

STEPAN CO
Form DEF 14A
March 30, 2004

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
(Amendment No. __)

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

STEPAN COMPANY

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(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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

STEPAN COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on April 27, 2004

at 9:00 a.m.

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of STEPAN COMPANY (the Company) will be held at the Company's Administrative and Research Center at Edens Expressway and Winnetka Road, Northfield, Illinois, on Tuesday, April 27, 2004, at 9:00 a.m., for the following purposes:

1. To elect three Directors to the Board.
2. To ratify the appointment of Deloitte & Touche LLP as independent auditors for the Company for 2004.
3. To transact such other business as may properly come before the meeting.

The Board of Directors has designated the close of business on February 27, 2004, as the record date for determining holders of 5 1/2% Convertible Preferred Stock and Common Stock entitled to notice of and to vote at the meeting.

Copies of the Company's Annual Report and the Form 10-K for the year 2003 are enclosed with this notice.

By order of the Board of Directors,

KATHLEEN M. OWENS

Assistant Secretary

Northfield, Illinois

March 30, 2004

The Board of Directors of the Company extends a cordial invitation to all stockholders to be present at the meeting. Whether or not you plan to attend the meeting, please mark, sign and mail the enclosed proxy card in the return envelope provided as promptly as possible.

March 30, 2004

PROXY STATEMENT

For the Annual Meeting of Stockholders of

STEPAN COMPANY

Edens Expressway and Winnetka Road

Northfield, Illinois 60093

To be held at 9:00 a.m. on April 27, 2004

The enclosed proxy is solicited by the Board of Directors of the Company and the entire expense of solicitation will be borne by the Company. Such solicitation is being made by mail and the Company may also use its Officers and its regular employees to solicit proxies from stockholders personally or by telephone or letter. Arrangements will be made with the brokers, custodians, nominees, or other fiduciaries who so request for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons and the Company will reimburse them for reasonable out-of-pocket expenses incurred by them in that connection.

At the close of business on February 27, 2004, the record date for the meeting, there were 581,482 shares of 5½% Convertible Preferred Stock (Preferred Stock) outstanding, each share of which is convertible into 1.14175 shares of Common Stock and is entitled to 1.14175 votes on each matter to be voted on at the meeting, and, assuming the Preferred Stock were converted, there would be 9,609,289 shares of Common Stock outstanding, each share of which is entitled to one vote on each matter to be voted on at the meeting.

This proxy statement and proxy are being sent or given to stockholders commencing on or about March 30, 2004. Any proxy given pursuant to this solicitation may be revoked by the stockholder at any time prior to the voting of the proxy.

PRINCIPAL STOCKHOLDERS

As of February 27, 2004, the only persons known to the Company to beneficially own more than five percent of the Company's Common Stock were the following:

Name(1)	Number of Shares of			Percentage of Outstanding Shares of Common Stock
	Common Stock			
	Beneficially Owned(2)(9)			
	Voting and/or			
	Investment Power			
	Sole	Shared	Total Shares	
F. Quinn Stepan (4) Plan Committee for Stepan	1,738,358(6)(7)(10)	578,868(3)	2,317,226	24.1%
Company Qualified Plans	933,925(5)(8)		933,925	9.7%
Paul H. Stepan (4)	14,289	578,868(3)	593,157	6.1%

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As of February 27, 2004, the only persons known to the Company to beneficially own more than five percent of the Company's Preferred Stock were the following:

Name(1)	Number of Shares of			Percentage of
	Preferred Stock			
	Beneficially Owned(2)			
	Voting and/or			
	Investment Power			
			Total	Shares of
	Sole	Shared	Shares	Preferred Stock
F. Quinn Stepan (4)	12,812	166,480(3)	179,292	30.8%
Paul H. Stepan (4)	4,193	166,480(3)	170,673	29.3%
Plan Committee for Stepan Company				
Qualified Plans	96,728(5)(8)		96,728	16.6%
Mary Louise Wehman (4)	89,684		89,684	15.4%
John Stepan (4)	76,872		76,872	13.2%
Charlotte Stepan Flanagan (4)	35,244		35,244	6.0%

- (1) Except as otherwise set forth herein, the address of all persons named is Stepan Company, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.
- (2) Represents number of shares beneficially owned as of February 27, 2004. Number of shares owned includes shares held by the spouses of F. Quinn Stepan and Paul H. Stepan and shares held by the persons listed in the table, as trustee or custodian for the benefit of children and family members where the trustee or custodian has voting or investment power.
- (3) F. Quinn Stepan and Paul H. Stepan are managing partners of a family-owned limited partnership which is the sole general partner in another family-owned limited partnership which owns 388,790 shares of Common Stock and 166,480 shares of Preferred Stock. The shares owned by the partnership are included in the tables for both F. Quinn Stepan and Paul H. Stepan.
- (4) F. Quinn Stepan, Paul H. Stepan, John Stepan, Mary Louise Wehman and Charlotte Stepan Flanagan are the children of the late Mary Louise Stepan.
- (5) The members of the Plan Committee are F.S. Eberts III, M.R. Gumkowski and F.Q. Stepan, Jr., all of whom are employees of the Company.
- (6) Includes 4,994 shares of Common Stock allocated to F. Quinn Stepan under the Employee Stock Ownership Plan.
- (7) Includes 382,145 shares which F. Quinn Stepan has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's stock option plans.
- (8) Represents shares held by Frank Russell Trust Company (Frank Russell) as Trustee for the Company's Trust for Qualified Plans. Frank Russell is also the Trustee for the Company's Employee Stock Ownership Plan. Frank Russell expressly denies any beneficial ownership in the securities of these Plans.
- (9) Includes the number of shares of Common Stock which the specified person has the right to acquire by conversion of Preferred Stock beneficially owned by such person.
- (10) Includes 215,812 shares of Common Stock credited to F. Quinn Stepan's stock account under the 1992 Management Incentive Plan. Under the 1992 Management Incentive Plan, amounts credited to an employee's stock account at termination of his employment may be paid in Common Stock at the employee's election.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder require the Company's Officers and Directors, and persons who own more than 10 percent of the Company's Common Stock or Preferred Stock, to file reports of beneficial ownership and changes in beneficial ownership of the Common Stock or Preferred Stock with the Securities and Exchange Commission, the New York Stock Exchange, the Chicago Stock Exchange and the Company. Based solely upon a review of the copies of such forms received by it during or with respect to its most recent fiscal year, or written representations from certain reporting persons, the Company believes all persons subject to Section 16(a) reporting filed the required reports on time.

Certain Relationships and Related Transactions

Messrs. F. Quinn Stepan (Chairman, CEO and a nominee for Director of the Company) and Paul H. Stepan (a Director of the Company) serve as the general partners of Stepan Venture I, an Illinois limited partnership, which is the sole general partner of Stepan Venture II, an Illinois limited partnership (the Partnerships). In 2003, the independent members of the Board of Directors authorized the Company to purchase up to seventy thousand (70,000) shares of the Company's Common Stock (the Shares) from any of the limited partners of the Partnerships at a price per share equal to the closing price of the Company's Common Stock on the day offered for sale to the Company. The closing price of the Company's Common Stock on January 2, 2004, was \$25.71 per share. This approval of the disposition of the Shares was authorized for a one-year period commencing on January 1, 2004. As of March 15, 2004, the Company had not purchased any Shares.

Compensation Committee Interlocks and Insider Participation

During 2003, Messrs. Robert D. Cadieux, Thomas F. Grojean, Robert G. Potter and Paul H. Stepan (brother of F. Quinn Stepan) served on the Compensation and Development Committee. In August 2003, Mr. Edward J. Wehmer was elected to the Board of Directors and joined the Compensation and Development Committee in 2004 in place of Mr. Paul H. Stepan.

ELECTION OF DIRECTORS

The persons named in the enclosed Proxy will vote for the election of the nominees named below as Directors of the Company to hold office until the Annual Stockholders Meeting to be held in the year 2007. The Board of Directors recommends that the stockholders vote FOR the election of the three nominees.

Under the Company's Certificate of Incorporation and By-laws, Directors are elected by a plurality of the voting power of the shares of Preferred Stock and Common Stock present in person or represented by proxy at the meeting and entitled to vote, voting together as a single class. The outcome of the election will not be affected by shares that withhold authority to vote in the election.

In the event any one or more of such nominees shall be unable to serve as Director, votes will be cast, pursuant to the authority granted in the enclosed Proxy, for such person or persons as may be designated by the Board of Directors. The Board of Directors at this time is not aware of any nominee who is or will be unable to serve as Director, if elected.

Nominees For Director

The following table sets forth certain information about the nominees for Director:

Name of Nominee	Principal Occupation and Business Experience During the Past Five Years, Other	Year of First Election as Director	Number and Percent of Shares of Common Stock Beneficially Owned(1)	
	Directorships and Age	Director	Owned(1)	
Robert G. Potter	Private Investor. Chairman and Chief Executive Officer of Solutia Inc., the former chemical businesses of Monsanto Company, from 1997 to 1999. Chief Executive of the chemical businesses of Monsanto Company from 1986 to 1997. Executive Vice President of Monsanto Company from 1990 to 1997 and an Advisory Director of Monsanto Company from 1986 to 1997. Director of Arch Coal Inc. Age 64	1995	15,709(2)	*
F. Quinn Stepan	Chairman and Chief Executive Officer of the Company since November 1984. President and Chief Operating Officer of the Company from 1973 to February 1999. Age 66	1967	2,317,226(3) (4) (5) (6) (7)	24.1%
Edward J. Wehmer	President and Chief Executive Officer of Wintrust Financial Corporation, a financial services company, since May 1998. Prior to May 1998, President and Chief Operating Officer of Wintrust Financial Corporation since its formation in 1996. Director of Wintrust Financial Corporation since 1996. Involved in several charitable and fraternal organizations. Age 49	N/A	2,500	*

* Less than one percent of outstanding shares.

- (1) Represents number of shares beneficially owned as of February 27, 2004. Number of shares includes shares owned by the spouse of a Director and shares held by a Director or their spouse as trustee or custodian for the benefit of children and family members where the trustee or custodian has voting or investment power.
- (2) Includes 5,537 shares that such Director has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's stock option plan.
- (3) See Note (3) to tables under Principal Stockholders.
- (4) See Note (6) to tables under Principal Stockholders.
- (5) See Note (7) to tables under Principal Stockholders.
- (6) See Note (9) to tables under Principal Stockholders.
- (7) See Note (10) to tables under Principal Stockholders.

Directors Whose Terms Continue

The following table sets forth certain information about those Directors who are not up for reelection as their respective term of office does not expire this year:

Name of Director	Principal Occupation and Business Experience During the Past Five Years, Other Directorships and Age	Year of First Election as Director	Term Expires	Number and Percent of Shares of Common Stock Beneficially Owned(1)	
Robert D. Cadieux	Private Investor. From 1993 to January 1995, President and Chief Executive Officer of Air Liquide America Corporation, a manufacturer of industrial gases. From 1991 to 1993, Executive Vice President of Amoco Corporation. From 1983 to 1991, President of Amoco Chemical Company. Trustee of Illinois Institute of Technology. Age 66	1992	2006	37,080(2)	*
Thomas F. Grojean	Chairman, Chief Executive Officer and sole owner of Grojean Transportation since 1990. Chairman and Chief Executive Officer of Burlington Motor Carriers, Inc. from 1996 to 2002. Both firms are nationwide truckload freight carriers. Burlington Motor Carriers, Inc. filed for Chapter 11 bankruptcy protection in July 2001. Age 65	1977	2005	31,443(2)	*
F. Quinn Stepan, Jr.	President and Chief Operating Officer of the Company since February 1999. Vice President and General Manager Surfactants of the Company from 1997 to 1999. Age 43	1999	2005	1,283,030(3) (4) (6)	13.3%
Paul H. Stepan	Chairman of SA Inc., a real estate development firm. President and Director of Paul Stepan & Associates, Inc., a real estate development firm since June 1985. General Partner of Stepan Venture which is involved in various venture capital investments. General Partner of various partnerships having an interest in certain real estate which is unrelated to the business of the Company. Age 60	1977	2006	593,157(2) (5) (7)	6.1%

* Less than one percent of outstanding shares.

(1) See Note (1) to table under Nominees for Director.

(2) Includes 6,543 shares that such Director has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's stock option plan.

- (3) Includes all shares deemed beneficially owned by the Plan Committee, of which F.S. Eberts III, M.R. Gumkowski and F.Q. Stepan, Jr. are members. The Plan Committee selects the investment manager of the Stepan Company Trust for Qualified Plans under the terms of a Trust Agreement effective August 1, 2003, with Frank Russell Trust Company. See Principal Stockholders.
- (4) Includes 208,277 shares that F. Quinn Stepan, Jr. has the right to acquire within 60 days through the exercise of stock options granted pursuant to the Company's stock option plans, 1,170 shares allocated to F. Quinn Stepan, Jr. under the Employee Stock Ownership Plan, and 23,890 shares credited to F. Quinn Stepan, Jr.'s stock account under the 1992 Management Incentive Plan. F. Quinn Stepan, Jr. is the son of F. Quinn Stepan and the nephew of Paul H. Stepan.
- (5) See Note (3) to tables under Principal Stockholders.
- (6) See Note (5) to tables under Principal Stockholders.
- (7) See Note (9) to tables under Principal Stockholders.

Stock Ownership of Directors and Officers

The following table sets forth as of the close of business on February 27, 2004, the stock ownership of those Officers listed in the Compensation Table who are not Directors and the stock ownership of Directors and Officers as a group on such date:

Name	Number and Percent of Shares of Common Stock Beneficially Owned(1)	
Anthony J. Zoglio	63,193(2)	*
F. Samuel Eberts III	967,764(3)	10.0%
John V. Venegoni	79,071(4)	*
All Directors and Officers (5)	3,965,116	41.2%

* Less than one percent of outstanding shares.

- (1) Number of shares for each Officer (and Directors and Officers as a group) includes (a) shares owned by the spouse of the Director or Officer and shares held by the Director or Officer or his spouse as trustee or custodian for the benefit of children and family members where the trustee has voting or investment power and (b) shares of Common Stock which may be acquired within 60 days through the exercise of stock options granted pursuant to the Company's stock option plans or conversion of Preferred Stock.
- (2) Includes 470 shares allocated to Anthony J. Zoglio under the Employee Stock Ownership Plan, 47,448 shares that Anthony J. Zoglio has the right to acquire under the Company's stock option plans, and 6,185 shares credited to Anthony J. Zoglio's stock account under the 1992 Management Incentive Plan.
- (3) Includes 24,757 shares that F. Samuel Eberts III has the right to acquire under the Company's stock option plans. Also includes all shares deemed beneficially owned by the Plan Committee, of which F. Samuel Eberts III is a member. The Plan Committee selects the investment manager of the Stepan Company Trust for Qualified Plans under the terms of a Trust Agreement effective August 1, 2003, with Frank Russell Trust Company. See Principal Stockholders.
- (4) Includes 1,156 shares allocated to John V. Venegoni under the Employee Stock Ownership Plan, 59,506 shares that John V. Venegoni has the right to acquire under the Company's stock option plans, and 10,859 shares credited to John V. Venegoni's stock account under the 1992 Management Incentive Plan.
- (5) As of February 27, 2004, all Directors and Officers as a group beneficially owned 183,485 shares of Preferred Stock, which represented 31% of the outstanding Preferred Stock and were convertible into 209,493 shares (2.1%) of Common Stock. As of February 27, 2004, Company-employed Directors and Officers as a group had the right to acquire 782,753 shares of Common Stock under stock options exercisable within 60 days, 10,208 shares of Common Stock were allocated to Company-employed Directors and Officers under the Employee Stock Ownership Plan, and 271,052 shares of Common Stock were credited to stock accounts of Company-employed Directors and Officers under the 1992 Management Incentive Plan.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Code of Conduct

The Company is committed to having sound corporate governance principles. The Company's Code of Conduct is available at <http://www.stepan.com>.

Board of Directors and Committee Meetings

There were four regular meetings of the Board of Directors during 2003. During 2003, none of the Directors attended fewer than 75 percent of the total number of meetings of the Board of Directors and meetings of committees of the Board of Directors of which such Director was a member. All Directors attended the 2003 Annual Meeting of Stockholders.

Audit Committee

The Board of Directors has an Audit Committee which held seven meetings in 2003. The functions of the Audit Committee include annual consideration of the selection of independent auditors, meeting with the auditors before the year-end audit to review the proposed fees and scope of work of the audit, meeting with the auditors at the completion of the year-end audit to review the results of the audit, meeting with the auditors quarterly prior to the Company's filing of its report on Form 10-Q, review of the auditors' memorandum setting forth findings and suggestions regarding internal control, financial policies and procedures and management's response thereto, review of the internal audit program of the Company and review of unusual or significant financial transactions. The members of the Audit Committee in 2003 were Messrs. Cadieux (Chairman), Grojean and Potter. In 2004, the membership of the Audit Committee was amended to include Messrs. Cadieux (Chairman), Grojean, Potter and Wehmer, all of whom are outside independent directors as defined under the rules of the New York Stock Exchange. Mr. Wehmer is qualified as the Audit Committee's financial expert within the meaning of the Securities and Exchange Commission regulations. In addition, the Board of Directors has determined that Mr. Wehmer has accounting and related financial management expertise within the meaning of the rules of the New York Stock Exchange.

The report of the Audit Committee is included in this proxy statement. The charter of the Audit Committee was amended in 2003 and subsequently approved by the full Board of Directors. The charter is available at <http://www.stepan.com> and is also included herein as Appendix A.

Compensation and Development Committee

The Board of Directors has a Compensation and Development Committee which held two meetings in 2003. The functions of the Compensation and Development Committee include reviewing the salaries of the Officers of the Company each year, adjusting them as appropriate, approving all management incentive awards and approving proposals for granting of stock options. The members of the Compensation and Development Committee in 2003 were Messrs. Cadieux, Grojean (Chairman), Potter and P. Stepan. In 2004, the membership of this Committee was amended to include Messrs. Cadieux, Grojean (Chairman), Potter and Wehmer, all of whom are outside independent directors as defined under the rules of the New York Stock Exchange.

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The report of the Compensation and Development Committee is included in this proxy statement. The charter of the Compensation and Development Committee is available at <http://www.stepan.com>.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee. The functions of the Nominating and Corporate Governance Committee include assisting the Board by identifying individuals qualified to become Board members and recommending to the Board the director nominees for the next annual

meeting of shareholders, developing and recommending to the Board the guidelines for Corporate Governance applicable to the Company, leading the Board in its annual review of the Board's performance, and recommending to the Board director nominees for each committee. The members of the Nominating and Corporate Governance Committee are Messrs. Cadieux, Grojean, Potter (Chairman) and Wehmer, all of whom are outside independent directors as defined under the rules of the New York Stock Exchange. The Committee did not meet in 2003 but has held one meeting thus far in 2004. The charter of the Nominating and Corporate Governance Committee is available at <http://www.stepan.com>.

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for candidates for membership on the Board of Directors. In evaluating such nominations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board to address the membership criteria. Any stockholder nominations proposed for consideration by the Nominating and Corporate Governance Committee should include the nominee's name and qualifications for Board membership and be addressed to Nominating and Corporate Governance Committee Chairman, c/o Secretary's Office, Stepan Company, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

The Corporate Governance Guidelines contain Board membership criteria that apply to nominees recommended by the Nominating and Corporate Governance Committee for a position on the Board of Directors. Under these criteria, members of the Board should possess qualities that include strength of character, an inquiring and independent mind, practical wisdom and mature judgment. In addition to these qualities, the nominees should also possess recognized achievement, an ability to contribute to some aspect of the Company's business, and the willingness to make the commitment of time and effort required of a Company director. The Nominating and Corporate Governance Committee's process for identifying and evaluating nominees for directors includes recommendations by stockholders, non-management directors and executive officers, a review and background check of specific candidates, an assessment of the candidate's independence under the criteria described above and interviews of director candidates by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's evaluation of a nominee recommended by a stockholder would consider the factors described above, as well as any of the general criteria previously described in this section.

The Nominating and Corporate Governance Committee reports annually to the Board of Directors on an assessment of the Board's performance. The Board initially discusses the assessment with the Chairman, and if desired by any director, the assessments are discussed at the Executive Sessions of the non-management directors. The assessment is of the Board's contribution in its entirety and reviews areas in which the Board and/or management believe a stronger contribution could be made. The Nominating and Corporate Governance Committee is responsible for evaluating the performance of current Board members at the time they are considered for re-nomination to the Board.

Mr. Edward J. Wehmer is the one nominee for election to the Board this year who has not previously been elected by the stockholders as a Company director. Mr. Wehmer was initially identified and evaluated by an executive officer of the Company. Mr. Wehmer was elected to the Board of Directors in August 2003 until he could stand for election at the 2004 Annual Meeting of Stockholders. His nomination has been reviewed and approved by the Nominating and Corporate Governance Committee.

Executive Sessions

Executive Sessions of non-management directors will be held at least two times per year. At least one of the Executive Sessions each year will be limited to independent directors as defined under the rules of the New York Stock Exchange. The Executive Sessions are scheduled and chaired by the Chairman of the Nominating and Corporate Governance Committee. In 2004, the Chairman of the Nominating and Corporate Governance Committee is Mr. Potter. Any non-management director can request that an additional Executive Session be scheduled. A stockholder may communicate with the Chairman of the Nominating and Corporate Governance Committee by writing to him, c/o Secretary's Office, Stepan Company, Edens Expressway and Winnetka Road, Northfield, Illinois 60093.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth a summary of the compensation of the Chief Executive Officer and the four other most highly compensated executive officers of the Company for the years indicated.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation(1)
		Salary	Bonus	Awards of Options	
F. Quinn Stepan Chairman and CEO	2003	\$ 563,667	\$ 0	-0-	\$ 3,874
	2002	543,500	362,080	67,000 shs	21,837
	2001	519,333	0	-0-	19,362
F. Quinn Stepan, Jr. President and COO	2003	\$ 402,500	\$ 0	-0-	\$ 908
	2002	387,500	258,152	48,000 shs	13,962
	2001	370,000	0	-0-	12,185
Anthony J. Zoglio Vice President-Supply Chain	2003	\$ 227,500	\$ 48,685	-0-	\$ 365
	2002	218,333	108,184	15,000 shs	7,739
	2001	204,000	34,762	-0-	6,600
F. Samuel Eberts III Vice President, General Counsel and Secretary(2)	2003	\$ 208,333	\$ 54,167	-0-	\$ 0
	2002	198,367	70,519	12,500 shs	0
	2001	155,696	24,911	12,257 shs	66,748
John V. Venegoni Vice President and General Manager-Surfactants	2003	\$ 247,500	\$ 9,900	-0-	\$ 897
	2002	236,000	116,702	16,500 shs	8,801
	2001	213,333	0	-0-	7,351

- (1) For 2003, represents awards under the Company's Employee Stock Ownership Plan (ESOP) of dividends on shares in each listed individual's ESOP account as follows: Mr. Stepan: \$3,874; Mr. Stepan, Jr.: \$908; Mr. Zoglio: \$365; Mr. Eberts: \$0; and Mr. Venegoni: \$897. There were no contributions made to the Company Profit Sharing Plan (Profit Sharing) for 2003. Amounts listed for 2001 and 2002 include awards for ESOP and Profit Sharing as well as awards under the Company's Supplemental Profit Sharing Plan. Amounts for Mr. Eberts in 2001 include a relocation signing bonus of \$25,000 and \$41,748 for moving expenses and housing allowances.
- (2) Mr. Eberts was elected Vice President, General Counsel and Secretary of the Company effective March 7, 2001.

The following table provides information concerning exercises during 2003 of stock options and as to option values at year-end.

2003 Aggregated Option Exercises in Last Fiscal Year and Year-End Option Values

Name	Shares	Value	Number of Securities Underlying Unexercised	Value of Unexercised
	Acquired	Realized	Options at 2003 Year-End	In-the-Money Options at
	on		Exercisable/Unexercisable	2003 Year-End

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	<u>Exercise</u>			<u>Exercisable/Unexercisable</u>
F. Quinn Stepan	133,334	\$ 1,564,007	315,145/67,000 shs	\$ 1,849,828/132,325
F. Quinn Stepan, Jr.	12,000	\$ 141,480	160,277/48,000 shs	\$ 610,004/94,800
Anthony J. Zoglio	-0-	-0-	32,448/15,000 shs	\$ 116,562/29,626
F. Samuel Eberts III	-0-	-0-	12,257/12,500 shs	\$ 29,111/24,689
John V. Venegoni	-0-	-0-	48,006/16,500 shs	\$ 147,230/32,589

The following table provides information as of December 31, 2003, about the Company's securities which may be issued under the Company's existing equity compensation plans, all of which have been approved by the stockholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,241,074	\$ 22.41	625,349
Equity compensation plans not approved by security holders	None	None	None