

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**

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(Name of Registrant as Specified In Its Charter)

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

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- 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:

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(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.:

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(3) Filing Party:

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(4) Date Filed:

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**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.

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**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.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
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		\$	17,568
	2004	\$ 201,106	\$ 132,937	\$ 1,450	23,300	\$ 83,752	\$	16,856
Senior Vice President, Administration	2003	\$ 193,980	\$ 85,101			\$ 15,435	\$	16,278
Stephen Wallace,	2005	\$ 243,167	\$ 208,577(6)	\$ 45,784	2,594		\$	17,568
	2004	\$ 228,000	\$ 178,826(6)	\$ 1,450	14,200		\$	9,726(7)
Vice President and General Counsel	2003	\$ 19,000(8)	\$ 1,354				\$	1,404(7)

- (1) All restricted stock granted in 2004 vested on February 16, 2005. Restricted stock granted in 2005 will vest in three equal installments on August 31, 2006, 2007 and 2008, subject to the grantee's continuous employment with Westlake. As of December 31, 2005, the number of shares of restricted stock held by the

named executive officers and their market value (based on the closing price of Westlake's common stock of \$28.81 on December 30, 2005 (the last trading day on the NYSE in 2005)) are as follows:

<u>Name</u>	<u>Shares of Restricted Stock</u>	<u>Market Value</u>
Albert Chao	8,782	\$ 253,009
James Chao	6,440	\$ 185,536
Ruth I. Dreessen	2,898	\$ 83,491
David R. Hansen	2,108	\$ 60,731
Wayne D. Morse	2,635	\$ 75,914
Stephen Wallace	1,682	\$ 48,458

- (2) The All Other Compensation column consists of (i) an annual retirement contribution with respect to our 401(k) plan, as well as matching contributions with respect to our 401(k) plan, and (ii) premiums paid on behalf of our executive officers for term life insurance.

<u>Name</u>	<u>Year</u>	<u>401(k) Plan</u>	<u>Term Life Insurance Premiums</u>
Albert Chao, President and Chief Executive Officer	2005	\$ 16,800	\$ 768
	2004	\$ 16,400	\$ 768
	2003	\$ 10,675	\$ 768
James Chao, Chairman	2005	\$ 16,800	\$ 768
	2004	\$ 16,400	\$ 768
	2003	\$ 16,000	\$ 768
Ruth I. Dreessen, Former Senior Vice President and Chief Financial Officer	2005		\$ 768
	2004		
	2003		
David R. Hansen, Senior Vice President, Administration	2005	\$ 16,800	\$ 768
	2004	\$ 16,088	\$ 768
	2003	\$ 15,518	\$ 760
Wayne D. Morse, Senior Vice President, Vinyls	2005	\$ 6,300	\$ 768
	2004	\$ 6,150	\$ 768
	2003	\$ 6,000	\$ 768
Stephen Wallace, Vice President and General Counsel	2005	\$ 16,800	\$ 768
	2004	\$ 6,150	\$ 768
	2003		

- (3) Ms. Dreessen resigned effective December 31, 2005.  
(4) Ms. Dreessen joined our company on June 9, 2003.  
(5) This includes a one time payment to Mr. Morse in satisfaction of a previous long-term incentive award.  
(6) This includes a \$40,000 payment in each of 2004 and 2005 that Mr. Wallace received as a sign-on bonus under his employment agreement.  
(7) This includes reimbursement by the company of Mr. Wallace's COBRA expenses.  
(8) Mr. Wallace joined our company on December 1, 2003.

**OMNIBUS INCENTIVE PLAN**

Pursuant to our 2004 plan, the named executive officers are eligible for awards under the 2004 plan in the form of stock options, restricted stock, stock appreciation rights, stock awards or cash awards (any of which may be a performance award).

**OPTION GRANTS IN 2005**

Name	Number of Securities Underlying Options Granted (#) (1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Sh)	Expiration Date	Potential Realizable Value Assumed Annual Rates of Stock Appreciation for Option Term	
					5%	10%
Albert Chao	13,547	15.59%	\$ 27.22	08/31/2015	\$ 203,340	\$ 500,697
James Chao	9,934	11.43%	\$ 27.22	08/31/2015	\$ 149,109	\$ 367,161
Ruth I. Dreessen (2)	4,470	5.14%	\$ 27.22	08/31/2015	\$ 67,095	\$ 165,211
David R. Hansen	3,251	3.74%	\$ 27.22	08/31/2015	\$ 48,798	\$ 120,157
Wayne D. Morse	4,064	4.68%	\$ 27.22	08/31/2015	\$ 61,001	\$ 150,205
Stephen Wallace	2,594	2.98%	\$ 27.22	08/31/2015	\$ 38,936	\$ 95,874

(1) These options will become exercisable in four equal installments of 25% on August 31, 2006, 2007, 2008 and 2009.

(2) Ms. Dreessen resigned effective December 31, 2005, resulting in a forfeiture of all unexercisable options.

**AGGREGATED OPTION EXERCISES IN 2005 AND****2005 YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise	Value Realized (\$)	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005 (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Albert Chao			14,800	43,147	\$ 211,788	\$ 445,116
James Chao			11,766	33,468	\$ 168,371	\$ 352,567
Ruth I. Dreessen (2)	8,066	\$ 127,443		20,604(2)		\$ 237,985(2)
David R. Hansen	7,766	\$ 127,475		18,785		\$ 227,461
Wayne D. Morse			4,833	13,731	\$ 69,160	\$ 144,797
Stephen Wallace	4,733	\$ 74,362		12,061		\$ 139,597

(1) Westlake's closing share price was \$28.81 on December 30, 2005 (the last trading day on the NYSE in 2005).

(2) Ms. Dreessen resigned effective December 31, 2005, resulting in a forfeiture of all unexercisable options.



**PENSION PLAN TABLE**

The following table provides estimated annual pension benefits payable to one of our named executive officers, Wayne D. Morse, upon retirement at age 65 based on credited service as of January 1, 2006 under the provisions of the Westlake Salaried Employees Defined Benefit Plan. None of the other named executive officers participates in this plan.

Average Final Earnings	Years of Service at Retirement (1)					
	15	20	25	30	35	40
\$125,000	\$26,540	\$35,387	\$44,234	\$53,081	\$ 61,928	\$ 69,115
\$150,000	\$32,540	\$43,387	\$54,234	\$65,081	\$ 75,928	\$ 84,553
\$175,000	\$38,540	\$51,387	\$64,234	\$77,081	\$ 89,928	\$ 99,990
\$200,000	\$44,540	\$59,387	\$74,234	\$89,081	\$103,928	\$115,428
\$225,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778
\$250,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778
\$300,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778
\$400,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778
\$450,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778
\$500,000	\$49,340	\$65,787	\$82,234	\$98,681	\$115,128	\$127,778

(1) Mr. Morse had 38 estimated credited years of service as of January 1, 2006.

The amounts shown in the above table are necessarily based upon certain assumptions, including retirement of the employee at age 65 based on credited services as of January 1, 2006 and payment of the benefit under the basic form of allowance provided under the Westlake Salaried Employees Defined Benefit Plan (payment for the life of the employee five years certain). The amounts will change if the payment is made under any other form of allowance permitted by the retirement plan or if an employee's actual retirement occurs after January 1, 2006 since the annual covered compensation level of such employee (one of the factors used in computing the annual retirement benefits) may change during the employee's subsequent years of benefit service. The covered compensation for which retirement benefits are computed under the Westlake Salaried Employees Defined Benefit Plan is the average of the participant's highest four consecutive years out of the last ten years of base salary plus annual bonus. Base salary and annual bonus amounts for 2005 are set forth under the Salary and Bonus headings in the Summary Compensation Table for Mr. Morse. The benefits shown are not subject to deduction for Social Security benefits or other offset amounts, including any offset for payments made from the Goodrich Corporation plan for certain former employees of Goodrich Corporation, including Mr. Morse.

**EMPLOYMENT AGREEMENTS**

In January 2005, under an Agreement entered into in January 2004, Westlake paid Mr. Morse \$1.8 million in satisfaction of a previous long-term incentive award. In addition, we have agreed that his base annual salary will be not less than \$245,018 and have agreed to pay him for twelve months at his then current salary in the event of his involuntary termination, except in the case of cause, death, disability or retirement. A copy of Mr. Morse's agreement has been filed as an exhibit to our Annual Report on Form 10-K.

We entered into an agreement with Mr. Wallace in November 2003 under which Mr. Wallace agreed to serve as our Vice President and General Counsel. A copy of this agreement has been filed as an exhibit to our Annual Report on Form 10-K. Under the terms of the agreement, Mr. Wallace's base salary in 2003 was \$228,000. He is also eligible for an annual cash bonus target of 30% of annual base salary under the Management Incentive Bonus Program and a quarterly bonus of 2% of annual base salary under the provisions of a quarterly incentive plan. Under the terms of the agreement, if Mr. Wallace is terminated by us other than for cause, then we will pay Mr. Wallace the following amount



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based on the year of his termination: during 2004-2005, base pay for six months; during 2006, base pay for three months; during 2007, base pay for two months; and during 2008, base pay for one month.

We entered into an agreement with Ms. Dreessen in July 2004. Under the terms of the agreement, Ms. Dreessen's base salary was set at \$270,000, and she was provided a cash bonus target of 40% of annual base salary, a long-term incentive cash value target of 40% of annual base salary and an 8% annual cash bonus target under the provisions of a quarterly incentive bonus plan. Ms. Dreessen resigned her employment effective December 31, 2005.

### STOCK PERFORMANCE GRAPH

*The information contained in this Stock Performance Graph Section shall not be deemed to be soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Exchange Act except to the extent that Westlake specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.*

The following graph compares the total return for our common stock, the Standard & Poor's 500 Index and the Standard & Poor's Chemicals Index (a published industry index), each of which assumes an initial value of \$100 and reinvestment of dividends. Our stock price performance shown in the following graph is not indicative of future stock price performance. The Standard & Poor's Chemicals Index contains 18 companies in the chemical industry.

**COMPARISON SINCE WESTLAKE'S IPO (1) OF CUMULATIVE  
TOTAL RETURN AMONG WESTLAKE CHEMICAL CORPORATION,  
THE S&P 500 INDEX AND THE S&P CHEMICALS INDEX**

**Cumulative Total Return To Stockholders**

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(1) Westlake's common stock started trading on August 11, 2004, in connection with the initial public offering of the Company's common stock.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The office space for our principal executive offices in Houston, Texas is leased, at market rates, from an affiliate, Westlake Post Oak Center, Ltd., under a lease that expires on February 28, 2010. Total annual payments under the lease in 2005 were approximately \$1.2 million.

Effective July 1, 2004, Westlake Management Services, Inc. (WMS) and Titan Petrochemical & Polymers Berhad (now known as Titan Chemicals Corp. Bhd), a Malaysian affiliate of our principal stockholder, entered into a service level agreement under which WMS provides services to Titan Chemicals Corp. Bhd. The basic fee under the agreement is \$0.5 million per year, plus additional reimbursements of actual costs, overhead, administrative fees, and/or profit margin for certain additional services. The agreement expires on June 30, 2007. WMS received \$0.5 million for services under the agreement in 2005.

Effective as of July 1, 2004, WMS entered into a technical assistance agreement with WEC International Corporation, or WEICI, a former affiliate of ours, on behalf of Suzhou Huasu Plastics Co. Ltd., a joint venture in which we have a 43% interest, whereby WMS will perform certain technical and administrative services, including technical training, engineering, plant operations and project management for WEICI and/or Suzhou Huasu Plastics. WMS will charge WEICI \$49,000 per year, plus reimbursement for all direct costs, including costs associated with providing expatriates to Suzhou Huasu Plastics, plus an overhead charge and profit margin. WMS received \$49,000 for these services in 2005.

In addition, effective as of January 1, 2004, our subsidiary WMS entered into an agreement with our affiliate Gulf United Investments Corporation, or GUIC, to perform certain administrative services, including tax, accounting, human resources, legal and risk management, for GUIC on behalf of itself and on behalf of TTWF LP, our principal stockholder, and its affiliates Westlake Industries, Inc., or WII, and Tanglewood Property Management Co., or TPMC, for an annual base fee of \$300,000, based upon actual costs, a pre-determined percentage of overhead and profit margin. In addition to this base fee, GUIC will reimburse WMS for all direct costs and expenses incurred by WMS on behalf of GUIC and those affiliates in the course of providing services under the agreement. GUIC will also reimburse WMS for a pre-determined percentage of overhead and profit margin of WMS for certain services. This agreement was subsequently modified in 2004 to have TTWF LP replace GUIC as the signatory to the agreement. This modification did not change any other terms and conditions of the agreement, and WMS still performs the above-described services for GUIC, TTWF LP, WII and TPMC. WMS received \$300,000 for these services in 2005.

**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the board of directors has appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006. PricewaterhouseCoopers LLP served as our independent registered public accounting firm for the fiscal year ended December 31, 2005. Although the ratification of the appointment of an independent registered public accounting firm is not required to be submitted to a vote of stockholders, our board of directors has decided to ask our stockholders to ratify this appointment. If our stockholders do not ratify the appointment of PricewaterhouseCoopers LLP, the audit committee will consider the appointment of another accounting firm.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THIS APPOINTMENT BE RATIFIED.**

PricewaterhouseCoopers LLP, or its predecessor, has served as our auditors since 1993. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting. If present, the representatives will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

For the years ended December 31, 2005 and 2004, we paid the following fees to PricewaterhouseCoopers LLP:

Fees	2005	2004
Audit fees (1)	\$ 2,086,198	\$ 1,191,000
Audit-related fees (2)	\$ 177,932	\$ 31,000
Tax fees (3)	\$ 436,970	\$ 255,000
All other fees		
Total fees billed	\$ 2,701,100	\$ 1,477,000

- (1) Audit fees represent fees billed for professional services rendered for the audits of our annual consolidated financial statements, statutory audits of our subsidiaries, audit of internal controls, quarterly review of our consolidated financial statements, reviews of documents filed with the SEC, registration statements and comfort letters.
- (2) Audit-related fees represent fees billed for professional services rendered for attest services and accounting consultations.
- (3) Tax fees represent fees billed for professional services rendered for tax planning, tax advice and tax compliance.

**AUDIT COMMITTEE PRE-APPROVAL**

The audit committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval is generally provided for work associated with audit, review or attest engagements, tax and permissible non-audit services, including the fees and terms thereof, to be performed by the independent auditors, subject to, and in compliance with, the de minimis exception for non-audit services described in the Securities Exchange Act of 1934 and the applicable rules and regulations of the SEC.

**REPORT OF THE AUDIT COMMITTEE**

Three directors make up the audit committee of our board of directors: Robert T. Blakely (chairman), Max L. Lukens and Dr. Gilbert R. Whitaker, Jr.

During the course of performing its duties, the audit committee issued the following report.

*The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.*

The charter of the Audit Committee of the Board of Directors specifies that the purpose of the Audit Committee is to assist the Board of Directors in its oversight of:

the integrity of the Company's financial statements;

the Company's compliance with legal and regulatory requirements;

the qualifications and independence of the Company's independent auditors; and

the performance of the Company's independent auditors and internal audit function.

The Audit Committee charter is available on the Company's Investor Relations Web site ([www.westlakechemical.com](http://www.westlakechemical.com) under Investor Relations ).

In carrying out these responsibilities, the Audit Committee, among other things:

monitors preparation of quarterly and annual financial reports by the Company's management;

supervises the relationship between the Company and its independent auditors, including: having direct responsibility for their appointment, compensation and retention; reviewing the scope of their audit services; approving audit and non-audit services; and confirming the independence of the independent auditors; and

oversees management's implementation and maintenance of effective systems of internal and disclosure controls, including review of the Company's policies relating to legal and regulatory compliance, ethics and conflicts of interests and review of the Company's internal auditing program.

During 2005, the Audit Committee was comprised of Mr. Robert T. Blakely, Mr. Max L. Lukens and Dr. Gilbert Whitaker, Jr. The Audit Committee met 11 times during 2005. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Audit Committee's meetings include, whenever appropriate, executive sessions with the Company's independent auditors and with the Company's internal auditors, in each case without the presence of the Company's management.

As part of its oversight of the Company's financial statements, the Audit Committee reviews and discusses with both management and the Company's independent auditors all annual and quarterly financial statements prior to their issuance. During 2005, management advised the

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Audit Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles, and reviewed significant accounting and disclosure issues with the Audit Committee. These reviews included discussion with the independent registered public accountants of matters required to be discussed pursuant to *Statement on Auditing Standards No. 61 (Communication with Audit Committees)* (as modified by *Statement on Auditing Standards No. 90*), including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Committee also discussed with PricewaterhouseCoopers LLP matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter from PricewaterhouseCoopers LLP to the Committee pursuant to *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*, which the Audit Committee has received.

The Audit Committee also reviewed and discussed with the Company's management and the independent registered public accounting firm management's report and PricewaterhouseCoopers LLP's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.



In addition, the Audit Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company's internal and disclosure control structure. As part of this process, the Audit Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement recommended improvements in internal procedures and controls.

Taking all these reviews and discussions into account, the undersigned Audit Committee members recommend to the Board of Directors that the Board of Directors approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the SEC.

**MEMBERS OF THE AUDIT COMMITTEE**

*Robert T. Blakely, Chairman*

*Max L. Lukens*

*Dr. Gilbert R. Whitaker, Jr.*

**OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING**

We do not know of any matters other than those stated above which are to be brought before the annual meeting. However, if any other matters should be properly presented for consideration and voting, it is the intention of the persons named in the proxy to vote on those matters in accordance with their judgment.

**OBTAINING COPIES OF THE COMPANY S FORM 10-K**

STOCKHOLDERS OF THE COMPANY MAY OBTAIN, WITHOUT CHARGE, A COPY OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 BY SENDING A WRITTEN REQUEST FOR THE FORM 10-K TO THE INVESTOR RELATIONS DEPARTMENT, WESTLAKE CHEMICAL CORPORATION, 2801 POST OAK BLVD., SUITE 600, HOUSTON, TEXAS 77056.

**STOCKHOLDER PROPOSALS FOR THE NEXT ANNUAL MEETING**

Proposals by stockholders intended to be presented at the 2007 annual meeting of stockholders must be forwarded in writing and received at our principal executive offices no later than December 3, 2006, directed to the attention of the corporate secretary, for consideration for inclusion in our Proxy Statement for the annual meeting of stockholders to be held in 2007. Moreover, with regard to any proposal by a stockholder not seeking to have its proposal included in the Proxy Statement but seeking to have its proposal considered at the 2007 annual meeting, if that stockholder fails to notify us in the manner set forth above of its proposal by January 15, 2007, then the persons appointed as proxies may exercise their discretionary voting authority if the proposal is considered at the 2007 annual meeting, notwithstanding that stockholders have not been advised of the proposal in the Proxy Statement for the 2007 annual meeting of stockholders. Any stockholder proposals must comply in all respects with the rules and regulations of the SEC.

Stephen Wallace

Vice President, General Counsel and Secretary

April 3, 2006

**Proof #1**

**Broker**

**PROXY**

**PROXY**

**WESTLAKE CHEMICAL CORPORATION**

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

**Annual Meeting - May 15, 2006**

The undersigned hereby appoints David R. Hansen and George J. Mangieri as proxy holders with full power to act alone and with power of substitution, to vote all stock which the undersigned could vote at the Company's Annual Meeting of Stockholders to 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), and at any adjournment thereof, in the manner stated herein as to the following matters and in their discretion on any other matters that may properly come before the meeting, all as described in the accompanying Notice and Proxy Statement.

**This Proxy is Continued on the Reverse Side**

**Please Sign on the Reverse Side and Return Promptly**

**COMMENTS:**

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ANNUAL MEETING OF STOCKHOLDERS OF  
**WESTLAKE CHEMICAL CORPORATION**

**Proof #1**

**May 15, 2006**

**Broker**

**Please date, sign and mail**

**your proxy card in the**

**envelope provided as soon**

**as possible.**

ê Please detach along perforated line and mail in the envelope provided. ê

**THIS PROXY WILL BE VOTED OR NOT VOTED AS YOU DIRECT BELOW.**

**IN THE ABSENCE OF SUCH DIRECTION, IT WILL BE VOTED FOR PROPOSALS 1 AND 2.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

Proposal 1 - ELECTION OF CLASS II DIRECTORS

Proposal 2 - RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS WESTLAKE CHEMICAL CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006. FOR .. .. AGAINST .. .. ABSTAIN .. ..

**NOMINEES:**

**FOR ALL NOMINEES**

James Chao

Gilbert R. Whitaker, Jr.

**TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE OF THIS CARD.**

**WITHHOLD AUTHORITY**

**FOR ALL NOMINEES**

**THANK YOU FOR VOTING**

**FOR ALL EXCEPT**

(See instructions below)

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

I consent to future access of the Annual Reports and Proxy Statements electronically via the Internet. I understand that the Company may no longer distribute printed materials to me for any future Stockholder Meeting until such consent is revoked.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

**I PLAN TO ATTEND THE ANNUAL MEETING**

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

In order to reduce the costs associated with producing and mailing your Annual Report and Proxy Statement in future years, we urge you to elect on your proxy card that you would like to view your Annual Report and Proxy Statement electronically via the Internet. Your election can be revoked at any time by calling 1-800-PROXIES. You will continue to receive your proxy card in the mail, regardless of your election.

**If you vote your proxy by telephone or on the Internet, you do NOT  
need to mail back your proxy card.**

**IF YOU WISH TO VOTE BY TELEPHONE IN THE UNITED STATES, PUERTO RICO OR CANADA, PLEASE FOLLOW THE INSTRUCTIONS BELOW. IF YOU VOTE BY TELEPHONE OR THE INTERNET, PLEASE *DO NOT* RETURN YOUR PROXY CARD BY MAIL.**

HAVE YOUR VOTING DIRECTION CARD IN HAND.

TO VOTE BY PHONE THROUGH OUR TABULATOR, AMERICAN STOCK TRANSFER & TRUST COMPANY:

On a touch-tone telephone call Toll Free **1-800-PROXIES** - 24 hours a day - 7 days a week.  
Enter your eleven-digit Control Number, which is indicated on the other side of this card.  
Follow the voice instructions.

**Proof #1**

**Internet**

**PROXY**

**PROXY**

**WESTLAKE CHEMICAL CORPORATION**

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**Annual Meeting - May 15, 2006**

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**This Proxy is Continued on the Reverse Side**

**Please Sign on the Reverse Side and Return Promptly**

**COMMENTS:**

---

ANNUAL MEETING OF STOCKHOLDERS OF

**WESTLAKE CHEMICAL CORPORATION**

May 15, 2006

**Proof #1**

**Internet**

**PROXY VOTING INSTRUCTIONS**

**MAIL** - Date, sign and mail your proxy card in the envelope provided as soon as possible.

- OR -

**COMPANY NUMBER**

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

- OR -

**ACCOUNT NUMBER**

**CONTROL NUMBER**

**INTERNET** - Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

You may enter your voting instructions at 1-800-PROXIES or [www.voteproxy.com](http://www.voteproxy.com) up until 11:59 PM Eastern Time on May 14, 2006.

ê Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone or the Internet. ê

**THIS PROXY WILL BE VOTED OR NOT VOTED AS YOU DIRECT BELOW.**

**IN THE ABSENCE OF SUCH DIRECTION, IT WILL BE VOTED FOR PROPOSALS 1 AND 2.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

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Proposal2 - RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS WESTLAKE CHEMICAL CORPORATION S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006. FOR AGAINST ABSTAIN .. ..

**NOMINEES:**

- FOR ALL NOMINEES O James Chao O Gilbert R. Whitaker, Jr.

**TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE OF THIS CARD.**

WITHHOLD AUTHORITY FOR ALL NOMINEES

FOR ALL EXCEPT (See instructions below)

**THANK YOU FOR VOTING**

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here:

I consent to future access of the Annual Reports and Proxy Statements electronically via the Internet. I understand that the Company may no longer distribute printed materials to me for any future Stockholder Meeting until such consent is revoked.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

**I PLAN TO ATTEND THE ANNUAL METING**

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When units are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in



partnership name by authorized person.