

STERLING CHEMICALS INC
Form SC 13G
May 30, 2007

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No.)*

Sterling Chemicals, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

859166100

(CUSIP Number)

May 22, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 859166100

13G

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).
Avenue Capital Management II, L.P.
 2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)
 3. SEC Use Only
 4. Citizenship or Place of Organization
Delaware
 5. Sole Voting Power
None.
 6. Shared Voting Power
205,583
 7. Sole Dispositive Power
None.
 8. Shared Dispositive Power
205,583
 9. Aggregate Amount Beneficially Owned by Each Reporting Person
205,583
 10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)
 11. Percent of Class Represented by Amount in Row (9)
7.2%
 12. Type of Reporting Person (See Instructions)
IA
-

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CUSIP No. 859166100

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).
Avenue Capital Management II GenPar, LLC
2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)
3. SEC Use Only
4. Citizenship or Place of Organization
Delaware
5. Sole Voting Power
None.
6. Shared Voting Power
205,583
7. Sole Dispositive Power
None.
8. Shared Dispositive Power
205,583
9. Aggregate Amount Beneficially Owned by Each Reporting Person
205,583
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)
11. Percent of Class Represented by Amount in Row (9)
7.2%
12. Type of Reporting Person (See Instructions)
OO

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

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CUSIP No. 859166100

13G

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).
Marc Lasry
 2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)
 3. SEC Use Only
 4. Citizenship or Place of Organization
United States
 5. Sole Voting Power
None.
 6. Shared Voting Power
205,583
 7. Sole Dispositive Power
None.
 8. Shared Dispositive Power
205,583
 9. Aggregate Amount Beneficially Owned by Each Reporting Person
205,583
 10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)
 11. Percent of Class Represented by Amount in Row (9)
7.2%
 12. Type of Reporting Person (See Instructions)
IN
-

Item 1.

(a) **Name of Issuer:** Sterling Chemicals, Inc.

(b) **Address of Issuer's Principal Executive Offices:**

333 Clay Street, Suite 3600
Houston, Texas 77002-4109

Item 2.

(a) **Names of persons filing:** See Cover Pages, item 1.

(b) **Address or Principal Business Office or, if none, Residence:**

c/o Avenue Capital Management II, L.P.
535 Madison Avenue, 15th FLOOR
New York, NY 10022

(c) **Citizenship:** See Cover Pages, item 4.

(d) **Title of class of Securities:** Common Stock (including securities which represent a right to acquire Common Stock pursuant to Rule 13d-3(d)(1), if any)

(e) **CUSIP No.:** 859166100

Item 3. Statement filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c):

- Avenue Capital Management II, L.P. is filing as an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E).
- Avenue Capital Management II GenPar, LLC is filing as a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).
- Marc Lasry is filing as a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).

Item 4. Ownership

See Cover Pages, items 5 through 11.

The approximate percentages of shares of Common Stock reported as beneficially owned by the Reporting Persons (as defined below) are based upon 2,828,460 shares of Common Stock outstanding, as reported by the Issuer in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Collectively, the securities reported in this Schedule 13G are held by Avenue Investments, L.P., a Delaware limited partnership, Avenue Special Situations Fund IV, L.P., a Delaware limited partnership, Avenue Special Situations Fund II, L.P., a Delaware limited partnership, Avenue-CDP Global Opportunities Fund, L.P., a Cayman Islands exempted limited partnership, Avenue International Master, L.P., a Cayman Islands exempted limited partnership, and GPC 73, LLC, a Delaware limited liability company (collectively, the Avenue Entities). Avenue Capital Management II, L.P. is an investment adviser to each of the Avenue Entities. Avenue Capital Management II GenPar, LLC is the general partner of Avenue Capital Management II, L.P. and Marc Lasry is the Managing Member of Avenue Capital Management II GenPar, LLC. Avenue Capital Management II, L.P., Avenue Capital Management II GenPar, LLC and Marc Lasry are collectively referred to as the Reporting Persons in this Schedule 13G.

Item 5. Ownership of Five Percent or Less of a Class.

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

The Avenue Entities have the right to receive dividends in connection with their ownership of, and the proceeds of the sale of, the subject securities of Issuer as owned by such entities. None of the Avenue Entities beneficially owns more than five percent (5%) of the class.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Avenue Capital Management II GenPar, LLC is the general partner of Avenue Capital Management II, L.P. and Marc Lasry is the Managing Member of Avenue Capital Management II GenPar, LLC.

Item 8. Identification and Classification of Members of the Group.

Not applicable.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certifications.

By signing below, each of the undersigned certifies that, to the best of his or its individual knowledge and belief, the securities referred to above (i) were acquired, and are held, in the ordinary course of business, (ii) were not acquired, and are not held, for the purpose, or with the effect, of changing or influencing the control of the issuer of the securities, and (iii) were not acquired, and are not held, by the undersigned in connection with, or as a participant in, any transaction having the purpose or effect provided in the preceding subsection (ii).

SIGNATURE

After reasonable inquiry and to the best of the knowledge and belief of the undersigned, each of the undersigned certifies that the information set forth in this statement with respect to such entity or individual is true, complete and correct.

Dated: May 30, 2007

Avenue Capital Management II, L.P.

By: Avenue Capital Management II GenPar, LLC, its
General Partner

By: /s/ Marc Lasry
Marc Lasry
Its: Managing Member

Avenue Capital Management II GenPar, LLC

By: /s/ Marc Lasry
Marc Lasry
Its: Managing Member

Name: /s/ Marc Lasry
Marc Lasry,
Capacity: Individually
