

WESTLAKE CHEMICAL CORP
Form DEF 14A
April 03, 2006

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

SCHEDULE 14A Information

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

WESTLAKE CHEMICAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

WESTLAKE CHEMICAL CORPORATION

2801 Post Oak Blvd.

Houston, Texas 77056

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 15, 2006

To the Stockholders:

The annual meeting of stockholders of Westlake Chemical Corporation (the Company or Westlake) will be held at the Westlake Center Annex, 2801 Post Oak Blvd., Houston, Texas 77056, on May 15, 2006 at 9:00 a.m. local time for the following purposes:

- (1) To elect two members of the board of directors for the terms described in the Proxy Statement;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2006; and
- (3) To act upon any other matters that may properly come before the annual meeting.

The board of directors has fixed the close of business on March 30, 2006, as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting.

All stockholders are requested to be present in person or by proxy. For the convenience of those stockholders who do not expect to attend the annual meeting in person and desire to have their shares voted, a form of proxy and an envelope, for which no postage is required, are enclosed. You may also vote by the Internet or telephone. Any stockholder may revoke the proxy for any reason and at any time before it is voted.

Please complete, sign, date and mail promptly the accompanying proxy card in the return envelope furnished for that purpose, whether or not you plan to attend the annual meeting.

Voting by the Internet or telephone is fast, convenient and your vote is immediately confirmed and tabulated. By using the Internet or telephone you help the Company reduce postage and proxy tabulation costs.

Please do not return the enclosed proxy if you are voting over the Internet

or by telephone.

VOTE BY INTERNET

American Stock Transfer & Trust Company

<http://www.voteproxy.com>

24 hours a day/7 days a week

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern time on May 14, 2006. Have your proxy card in hand when you access the Web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Your cooperation is appreciated, since a majority of the common stock must be represented, either in person or by proxy, to constitute a quorum for the conduct of business.

By Order of the Board of Directors

Stephen Wallace

Vice President, General Counsel and Secretary

Dated: April 3, 2006

VOTE BY TELEPHONE

American Stock Transfer & Trust Company

1-800-PROXIES via touch tone

phone toll-free

24 hours a day/7 days a week

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern time on May 14, 2006. Have your proxy card in hand when you call and then follow the instructions.

WESTLAKE CHEMICAL CORPORATION

2801 Post Oak Blvd.

Houston, Texas 77056

PROXY STATEMENT

For Annual Meeting of Stockholders To Be Held on May 15, 2006

GENERAL

This Proxy Statement and the accompanying form of proxy are being furnished to the stockholders of Westlake Chemical Corporation (the Company or Westlake) on or about April 3, 2006 in connection with the solicitation of proxies by our board of directors for use at the annual meeting of stockholders to be held on May 15, 2006 at 9:00 a.m. local time at the Westlake Center Annex, 2801 Post Oak Blvd., Houston, Texas 77056, and any adjournment of the annual meeting.

The following matters will be acted upon at the annual meeting:

- (1) To elect two members of the board of directors for the terms described herein;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2006; and
- (3) To act upon any other matters that may properly come before the annual meeting.

Our board of directors does not know of any other business to be brought before the annual meeting, but if any other business is properly brought before the annual meeting, proxies will be voted upon those matters in accordance with the judgment of the person or persons acting under the proxies.

The accompanying Notice of Annual Meeting of Stockholders, this Proxy Statement and the form of proxy are being first sent to stockholders on or about April 3, 2006.

All shares represented by proxies received will be voted in accordance with instructions contained in the proxies. The board of directors unanimously recommends a vote:

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- (1) FOR the nominees for director listed in these materials and on the proxy; and

- (2) FOR the ratification of the appointment of the Company's independent registered public accounting firm.

In the absence of voting instructions to the contrary, shares represented by validly executed proxies will be voted in accordance with the foregoing recommendations. A stockholder giving a proxy has the power to revoke it at any time before it is voted by providing written notice to the Secretary of the Company, by delivering a later-dated proxy, or by voting in person at the annual meeting.

Only stockholders of record at the close of business on March 30, 2006, also referred to as the record date, will be entitled to vote at the annual meeting. At the close of business on the record date, there were 65,169,299 shares of common stock, par value \$0.01 per share, outstanding, which represent all of the voting securities of the Company. Each share of common stock is entitled to one vote. Stockholders do not have cumulative voting rights in the election of directors.

A majority of the common stock entitled to vote at the annual meeting, present either in person or by proxy, will constitute a quorum. Abstentions and broker non-votes will be counted as present for purposes of determining whether there is a quorum present at the meeting. Shares held by a broker or other nominee as to which they have not received voting instructions from the beneficial owners and lack the discretionary authority

to vote on a particular matter are called broker non-votes. Approval of the proposal to elect the two nominees as directors requires the affirmative vote of a plurality of the votes cast. Abstentions and broker non-votes will not be included in the total of votes cast and will not affect the outcome of the vote. The affirmative vote of a majority of the votes cast at the annual meeting, either in person or by proxy, is required for the approval of the proposal to ratify the appointment of PricewaterhouseCoopers LLP. Abstentions on the proposal to ratify the appointment of PricewaterhouseCoopers LLP will be counted as a vote against the proposal. Broker non-votes will not be included in the total votes cast and will not affect the outcome of the vote.

In addition to mailing this material to the stockholders, the Company has asked banks and brokers to forward copies to persons for whom they hold common stock of the Company and request authority for execution of the proxies. The Company will reimburse the banks and brokers for their reasonable out-of-pocket expenses in doing so. Officers and employees of the Company may, without being additionally compensated, solicit proxies by mail, telephone, facsimile or personal contact. All proxy-soliciting expenses will be paid by the Company in connection with the solicitation of votes for the annual meeting. The Company has engaged American Stock Transfer & Trust Company to tabulate voting results.

INFORMATION REGARDING BOARD OF DIRECTORS

INDEPENDENCE OF DIRECTORS

As of the date of this Proxy Statement, TTWF LP, our principal stockholder, owns 79.03% of the outstanding common stock of the Company. Under the corporate governance rules of the New York Stock Exchange, we are considered to be controlled by TTWF LP. As a controlled company, we are eligible for exemptions from provisions of these rules requiring a majority of independent directors, nominating and governance and compensation committees composed entirely of independent directors and written nominating and governance and compensation committee charters addressing specified matters. We have elected to take advantage of certain of these exemptions. In the event that we cease to be a controlled company within the meaning of these rules, we will be required to comply with these provisions after the specified transition periods.

Our board of directors has determined, after considering all of the relevant facts and circumstances, that Messrs. Blakely and Lukens and Dr. Whitaker are independent from our management, as independence is defined by the rules and regulations of the Securities & Exchange Commission (SEC) and the listing standards of the New York Stock Exchange. This means that none of these directors has any direct or indirect material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us and that none of the express disqualifications contained in the New York Stock Exchange rules applies to any of them. Dr. Whitaker is a Professor of Business Economics at the Jesse H. Jones Graduate School of Management of Rice University. In addition, Dr. Whitaker is the former Dean of the Jesse H. Jones Graduate School of Management of Rice University. Our President and Chief Executive Officer, Albert Chao, is a trustee of Rice University. Our board of directors has determined that, notwithstanding these relationships with Rice University, Dr. Whitaker is independent as such term is defined in the rules and regulations of the SEC and by the listing standards of the New York Stock Exchange. In making such determination, the board of directors considered, among other things, that: Rice University has 25 trustees; Dr. Whitaker reports to the Dean of the Jesse H. Jones Graduate School of Management of Rice University who in turn reports to the provost (chief academic officer) of the University, who in turn reports to the president (chief executive officer) of the University, who in turn reports to the board of trustees, and Dr. Whitaker thus does not report to the board of trustees; the Dean, not the board of trustees, sets Dr. Whitaker's compensation.

EXECUTIVE SESSIONS

The Company's governance guidelines require that non-management directors meet at regularly scheduled executive sessions without management. At these meetings of non-management directors, the non-management directors have decided that the non-management director

that presides over the meeting will rotate among the non-management directors.

Since one of the non-management directors is not independent, the Company's governance guidelines require that the independent directors meet at least once a year. At these meetings of independent directors, the independent directors have decided that the independent director that presides over the meeting will rotate among the independent directors.

Stockholders may communicate with these directors in the manner described under "Communications with Directors" below.

COMMITTEES OF THE BOARD OF DIRECTORS

The Audit Committee

The audit committee of the board of directors is comprised of Robert T. Blakely (chairman), Max L. Lukens and Dr. Gilbert R. Whitaker, Jr. All current committee members are independent as defined by the listing standards of the New York Stock Exchange and Section 10A(m)(3) of the Securities Exchange Act of 1934. The board has determined that each of Messrs. Blakely and Lukens and Dr. Whitaker is an audit committee financial expert as that term is defined by SEC regulations. The primary functions of the audit committee are to review the adequacy of the system of internal controls and management information systems, to review the results of our independent registered public accounting firm's quarterly reviews of our interim financial statements, and to review the planning and results of the annual audit with our independent registered public accounting firm. This committee held 11 meetings in 2005. The board of directors has adopted a written charter for the audit committee. The audit committee charter is publicly available on our Web site at: <http://www.westlakechemical.com> under "Investor Relations" Corporate Governance.

The Compensation Committee

The compensation committee of the board of directors is comprised of Albert Chao, Dorothy C. Jenkins and Max L. Lukens (chairman). Since Westlake is considered to be controlled by the principal stockholder under New York Stock Exchange rules, all compensation committee members are not required to be independent as defined by the listing standards of the New York Stock Exchange. The compensation committee's primary functions include overseeing our executive compensation, director compensation and equity and performance incentive compensation plans and policies. This committee held four meetings in 2005. The compensation committee has adopted a written charter. The compensation committee charter is publicly available on our Web site at: <http://www.westlakechemical.com> under "Investor Relations" Corporate Governance.

The Nominating and Governance Committee

The nominating and governance committee is comprised of Albert Chao, James Chao and Dr. Gilbert R. Whitaker, Jr. (chairman). Since Westlake is considered to be controlled by the principal stockholder under New York Stock Exchange rules, all nominating and governance committee members are not required to be independent as defined by the listing standards of the New York Stock Exchange. The nominating and governance committee's primary functions are (1) to identify individuals qualified to become directors of the Company, (2) to recommend to the board of directors director candidates to fill vacancies on the board of directors and to stand for election by the stockholders at the annual meeting of stockholders, (3) to recommend committee assignments for directors, (4) to monitor and periodically assess the performance of the board of directors and its committees, and (5) to develop and recommend to the board of directors appropriate corporate governance policies, practices and procedures for the Company. In assessing the qualifications of prospective nominees to serve as directors, the committee will consider, in addition to any criteria set forth in the Bylaws of the Company, each nominee's personal and professional integrity, experience, skills, ability and willingness to devote the time and effort necessary to be an effective director, and commitment to acting in the best interests of the Company and its stockholders. This committee held four meetings in 2005. The committee has the authority to retain an executive search

firm as needed to identify director candidates. The nominating and governance

committee has adopted a written charter. The charter is publicly available on our Web site at: <http://www.westlakechemical.com> under Investor Relations Corporate Governance.

The nominating and governance committee will consider nominees recommended by stockholders. Any recommendation should be addressed in writing to the Nominating and Governance Committee, Westlake Chemical Corporation, c/o Corporate Secretary, 2801 Post Oak Blvd., Houston, Texas 77056. Recommendations for potential nominees may come from any source, including members of the board of directors, stockholders, self-recommendations or search firms. All persons recommended for a vacant or new board position will be given equal consideration regardless of the source of the recommendation.

CORPORATE GOVERNANCE

We have a Code of Ethics that applies to our principal executive officer, principal financial officer and principal accounting officer, a Code of Conduct that applies to all directors, officers and employees and Principles of Corporate Governance. You can find the above-referenced documents by visiting our Web site: <http://www.westlakechemical.com> under Investor Relations Corporate Governance. We will post on our Web site any amendments to such documents as well as any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange.

You may also obtain a printed copy of the material mentioned above and the charters of our Board committees by contacting us at the following address:

Westlake Chemical Corporation

Attn: Investor Relations

2801 Post Oak Boulevard

Houston, Texas 77056-6105

(713) 960-9111

COMMUNICATIONS WITH DIRECTORS

Any stockholder is welcome to communicate with any one or all of our directors by writing to the director or directors, Westlake Chemical Corporation, c/o Corporate Secretary, 2801 Post Oak Blvd., Houston, Texas 77056. The Corporate Secretary will forward these communications to the addressee. If any stockholder would like to communicate with the non-management directors as a group, the stockholder should address such communication as follows: Non-management Directors, c/o Corporate Secretary, Westlake Chemical Corporation, 2801 Post Oak Blvd., Houston, Texas 77056. Upon receipt, Westlake's Corporate Secretary will forward the communication, unopened, to one of the non-management directors. The non-management director will, upon review of the communication, make a determination as to whether it should be brought to the attention of the other non-management directors and whether any response should be made to the person sending the communication, unless the communication was made anonymously.

MEETING ATTENDANCE

The board of directors held eight meetings in 2005. During 2005, no director attended fewer than 75% of the total number of meetings of the board of directors and any committee on which he or she served during the periods that he or she served. Westlake encourages its directors to attend the annual meeting of stockholders. Six directors attended our annual meeting in 2005.

COMPENSATION OF DIRECTORS

Directors who are also full-time officers or employees of Westlake or affiliates of our principal stockholder receive no additional compensation for serving as directors. Effective August 16, 2005, all other directors receive an annual retainer of \$45,000. The audit committee chairman receives an additional annual retainer of \$10,000 and the compensation committee chairman and nominating and governance committee chairman each receive an additional \$5,000.

Under our 2004 Omnibus Incentive Plan, which we refer to as our 2004 plan, the board of directors, effective August 16, 2005, authorized the issuance of 781 shares of restricted stock to each outside director. The shares of restricted stock will vest in three equal installments on August 31, 2006, 2007 and 2008, subject to the grantee's continuous position as a director of Westlake.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation provides that the board of directors be divided into three classes, each consisting, as nearly as possible, of one-third of the total number of directors constituting the board of directors, with each class to serve for a term of three years. The following nominees, each of whom is an incumbent Class II director and was nominated by our nominating and governance committee, are proposed for election in Class II, to serve until the annual meeting of stockholders in 2009, or until their successors are elected and qualified:

James Chao

Dr. Gilbert R. Whitaker, Jr.

Unless instructed otherwise, the Proxies will be voted for the election of the two nominees named above. If any nominee is unable to serve, Proxies may be voted for a substitute nominee selected by the board of directors, although management is not aware of any circumstance likely to render any of the named nominees unavailable for election.

Ruth I. Dreessen, our former Senior Vice President and Chief Financial Officer, resigned as a Class I director, effective December 31, 2005. In connection with Ms. Dreessen's resignation, the board of directors reduced the size of the board from seven directors to six directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS CLASS II DIRECTORS.

NOMINEES FOR ELECTION AS CLASS II DIRECTORS

James Chao (age 58). Mr. Chao has been our Chairman of the Board since July 2004 and became a director in June 2003. From May 1996 to July 2004, he served as our Vice Chairman of the Board. Mr. Chao also has responsibility for the oversight of our Vinyls business. Mr. Chao has

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over 30 years of international experience in the chemical industry. In June 2003, he was named Chairman of Titan Chemicals Corp. Bhd and previously served as Titan's Managing Director. He has served as a Special Assistant to the Chairman of China General Plastics Group and worked in various financial, managerial and technical positions at Mattel Incorporated, Developmental Bank of Singapore, Singapore Gulf Plastics Pte. Ltd. and Gulf Oil Corporation. Mr. Chao, along with his brother Albert Chao, assisted their father T.T. Chao in founding Westlake and served as Westlake's first president from 1985 to 1996. Mr. Chao received his Bachelor of Science degree from Massachusetts Institute of Technology and an M.B.A. from Columbia University.

Dr. Gilbert R. Whitaker, Jr. (age 74). Dr. Whitaker has been a director since August 2004. Dr. Whitaker is the H. Joe Nelson III Professor Emeritus of Business Economics and Professor of Business Economics at the

Jesse H. Jones Graduate School of Management of Rice University and Senior Advisor to the Andrew W. Mellon Foundation. His previous positions include: Dean of the Jesse H. Jones Graduate School of Management of Rice University during the period from July 1997 to June 2005; Provost and Executive Vice President for Academic Affairs at the University of Michigan from September 1990 to August 1995 and Dean and Professor of Business Economics at the University of Michigan School of Business Administration from 1979 to 1990; Dean and Professor of Business Economics at the M.J. Neeley School of Business at Texas Christian University from 1976 to 1978; and Associate Dean and Professor of Business Economics at the Graduate School of Business of Washington University in St. Louis from 1966 to 1976. He currently serves on the board of directors of the Forum for the Future of Higher Education and the Council of Overseers of the Jesse H. Jones Graduate School of Management and the Rice University Fund Council. Dr. Whitaker holds a B.A. in economics from Rice University, an M.S. in economics from the University of Wisconsin, and a Ph.D. in economics from the University of Wisconsin.

OTHER DIRECTORS

Class I Directors Serving Until 2008

Dorothy C. Jenkins (age 60). Ms. Jenkins has been a director since June 2003. For the past five years, Ms. Jenkins has managed her personal investments. She is also a member of the board of various civic and charitable organizations including the Polk Museum of Art and the John and Mable Ringling Museum of Art Foundation, Inc. Ms. Jenkins is the sister of James Chao and Albert Chao. She is a graduate of Wellesley College and holds a B.S. in Mathematics with additional graduate studies in Mathematics at the University of South Florida.

Max L. Lukens (age 57). Mr. Lukens has been a director since August 2004. Mr. Lukens has been the President and Chief Executive Officer of Stewart & Stevenson Services, Inc. since March 2004 and previously served as its Chairman of the Board, from December 2002 to March 2004, and Interim Chief Executive Officer and President, from September 2003 to March 2004. He was also previously employed by Baker Hughes Incorporated from 1981 to January 2000, where he served as Baker Hughes Chairman of the Board, President and Chief Executive Officer from 1997 to January 2000. He currently serves on the board of directors of the Children's Museum of Houston, a charitable organization. In addition, he currently serves on the board of directors and the audit committee of NCI Building Systems, Inc. Mr. Lukens was a Certified Public Accountant with Deloitte Haskins & Sells for 10 years and received both his B.S. and M.B.A. degrees from Miami University of Ohio.

Class III Directors Serving Until 2007

Robert T. Blakely (age 64). Mr. Blakely has been a director since August 2004. Mr. Blakely has served as Executive Vice President and Chief Financial Officer of the Federal National Mortgage Association (Fannie Mae) since January 2006. His prior positions include: Executive Vice President and Chief Financial Officer of MCI, Inc. from April 2003 to January 2006; President of Performance Enhancement Group, Ltd. from July 2002 to April 2003; Executive Vice President and Chief Financial Officer of Lyondell Chemical Company from November 1999 to June 2002; Executive Vice President of Tenneco Inc. from 1996 to November 1999 and Chief Financial Officer from 1981 to November 1999; and Managing Director of Morgan Stanley & Co. from 1980 to 1981 and an employee from 1970. He currently serves on the board of directors of Natural Resource Partners L.P. and is a trustee of Cornell University. In addition, Mr. Blakely was a Member of the Financial Accounting Standards Advisory Council from 1999 to 2003. He holds a B.M.E. degree in mechanical engineering and a M.B.A. in business administration from Cornell University and a Ph.D. from the Massachusetts Institute of Technology.

Albert Chao (age 56). Mr. Chao has been our President since May 1996 and a director since June 2003. Mr. Chao became our Chief Executive Officer in July 2004. Mr. Chao has over 30 years of international experience in the chemical industry. In 1985, Mr. Chao assisted his father T.T. Chao and his brother James Chao

in founding Westlake, where he served as Executive Vice President until he succeeded James Chao as President. He has held positions in the Controller's Group of Mobil Oil Corporation, in the Technical Department of Hercules Incorporated, in the Plastics Group of Gulf Oil Corporation and has served as Assistant to the Chairman of China General Plastics Group and Deputy Managing Director of a plastics fabrication business in Singapore. He is also a director of Titan Chemicals Corp. Bhd. Mr. Chao received a bachelor's degree from Brandeis University and an M.B.A. from Columbia University. Mr. Chao is a trustee of Rice University.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table lists information about the number of shares of common stock beneficially owned by each director, each named executive officer listed in the summary compensation table included later in this Proxy Statement, and all of our directors and executive officers as a group. Shares of stock are beneficially owned by a person if the person directly or indirectly has or shares the power to vote or dispose of the shares, regardless of whether the person has any economic interest in the shares. A person also beneficially owns shares as to which the person has the right to acquire beneficial ownership within 60 days.

All information in the table is as of March 30, 2006 and is based upon information supplied by the directors and officers. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the stockholders named in the table has sole voting and investment power with respect to the shares indicated as beneficially owned.

Directors and Nominees and Named Executive Officers	Amount and Nature of Beneficial Ownership of Common Stock		Percent of Class
	Direct	Other	
Robert T. Blakely	1,701	0	*
Albert Chao	30,076	51,505,277(1)(2)	79.08
James Chao	42,556	51,505,277(2)(3)	79.10
Ruth I. Dreessen (4)	67	0	*
David R. Hansen	3,402	0	*
Dorothy C. Jenkins	6,701	51,505,277(2)	79.04
Max L. Lukens	1,701	0	*
Wayne D. Morse	3,894	0	*
Stephen Wallace	4,527	300(5)	*
Dr. Gilbert R. Whitaker, Jr.	1,701	0	*
All directors, nominees and executive officers as a group (14 persons, including those listed above)	105,347	51,505,577	79.20

* Less than 1% of the outstanding shares of common stock.

- (1) Does not include common stock of the Company owned directly by James Chao and 20,000 shares of common stock owned by Albert Chao's mother. Albert Chao shares a household with his mother and James Chao, but he disclaims beneficial ownership of these shares.
- (2) Two trusts for the benefit of members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao, are the managers of TTWFGP LLC, a Delaware limited liability company, which is the general partner of TTWF LP. The limited partners of TTWF LP are five trusts principally for the benefit of members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao and two corporations owned, indirectly or directly, by certain of these trusts and by other entities owned by members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao. James Chao, Dorothy Jenkins, Albert Chao, TTWF and TTWFGP share voting and dispositive power with respect to the shares of our common stock beneficially owned by TTWF. James Chao, Dorothy Jenkins and Albert Chao disclaim beneficial ownership of the 51,505,277 shares held by TTWF except to the extent of their respective pecuniary interest therein.
- (3) Does not include common stock of the Company owned directly by Albert Chao and 20,000 shares of common stock owned by James Chao's mother. James Chao shares a household with his mother and Albert Chao, but he disclaims beneficial ownership of these shares.
- (4) Ms. Dreessen resigned effective December 31, 2005.
- (5) Mr. Wallace's wife owns 200 shares of the Company's common stock and his adult daughter owns 100 shares of the Company's common stock. Mr. Wallace disclaims any ownership interest in his wife's shares of common stock and his daughter's shares of common stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth each person known to Westlake who is the beneficial owner of 5% or more of the outstanding shares of our common stock.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
TTWF LP (1) 2801 Post Oak Boulevard Houston, Texas 77056	51,505,277	79.03%
Barclays Global Investors, NA (2) 45 Fremont Street Francisco, California 94105	4,748,468	7.29%

- (1) Two trusts for the benefit of members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao, are the managers of TTWFGP LLC, a Delaware limited liability company, which is the general partner of TTWF LP. The limited partners of TTWF LP are five trusts principally for the benefit of members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao and two corporations owned, indirectly or directly, by certain of these trusts and by other entities owned by members of the Chao family, including James Chao, Dorothy Jenkins and Albert Chao. TTWF LP and TTWFGP LLC each have shared voting power and shared dispositive power over 51,505,277 shares. As of March 30, 2006, James Chao had sole voting power and sole dispositive power over 31,867 shares, sole voting and no dispositive power over 10,689 shares, and shared voting power and shared dispositive power over 51,505,277 shares. Dorothy C. Jenkins had sole voting power and sole dispositive power over 5,920 shares, sole voting power and no dispositive power over 781 shares, and shared voting power and shared dispositive power over 51,505,277 shares. Albert Chao had sole voting power and sole dispositive power over 15,500 shares, sole voting and no dispositive power over 14,576 shares, and shared voting power and shared dispositive power over 51,505,277 shares. James Chao, Dorothy C. Jenkins and Albert Chao disclaim beneficial ownership of the 51,505,277 shares held by TTWF except to the extent of their respective pecuniary interest therein.
- (2) Based on Schedule 13G filed with the SEC on January 27, 2006. According to the filing, Barclays Global Investors, NA has sole voting power over 4,423,144 shares, sole dispositive power over 4,748,468 shares and shared voting power or dispositive power over no shares. According to the filing, Barclays Global Fund Advisors has sole voting and dispositive power over 154,347 shares and shared voting or dispositive power over no shares.

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the "Committee") is comprised of Max L. Lukens (Chair), Albert Chao and Dorothy C. Jenkins. As a controlled company under the rules of the New York Stock Exchange, the Company is eligible, and has elected, to avail itself of an exemption from those rules requiring a compensation committee to consist only of independent directors. Mr. Lukens, the chairman of the Committee, is independent, while Mr. Chao and Ms. Jenkins are not.

The Committee is constituted and established by the Board (1) to review and approve the compensation of the executive officers and other key employees of the Company, (2) to review the fees and other compensation received by directors for service on the Board and its committees, (3) to administer, and make recommendations to the Board with respect to the design of, the Company's incentive compensation plans, equity-based plans and other compensation and benefit plans, (4) to review and approve executive employment agreements, (5) to review succession planning for the chief executive officer and other executive officers, and (6) to produce a compensation committee report on

executive compensation as required by the SEC for inclusion in the Company's annual Proxy Statement.

On a periodic basis the Committee reviews third-party market data to assess the Company's competitive position with respect to executive compensation and considers and approves changes in base salary and annual incentive levels for executive officers and other key employees, as well as all awards (including stock options, equity-based awards and long-term incentive plan awards) to executive officers and key employees. In considering these awards, the Committee also reviews annual and long-term performance criteria and goals at the beginning of each performance period to assess the appropriateness of the recommended award.

General Compensation Philosophy

The Committee believes that pay should be administered on a total remuneration basis, with consideration of the value of all components of compensation. Total remuneration opportunities should be competitive and serve to attract, retain, motivate and reward employees based upon their experience, responsibility, performance and marketability. Incentive programs should create a strong mutuality of interest between executives and stockholders through the use of equity-based compensation and the selection of performance criteria that are consistent with the Company's strategic objectives.

Executive Compensation

The Company's executive compensation program has the following principal components: base salary, annual cash incentive compensation and long-term incentive compensation. When combined these make up a total remuneration program designed to attract, incentivize and retain qualified executive talent. The total remuneration program is reviewed periodically and compared to pay opportunities provided by other companies of similar size and market segments within the chemical industry.

Base Salaries

The Committee annually reviews the base salaries of the Company's executive officers. Prior to the meeting at which the annual review occurs, the Committee is furnished with data on the base salary of each executive, current marketplace data for comparable positions within chemical companies of similar size and market segments, individual performance information and adjustments recommended by the Chief Executive Officer for each executive officer except himself. At the meeting, the Committee reviews relevant data and considers and approves adjustments. In addition, the Committee reviews marketplace data for, and the performance of, the Chairman of the Board and the Chief Executive Officer and determines their adjustments. Based upon the Committee's review of the survey material and given the increasing demand for qualified executive talent and the improving performance of the Company and the industry at large, the Committee has recommended increases in the salaries of the Chairman of the Board, the Chief Executive Officer and certain other executive officers.

Incentive Compensation

The Company's EVA Incentive Plan (the "EVAIP") provides for awards that are principally contingent upon the attainment of specific targeted EVA[®] results. EVA, or economic value added, is a measure of financial performance based upon the achievement of returns for stockholders above the invested cost of capital. EVA is equal to net operating profit after taxes less a capital charge (capital times the weighted average cost of capital). Under the provisions of the plan, if the EVA for the year is equal to the expected improvement in EVA, participants in the plan are awarded a cash bonus equal to one times their target bonus. Where the results exceed the expected improvement, awards will be granted at a rate corresponding to the rate of increase above the expectation. In years where expectations are not met, awards will be correspondingly lower. In each year the gross EVA declared bonus is further modified by an individual performance factor as recommended by management and approved by the Committee.

The Committee believes that the EVAIP is designed to reward and incentivize management to achieve improvements in EVA which is designed in turn to return value to the stockholders. The Committee annually

reviews the results of the EVAIP and determines the target bonus rate for the Chief Executive Officer and other executive officers and key employees.

In addition to the EVAIP, the executive officers are eligible for payments from a Quarterly Incentive Plan (QIP) with a maximum annual payment potential of 8% of eligible earnings. These incentive awards are based upon the achievement of various operating results which include, but are not limited to, production, cost, quality, environmental and safety, sales volumes and other related targets. These results are measured against objectives established by management at the beginning of each year which may change from year to year depending on the then current needs of the Company. The Committee believes these programs encourage the executive officers to remain aligned with the operating objectives of the Company which in turn affect EVA and stockholder value.

Long-Term Incentives

Under the Westlake Chemical Corporation 2004 Omnibus Incentive Plan, the Company awarded, effective August 31, 2005, the Chief Executive Officer, non-employee directors, other executive officers and other key employees options to purchase shares of the Company's common stock and shares of restricted stock. The exercise price for these options is \$27.22, the average of the high and low trading prices on the date of the grant. The options will become exercisable in four equal installments of 25% on August 31, 2006, 2007, 2008 and 2009. The expiration date of these options is August 31, 2015. The shares of restricted stock will vest in three equal installments on August 31, 2006, 2007, and 2008, subject to continuous employment with us. Individual grants were made on the basis of position, individual performance and company service. Effective March 15, 2006, the Company awarded options to purchase shares of the Company's common stock and shares of restricted stock to the Chief Executive Officer, other executive officers and other key employees. The exercise price of the options is \$36.10, the average of the high and low trading prices on the date of the grant. The options will become exercisable in four equal installments of 25% on March 15, 2007, 2008, 2009 and 2010. The expiration date of these options is March 15, 2016. The shares of restricted stock will vest in three equal installments on March 15, 2007, 2008, and 2009, subject to continuous employment with us. Individual grants were made on the basis of position, individual performance and company service.

In keeping with the Company's philosophy of nurturing a mutuality of interest between the executives and stockholders, the Company intends to provide equity-based long-term incentives which comprise a significant portion of each executive's total compensation package. Long-term incentive awards during 2005 and 2006 to date consisted of the stock option and restricted stock awards discussed above.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally limits the tax deductibility to public companies for compensation in excess of \$1 million paid to specified executive officers. Qualifying performance based compensation is not subject to the deduction limit if Internal Revenue Code requirements are met. The Committee does not anticipate any material payment of compensation in 2005 or 2006 in excess of the amount deductible under Section 162(m) of the Internal Revenue Code; however, the Committee considers it important to retain flexibility to design compensation programs with the participation of all members of the Committee, even where compensation payable under such programs may not be fully deductible, if such programs effectively recognize a full range of criteria important to the Company's success and result in a gain to the Company that would outweigh the limited negative tax effect.

Chief Executive Officer Compensation and Chairman of the Board Compensation

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The Committee reviewed the corporate goals and objectives relevant to the compensation of the President and Chief Executive Officer and the compensation of the Chairman of the Board and evaluated their performance in light of those goals and objectives. In consideration of this evaluation and a review of the remuneration package for chief executive officers and chairmen of companies of comparable size and market segments within

the chemical industry, the Committee recommended the 2006 base salary of Mr. Albert Chao to be set at \$640,000, an increase of \$190,000 from \$450,000 in 2005, and the 2006 base salary of Mr. James Chao to be set at \$470,000, an increase of \$140,000 from \$330,000 in 2005. The EVA-based cash incentive award for 2005, payable in 2006, was established at \$689,034 for Mr. Albert Chao and \$505,292 for Mr. James Chao, pursuant to the provisions of the EVAIP. Further, the Committee established the EVAIP target bonus rate for both Mr. Albert Chao and Mr. James Chao at 75% of base pay for the 2006 plan year.

Summary

The Committee believes that base pay levels and performance-based awards are reasonable and competitive with compensation packages provided to executive officers at companies of comparable size and market segments within the chemical industry.

THE COMPENSATION COMMITTEE OF

THE BOARD OF DIRECTORS

Max L. Lukens, Chairman

Albert Chao

Dorothy C. Jenkins

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As noted in the compensation committee report above, Albert Chao and Dorothy C. Jenkins are members of the compensation committee and are not independent as defined by the listing standards of the New York Stock Exchange.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

We believe all stock transaction reports required to be filed with the SEC under Section 16(a) of the Securities Exchange Act of 1934 in 2005 were timely filed by all directors, officers and beneficial owners of more than 10% of our common stock.

EXECUTIVE COMPENSATION
SUMMARY COMPENSATION

The following table provides information regarding the compensation awarded to or earned during 2005, 2004, and 2003 by our chief executive officer, four other most highly compensated individuals who were serving as executive officers at the end of 2005 and one former executive officer (collectively, the named executive officers).

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation			
		Salary	Bonus	Restricted	Securities	Long-Term	All Other
				Stock	Underlying	Incentive	
				Awards \$ (1)	Options	Payouts	Compensation (2)
Albert Chao, President and Chief Executive Officer	2005	\$ 421,800	\$ 716,766	\$ 239,046	13,547		\$ 17,568
	2004	\$ 279,000	\$ 203,787	\$ 1,450	44,400	\$ 26,033	\$ 17,168
	2003	\$ 265,352	\$ 116,243				\$ 11,443
James Chao, Chairman	2005	\$ 314,000	\$ 525,952	\$ 175,297	9,934		\$ 17,568
	2004	\$ 232,500	\$ 170,239	\$ 1,450	35,300	\$ 21,750	\$ 17,168
	2003	\$ 221,128	\$ 96,869				\$ 16,768
Ruth I. Dreessen, Former Senior Vice President and Chief Financial Officer (3)	2005	\$ 284,694	\$ 13,894	\$ 78,884	4,470		\$ 768
	2004	\$ 238,334	\$ 250,753	\$ 1,450	24,200	\$ 5,274	
	2003	\$ 112,182(4)	\$ 43,498				
Wayne D. Morse, Senior Vice President, Vinyls	2005	\$ 267,266	\$ 283,581	\$ 71,725	4,064		\$ 1,788,453(5)
	2004	\$ 252,166	\$ 143,602	\$ 1,450	14,500	\$ 135,564	\$ 6,918
	2003	\$ 243,444	\$ 88,756			\$ 30,870	\$ 6,768

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David R. Hansen,	2005	\$ 233,734	\$ 200,298	\$ 57,380	3,251		
	2004	\$ 201,106	\$ 132,937	\$ 1,450	23,300	\$ 83,752	
Senior Vice President, Administration	2003	\$ 193,980	\$ 85,101			\$ 15,435	\$