of withdrawal must:

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

identify the unregistered notes to be withdrawn, including the principal amount of such unregistered notes; and where certificates for unregistered notes have been transmitted, specify the name in which such unregistered notes were registered, if different from that of the withdrawing holder.

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

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

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

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

Exchange Agent

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

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

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

Fees and Expenses

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

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

Our expenses in connection with the exchange offer include:

SEC registration fees;

fees and expenses of the exchange agent and trustee;

accounting and legal fees and printing costs; and

related fees and expenses.

Transfer Taxes

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

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

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

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

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

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

Consequences of Failure to Exchange

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

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

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

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

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

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

cannot rely on the applicable interpretations of the SEC; and

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

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

Accounting Treatment

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

Other

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

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

USE OF PROCEEDS

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

The net proceeds from the offering of the unregistered notes, after deducting fees and expenses, was \$142.2 million. We used those proceeds to purchase and redeem all of our outstanding 10% Senior Secured Notes due 2007, or our 2007 secured notes, and for general corporate purposes.

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

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

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

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization at December 31, 2007, and should be read in conjunction with our historical consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Conditions and Results of Operations and other financial information included elsewhere in this prospectus.

	At December 31, 2007
	(Dollars in thousands)
Cash and cash equivalents	\$ 100,183
Long-term debt, including current maturities:	
Revolving credit facility	
Senior secured notes due 2015	150,000
Total long-term debt	150,000
Redeemable preferred stock	99,866
Stockholders' equity (deficiency in assets)	(74,087)
Total capitalization	\$ 175,779

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements adjust our historical consolidated financial statements to give effect to our exit from the styrene business and disposition of the related asset group in connection with the supply agreement signed with NOVA, followed by their payment to us of \$60 million in November 2007. The unaudited pro forma condensed consolidated financial statements are being provided herein due to our decision to exit the styrene business.

The unaudited pro forma condensed consolidated financial statements are based on our historical consolidated financial statements for the three years ended December 31, 2007, 2006 and 2005 and give effect to the discontinuation of the styrene business as if it had occurred on January 1, 2005 for the purposes of the consolidated statements of operations. The consolidated balance sheet as of December 31, 2007 reflects the assets and liabilities of styrene as if these operations had already been discontinued.

The unaudited pro forma condensed consolidated financial statements do not purport to represent what our results of operations or financial position would have actually been had the discontinuation of the styrene business occurred on the dates noted above, or to project our results of operations or financial position as of any future date or for any future periods. The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The adjustments are directly attributable to the discontinuation of the styrene business and are expected to have a continuing impact on our financial position and results of operations. In our opinion, all adjustments necessary to present fairly the unaudited pro forma condensed consolidated financial statements have been made.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the information contained in Selected Historical Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes thereto appearing elsewhere in this registration statement.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31, 2007
(Dollars in Thousands, Except Share Data)

	Historical	Adjustments	Pro Forma
Revenues	\$ 811,326	\$ (681,513) ⁽¹⁾	\$ 129,813
Cost of goods sold	801,752	(685,321) ⁽¹⁾⁽²⁾	116,431
Gross profit	9,574	3,808	13,382
Selling, general and administrative expenses	11,843	(3,164) ⁽¹⁾⁽²⁾	8,679
Impairment of long-lived assets	4,288	(4,288) ⁽⁴⁾	
Other income	(225)		(225)
Interest and debt related expenses, net of interest income	15,706		15,706
Loss before income tax	\$ (22,038)	\$ 11,260	\$ (10,778)
Benefit for income taxes	(5,503)	(3)	(5,503)
Loss from continuing operations	\$ (16,535)	\$ 11,260	\$ (5,275)
Preferred stock dividends	17,550		17,550
Net loss from continuing operations attributable to common stockholders	\$ (34,085)	\$ 11,260	\$ (22,825)
Loss per share from continuing operations of common stock attributable to common stockholders, basic and diluted	\$ (12.05)		\$ (8.07)
Weighted average shares outstanding, basic and diluted	2,828,460		2,828,460

See notes to unaudited pro forma condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31, 2006
(Dollars in Thousands, Except Share Data)

	Historical	Adjustments	Pro Forma
Revenues	\$ 665,923	\$ (524,664) ⁽¹⁾	\$ 141,259
Cost of goods sold	654,718	(527,305) ⁽¹⁾⁽²⁾	127,413
Gross profit	11,205	2,641	13,846
Selling, general and administrative expenses	8,347	(1,274) ⁽¹⁾⁽²⁾	7,073
Impairment of long-lived assets	127,653	(127,653) ⁽⁴⁾	
Other income	(15,724)	15,000 ⁽⁵⁾	(724)
Interest and debt related expenses, net of interest income	10,079		10,079
Loss before income tax	\$ (119,150)	\$ 116,568	\$ (2,582)
Provision (benefit) for income taxes	(14,488)	(3)	(14,488)
Income (loss) from continuing operations	\$ (104,662)	\$ 116,568	\$ 11,906
Preferred stock dividends	11,774		11,774
Net income (loss) from continuing operations attributable to common stockholders	\$ (116,436)	\$ 116,568	\$ 132
Income (loss) per share from continuing operations of common stock attributable to common stockholders, basic and diluted	\$ (41.17)		\$ 0.05
Weighted average shares outstanding, basic and diluted	2,828,460		2,828,460

See notes to unaudited pro forma condensed consolidated financial statements.

