

STEPAN COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 29, 1994
AT 9:00 A.M.

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of STEPAN COMPANY will be held at the Company's Administrative and Research Center at Edens Expressway and Winnetka Road, Northfield, Illinois, on Friday, April 29, 1994, at 9:00 a.m., for the following purposes:

1. To elect two Directors to the Board.
2. To ratify the appointment of Arthur Andersen & Co. as independent auditors for the Company for 1994.
3. To transact such other business as may properly come before the meeting.

The Board of Directors has designated the close of business on March 1, 1994, 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.

A copy of the Company's Annual Report for the year 1993 is enclosed with this notice.

By Order of the Board of Directors

JEFFREY W. BARTLETT
Secretary

Northfield, Illinois
March 29, 1994

THE BOARD OF DIRECTORS OF THE COMPANY EXTENDS A CORDIAL INVITATION TO ALL STOCKHOLDERS TO BE PRESENT AT THE MEETING. IF YOU DO NOT PLAN TO ATTEND THE MEETING, PLEASE MARK, SIGN AND MAIL THE ENCLOSED PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE. IF YOU PLAN TO ATTEND THE MEETING, IT WILL BE NECESSARY TO OBTAIN AN ADMISSION CARD AND A REQUEST FORM IS ALSO ENCLOSED. AN ADMISSION CARD WILL BE ISSUED UPON REQUEST IN THE NAME OF EACH STOCKHOLDER OF RECORD. EACH ADMISSION CARD IS VALID ONLY FOR THE ADMISSION OF THE STOCKHOLDER OF RECORD OR BONA FIDE BENEFICIAL OWNER OR A DESIGNATED PROXY. BONA FIDE BENEFICIAL OWNERS OF SHARES THAT ARE REGISTERED IN THE NAME OF A BROKER OR OTHER NOMINEE SHOULD BRING PROOF OF BENEFICIAL OWNERSHIP. NO OTHER PERSONS WILL BE ADMITTED TO THE ANNUAL MEETING OF STOCKHOLDERS.

March 29, 1994

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 29, 1994

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 March 1, 1994, the record date for the meeting, there were 790,984 shares of 5 1/2% Convertible Preferred Stock ("Preferred Stock") outstanding, each share of which is convertible into .57087 shares of Common Stock and is entitled to .57087 votes on each matter to be voted on at the meeting, and there were 4,953,266 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 March 29, 1994. 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 March 1, 1994, 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 COMMON STOCK BENEFICIALLY OWNED(2)(9)		TOTAL SHARES	PERCENTAGE OF OUTSTANDING SHARES OF COMMON STOCK
	SOLE	SHARED		
F. Quinn Stepan(4).....	795,265(6)(7)(10)	330,611(3)	1,125,876	20.8%
Paul H. Stepan(4).....	132,462	330,611(3)	463,073	8.5%
Plan Committee for Stepan Company				
Qualified Plans.....	395,480(5)(8)		395,480	7.3%
Mary Louise Stepan(4)...	286,887		286,887	5.3%

As of March 1, 1994, 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 PREFERRED STOCK BENEFICIALLY OWNED(2)		TOTAL SHARES	PERCENTAGE OF OUTSTANDING SHARES OF PREFERRED STOCK
	VOTING AND INVESTMENT POWER			
	SOLE	SHARED		
F. Quinn Stepan(4).....		166,480(3)	166,480	21.0%
Paul H. Stepan(4).....	159,616	166,480(3)	326,096	41.2%
Plan Committee for Stepan Company Qualified Plans.....	96,728(5)(8)		96,728	12.2%
Mary Louise Stepan(4).....	76,872		76,872	9.7%
Mary Louise Wehman(4).....	76,872		76,872	9.7%
John Stepan(4).....	76,872		76,872	9.7%

- (1) 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 March 1, 1994. Number of shares owned includes shares held by the spouses of F. Quinn Stepan, Paul H. Stepan and Mary Louise Wehman and shares held by the persons listed in the table, as trustee or custodian for the benefit of minor children 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 235,572 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) Mary Louise Stepan is the mother of F. Quinn Stepan, Paul H. Stepan, John Stepan and Mary Louise Wehman.
- (5) The members of the Plan Committee are J. A. Hartlage, W. J. Klein and C. O. Gardiner, all of whom are employees of the Company.
- (6) Includes 1,819 shares of Common Stock allocated to F. Quinn Stepan under the Employee Stock Ownership Plan.
- (7) Includes 160,620 shares which F. Quinn Stepan has the right to acquire under a stock option plan.
- (8) On February 22, 1994, the Company received a 13G filing from the Harris Bancorp Inc., which is the parent company of the Trustee (Harris Trust and Savings Bank) for the Company's Employee Stock Ownership Plan and Trust for Qualified Plans. Harris Bancorp Inc. and its subsidiary expressly deny 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 93,511 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.

REPORTS OF BENEFICIAL OWNERSHIP

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 American 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 that Mark S. Barg and Charles W. Given each filed one late report of one transaction.

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 1997.

Under the Company's Certificate of Incorporation and Bylaws, Directors are elected by the vote of holders of Preferred Stock and Common Stock present in person or represented by proxy at the meeting and entitled to vote in the election, voting together as a single class, representing a majority of both the votes cast and the number of shares present or represented at the meeting. The outcome of the election will not be affected by shares that withhold authority to vote in the election, however, an abstention will have the effect of a vote against the nominees named below.

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 nominees for Director:

NAME OF NOMINEE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE DURING THE PAST FIVE YEARS, OTHER DIRECTORSHIPS AND AGE	YEAR OF FIRST ELECTION AS DIRECTOR	NUMBER AND PERCENT OF SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)
Robert D. Cadieux.....	From 1993 to present, 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. Age--56	1992	1,713(2) *
Paul H. Stepan.....	Executive Director, Mesirov Financial, an investment banking operation, 1993 to present. Vice Chairman, Hostmark Management Company from November 1993 to present. President, Merchant Banking, Mesirov Capital Markets, an investment banking operation, from January 1990 to 1993. 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. Formerly a member of the Executive Committee of the Chicago Hotel Venture which owns the Hyatt Regency Chicago Hotel. Age--50	1977	463,073(2) 8.5% (3) (4)

*Less than one percent of outstanding shares.

(1) Represents number of shares beneficially owned as of March 1, 1994. 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 minor children where the trustee or custodian has voting or investment power.

(2) Includes 713 shares that such Director has the right to acquire under a stock option plan.

(3) See Note (3) to tables under Principal Stockholders.

(4) See Note (9) 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 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)	
James J. Gavin, Jr.....	<p>Vice Chairman of Borg-Warner Corporation from January 1985 until his retirement in August 1987. Previously, Senior Vice President, Finance of Borg-Warner Corporation, a diversified manufacturer of chemicals and plastics, air conditioning, industrial products and transportation equipment, and previously provided financial and protective services.</p> <p>Director: Service Corporation International, a funeral service/cemetery company; BWIP International, a supplier of advanced technology fluid transfer and control equipment, systems and services; and Huntco Inc., an intermediate steel processor.</p> <p>Trustee: Benchmark Money Market & Tax Exempt Funds, which is advised by The Northern Trust Company and distributed by Goldman, Sachs & Co.</p> <p>Age--71</p>	1980	1995	21,113(9) (10)	*
Thomas F. Grojean.....	<p>Chairman, Chief Executive Officer and sole owner of Schanno Transportation, Inc. since September 1989. Chairman and Chief Executive Officer of Ellsworth Freight Lines, Inc., since July 1986. Chairman and Chief Executive Officer of Greenfield Transport Co., Inc. since May 1985. All firms are nationwide truckload freight carriers.</p> <p>Age--55</p>	1977	1996	4,713(9)	*

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)
James A. Hartlage.....	Senior Vice President-Technology of the Company; Vice President-Technology of the Company from 1980 to 1992. Age--56	1984	1996	237,020(6) 4.3% (7) (8)
F. Quinn Stepan.....	Chairman and Chief Executive Officer of the Company since November 1984. President and Chief Operating Officer of the Company since 1973. Age--56	1967	1995	1,125,876(2) 20.8% (3) (4) (5)

*Less than one percent of outstanding shares

- (1) See Note (1) to tables under Nominees for Director.
- (2) See Note (3) to tables under Principal Stockholders.
- (3) See Note (6) to tables under Principal Stockholders.
- (4) See Note (7) to tables under Principal Stockholders.
- (5) See Note (10) to tables under Principal Stockholders.
- (6) Includes all shares deemed beneficially owned by the Plan Committee, of which J.A. Hartlage 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 dated July 1, 1985, with the Harris Trust and Savings Bank. See Principal Stockholders.
- (7) Includes 16,800 shares of Common Stock which J.A. Hartlage has the right to acquire under a stock option plan, 1,177 shares allocated to J.A. Hartlage under the Employee Stock Ownership Plan, and 754 shares credited to J.A. Hartlage's stock account under the 1992 Management Incentive Plan.
- (8) See Note (5) to tables under Principal Stockholders.
- (9) Includes 713 shares that such Director has the right to acquire under a stock option plan.
- (10) Includes 10,400 shares owned by The James and Zita Gavin Foundation, a charitable foundation, of which Mr. Gavin is the President.

OWNERSHIP OF PREFERRED STOCK AND COMMON STOCK BY DIRECTORS AND OFFICERS

The following table sets forth as of the close of business on March 1, 1994, the Common Stock ownership of those Officers listed in the Compensation Table who are not Directors and the Common Stock beneficially owned by Directors and Officers as a group on such date:

NAME	NUMBER AND PERCENT OF SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)
Charles P. Riley, Jr.....	40,169(2) *
Mark S. Barg.....	14,712(3) *
Charles W. Given.....	18,976(4) *
All Directors and Officers(5).....	1,758,341 32.5%

*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 minor children 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 or conversion of Preferred Stock.

- (2) Includes 1,137 shares allocated to Charles P. Riley, Jr. under the Employee Stock Ownership Plan and 8,000 shares that Charles P. Riley, Jr. has the right to acquire under a stock option plan.
- (3) Includes 520 shares allocated to Mark S. Barg under the Employee Stock Ownership Plan and 11,500 shares that Mark S. Barg has the right to acquire under a stock option plan.
- (4) Includes 841 shares allocated to Charles W. Given under the Employee Stock Ownership Plan and 14,450 shares that Charles W. Given has the right to acquire under a stock option plan.
- (5) As of March 1, 1994, all Directors and Officers as a group beneficially owned 334,528 shares of Preferred Stock, which represented 42.3% of the outstanding Preferred Stock and were convertible into 190,972 shares (3.5%) of Common Stock. As of March 1, 1994, Company-employed Directors and Officers as a group had the right to acquire 278,622 shares of Common Stock under stock options exercisable within 60 days, 9,036 shares of Common Stock were allocated to Company-employed Directors and Officers under the Employee Stock Ownership Plan, and 95,357 shares of Common Stock were credited to stock accounts of Company-employed Directors and Officers under the 1992 Management Incentive Plan.

BOARD OF DIRECTORS AND COMMITTEE MEETINGS

There were four regular meetings of the Board of Directors during 1993. During 1993, 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.

The Board of Directors has an Audit Committee which held two meetings in 1993. 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 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, 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 are Messrs. Cadieux, Gavin and Grojean.

The Board of Directors has a Compensation Committee which held two meetings in 1993. The functions of the Compensation 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 Committee are Messrs. Cadieux, Gavin, Grojean and P. Stepan.

The Board of Directors has no Nominating Committee.

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.....	1993	\$386,000	\$ 0	-0-	\$12,230
Chairman,	1992	372,000	196,950	35,000 shs	14,470
President and CEO	1991	354,000	68,300	-0-	
James A. Hartlage.....	1993	\$186,000	\$ 23,250	-0-	\$ 9,301
Senior Vice President--	1992	173,333	74,150	10,000 shs	10,693
Technology	1991	156,157	30,100	-0-	
Charles P. Riley, Jr.....	1993	\$166,000	\$ 11,950	-0-	\$ 8,373
Vice President--	1992	159,500	59,400	4,300 shs	9,892
Administration and	1991	152,000	24,300	-0-	
Regulatory Affairs					
Mark S. Barg.....	1993	\$157,500	\$ 18,250	-0-	\$ 7,481
Vice President--	1992	150,000	50,150	4,300 shs	8,926
Logistics	1991	142,500	18,800	-0-	
Charles W. Given.....	1993	\$153,333	\$ 38,950	-0-	\$ 7,561
Vice President and General	1992	131,300	27,250	8,600 shs	8,070
Manager	1991	107,455	26,550	-0-	
Surfactants					

(1) Represents awards under the Company's Employee Stock Ownership Plan and amounts under the Company's Profit Sharing Plan. Such amounts, respectively, were as follows for 1993: Mr. Stepan: \$5,583 and \$6,647; Mr. Hartlage: \$4,059 and \$5,242; Mr. Riley: \$3,694 and \$4,679; Mr. Barg: \$3,042 and \$4,439; and Mr. Given: \$3,239 and \$4,322.

The following table provides information concerning exercises during 1993 of stock options and as to option values at year-end. All options are presently exercisable.

1993 AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION VALUES

NAME	SHARES		NUMBER OF		VALUE OF	
	ACQUIRED	VALUE	UNEXERCISED	UNEXERCISED	IN-THE-MONEY	UNEXERCISED
	ON EXERCISE	REALIZED	1993	YEAR-END	1993	YEAR-END
F. Quinn Stepan.....	0 shs	\$ 0	160,620	shs	\$1,266,517	
James A. Hartlage.....	0	\$ 0	16,800		\$ 62,806	
Charles P. Riley, Jr.....	0	\$ 0	8,000		\$ 26,256	
Mark S. Barg.....	0	\$ 0	11,500		\$ 20,350	
Charles W. Given.....	0	\$ 0	14,450		\$ 76,498	

DIRECTORS' FEES

Directors who are not also Officers of the Company are currently being paid an annual Director's fee of \$28,000 plus \$800 for attendance at each Board of Directors meeting, Audit Committee meeting and Compensation Committee meeting. No such fees are paid to Directors who are also Officers of the Company. Under the Company's 1965 Directors' Deferred Compensation Plan, the Company has entered into agreements with certain of its non-employee Directors under which a Director, at his election, may defer receipt of his Director's fees and such deferred fees are (i) used to purchase shares of the Company's Common

Stock and such shares and future distributions thereon are deposited in the Director's account, (ii) credited to the Stepan Company Deferred Income Account, (iii) used to purchase shares of selected publicly-traded mutual funds or (iv) divided equally between the purchase of shares of the Company's Common Stock, the Stepan Company Deferred Income Account and shares of selected publicly traded mutual funds. Funds in the Stepan Company Deferred Income Account may not be used to purchase shares of the Company's Common Stock, but earn interest at the same rate as bonds with a maturity of ten years. At the election of a Director, deferred payments may be made in shares of Stepan Common Stock or cash based on the fair market value of the Director's account at distribution, which commences, depending upon the terms of the agreement with the particular Director, upon retirement as a Director or from active or professional life or at any time between ages 60 to 70, with payments being made periodically over a period of five to ten years.

In addition, the 1992 Stock Option Plan provides for the granting of a stock option, as of the date of the annual meeting of the Company's stockholders in each of calendar years 1994, 1996, 1998 and 2000, to each non-employee Director serving as a Director of the Company on such date to purchase the number of shares of Common Stock determined by dividing the non-employee Director's annual retainer fee for the applicable year by the fair market value of a share of Common Stock on the date of the grant. The exercise price of each share of Common Stock under a stock option granted to a non-employee Director will be equal to the fair market value of a share of Common Stock on the date of the grant or, if greater, par value. The exercise price may be paid, upon exercise, in cash, in shares of Common Stock or in any combination of cash or Common Stock as the non-employee Director completes two continuous years of service as a non-employee Director following the date of the grant, or more than 10 years after the date of the grant. The 1992 Stock Option Plan sets forth restrictions upon the exercise of stock options by non-employee Directors upon termination of their service by reason of death, disability, retirement or otherwise.

The Company has a non-qualified, non-funded retirement income plan for the benefit of the non-employee Directors. The plan provides for a benefit after ten years of service of 50 percent of the annual Director's fee at retirement plus two percent for each year served on the Board in excess of ten years with a maximum 25 years credit in excess of ten years. Benefits commence at 70 years of age.

RETIREMENT PLAN

The Company has a non-contributory Retirement Plan (the "Retirement Plan") covering all salaried employees that provides for a maximum pension benefit equal to 50 percent of the employee's average base compensation, reduced by an amount equal to 50 percent of the employee's primary Social Security benefit at age 65, for employees with 30 years of service who retire at or after age 63. Base compensation is computed on the average base salary for the five highest consecutive earnings years during the last fifteen years prior to retirement. The amount of salary taken into account for any year is subject to certain limitations contained in the Internal Revenue Code (\$150,000 in 1994, to be indexed in future years for inflation in accordance with IRS regulations, and subject to certain transition rules for prior years in which greater amounts of salary were permitted to be taken into account).

The following table sets forth the maximum annual retirement income payable under the Retirement Plan, prior to reduction by an amount equal to 50 percent of projected age 65 Social Security benefits, at age 63 for indicated salaries and lengths of service.

BASE SALARY	YEARS OF SERVICE			
	15	20	25	30
\$150,000	37,500	50,000	62,500	75,000
175,000	43,750	58,333	72,917	87,500
200,000	50,000	66,667	83,333	100,000
225,000	56,250	75,000	93,750	112,500
250,000	62,500	83,300	104,167	125,000

The table has been prepared without regard to the limitation, described in the preceding paragraph, on salary taken into account under the Retirement Plan. The table has also been prepared without regard to the

maximum benefit limitations imposed by the Internal Revenue Code. The Internal Revenue Code also imposes limitations applicable to employees who participate in more than one plan, but these limitations must be determined on an individual basis and are not reflected in the table.

The years of credited service and the 1993 base salary (determined without regard to the limitation imposed by the Internal Revenue Code) for each of the Officers named in the cash compensation table are as follows:

NAME OF INDIVIDUAL	YEARS OF CREDITED SERVICE	BASE SALARY
F. Quinn Stepan.....	32	\$386,000
James A. Hartlage.....	16	186,000
Charles P. Riley, Jr.....	36	166,000
Mark S. Barg.....	5	157,500
Charles W. Given.....	24	153,333

STOCK PERFORMANCE GRAPH

The following performance graph compares the yearly change since December 31, 1988, in cumulative return on the Common Stock of the Company on a dividend reinvested basis to the Dow Jones Chemical Industry Index and the Russell 2000 Index. The Dow Jones Chemical Industry Index is a market-capitalization weighted grouping of 22 chemical companies, including major manufacturers of both basic and specialty products. Stepan Company is not included in this Index. The Russell 2000 Index is a market-capitalization weighted grouping of 2,000 small to medium sized companies in a broad range of industries. Stepan Company was a part of the Russell 2000 Index during 1993. The graph assumes \$100 was invested on December 31, 1988, and shows the cumulative total return as of each December 31 thereafter.

[GRAPH APPEARS HERE]

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG STEPAN COMPANY, DOW JONES CHEMICAL INDUSTRY INDEX AND RUSSELL 2000 INDEX

Measurement Period (Fiscal Year Covered)	STEPAN COMPANY	DOW JONES CHEMICAL INDUSTRY INDEX	RUSSELL 20000 INDEX
Measurement Pt- 12/31/88	\$100.00	\$100.00	\$100.00
FYE 12/31/89	\$ 79.78	\$127.51	\$116.24
FYE 12/31/90	\$ 92.24	\$116.38	\$ 93.56
FYE 12/31/91	\$118.71	\$155.93	\$136.65
FYE 12/31/92	\$149.06	\$170.17	\$161.80
FYE 12/31/93	\$129.04	\$188.35	\$192.40

REPORT OF THE COMPENSATION COMMITTEE

The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors, which is composed of the following non-employee Directors: Messrs. Cadieux, Gavin, Grojean and P. Stepan. All issues pertaining to corporate officer compensation are submitted to the Compensation Committee for approval prior to implementation. Non-officer compensation for those reporting to the Chief Executive Officer is reviewed by the Committee as requested.

The Company's guiding philosophy in executive compensation is that:

- (a) The base pay of executive officers should reflect job responsibilities and performance, and should be competitive internally to the like or comparable positions as well as being competitive externally to the like or comparable positions within the chemical industry. To this end, the Company uses job evaluation and measurement techniques consistent with modern industrial practice and sets pay policy in accordance with data supplied by Hay Associates, an independent compensation consulting firm, for base pay trends in the chemical industry.

Within individual salary ranges, base salary levels for each executive officer are determined in accordance with performance standards set by Company policy, and in compliance with position in the salary range and the merit increase guidelines published annually for all salaried employees. A separate determination is made where an executive officer is promoted or assumes additional responsibilities which may result in an increase in excess of the merit increase guidelines.

During 1993, merit increases for executive officers approximated the Company's 5% merit guideline, except in the case of four recently elected officers who were granted additional increases to position them more appropriately within their salary ranges. These adjustments averaged an additional 6%. These executives all assumed their present positions within the last eighteen to twenty-four months, and such adjustments are consistent with salary administration procedures for other salaried employees in such situations.

The Chairman, President and Chief Executive Officer's (CEO) salary range is determined by the same process and procedures as those of other executive officers. The CEO's salary is adjusted by the Compensation Committee in accordance with the salary merit increase guideline. During 1993, the CEO's base earnings increased by 3.8% over the prior year.

- (b) The incentive pay of executive officers should be tied directly to the performance of the Company and to the performance of the individual executive against a set of individual performance targets in a given calendar year. In years where the Company performs well against its economic targets, significant performance bonuses may be earned; if targets are not achieved or exceeded, incentive bonuses are proportionately lower or may not be paid at all.

All executive officers have a minimum of 25% of the incentive bonus based on the performance of the Company (measured in Net Income) against performance targets approved by the Compensation Committee for each calendar year period.

In 1993, the net income results of the Company measured Below Marginal, i.e. less than \$14 million, or a return of 14.1% on beginning Stockholder Equity, which was the minimum target for this factor of the incentive bonus as set by the Compensation Committee. As a result, no awards were made to executive officers for this factor.

The remainder of each individual executive officer's incentive bonus is based on performance measures set by mutual agreement between the executive and the Chief Executive Officer. The average incentive award for executive officers under this part of the plan was 11%.

The CEO's incentive compensation is determined solely by the financial results of the Company for the year. In 1993, the financial results did not meet the minimum target set by the Compensation Committee and no incentive bonus was paid to the CEO.

- (c) Executive officers receive stock option grants on a regular schedule to promote retention of proven executives, in recognition of job performance as an encouragement to advance corporate performance results which in turn enhance the likelihood of increases in the value of Common Stock.

In even-numbered years, stock options are granted to those executives and executive officers approved by the Compensation Committee and identified as having significant impact on the financial results and economic success and well-being of the Company. The size of stock option grants is determined based on job performance and the potential of each executive or executive officer to impact the costs, sales and/or profitability of the Company and may thus contribute to the value of the Common Stock held by stockholders.

- (d) Under current levels of compensation, the Company is unlikely to be affected by the one million dollar limit set forth in Section 162(m) of the Internal Revenue Code on the deductibility of compensation for purposes of calculating federal income tax; however, the Compensation Committee intends to consider this matter if circumstances warrant.

Robert D. Cadieux
James J. Gavin, Jr.
Thomas F. Grojean
Paul H. Stepan

THE COMPENSATION COMMITTEE

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Upon the recommendation of its Audit Committee, the Board of Directors has appointed Arthur Andersen & Co. ("Andersen"), independent public accountants, auditors for the Company and its subsidiaries for the year 1994. The Board of Directors recommends to the stockholders that the appointment of Andersen as auditors for the Company and its subsidiaries be ratified. If the stockholders do not ratify the appointment of Andersen, the selection of auditors will be reconsidered by the Audit Committee and the Board of Directors. Representatives of Andersen are expected to be present at the Annual Meeting of Stockholders with the opportunity to make a statement, if they desire to do so, and to be available to respond to appropriate questions from the stockholders.

STOCKHOLDER PROPOSALS--1995 ANNUAL MEETING

In order for proposals from Company stockholders to be included in the Proxy Statement and Form of Proxy for the 1995 Annual Meeting in accordance with Securities and Exchange Commission rules, the Company must receive the proposals at its administrative offices at Edens Expressway and Winnetka Road, Northfield, Illinois 60093, no later than November 29, 1994.

OTHER MATTERS

In connection with any other business that may properly come before the meeting and of which the Board of Directors is not now aware, votes will be cast pursuant to the authority granted by the enclosed Proxy in accordance with the best judgment of a majority of the persons present and acting under the Proxy.

In order to ensure the presence of the necessary quorum at the Annual Meeting, please mark, sign and return the enclosed Proxy card promptly in the envelope provided. No postage is required if mailed in the United States. Even though you sign and return your Proxy card, you are invited to attend the meeting. As noted on the cover, a ticket will be required for admission and a request form is enclosed.

By order of the Board of Directors

JEFFREY W. BARTLETT
Secretary

Northfield, Illinois
March 29, 1994

STEPAN COMPANY

Annual Meeting of Stockholders to be held April 29, 1994

This Proxy is solicited on behalf of the Company's Board of Directors

I, the undersigned hereby appoint Jeffrey W. Bartlett and Walter J. Klein, or either of them (the "Proxies"), with full power of substitution, to represent and vote all shares that the undersigned is entitled to vote at the annual meeting of stockholders of STEPAN COMPANY on April 29, 1994, or at any adjournment thereof.

This proxy when properly executed will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR proposals 1 and 2, set forth below.

- 1. Election of Directors, Nominees: Robert D. Cadieux and Paul H. Stepan.
- 2. Ratification of the appointment of Arthur Andersen & Co. as independent auditors for the Company for 1994.

In their discretion the Proxies are authorized to vote on such other business as may properly come before the meeting.

PLEASE MARK, SIGN, DATE AND MAIL THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(Continued and to be signed on reverse side.)

PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" 1 AND 2.

- | | | | |
|--------------------------------|-----|----------|----------------------------------|
| | FOR | WITHHOLD | FOR (Except withhold for Nominee |
| | / / | / / | / / written below) |
| 1. ELECTION OF DIRECTORS-- | | | |
| Nominees: Robert D. Cadieux | | | ----- |
| and Paul H. Stepan | | | |
| | FOR | AGAINST | ABSTAIN |
| | / / | / / | / / |
| 2. Ratification of independent | | | |
| auditors. | | | |

Dated: _____, 1994

(Signature(s)) _____

Please date and sign exactly as name appears hereon, Joint Owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

ADMISSION CARD REQUEST

STEPAN COMPANY
ANNUAL STOCKHOLDERS' MEETING
22 WEST FRONTAGE ROAD
NORTHFIELD, ILLINOIS 60093
APRIL 29, 1994, AT 9:00 A.M.

Admission to Stepan Company's Stockholders' Meeting will be by Admission Card only. Seating is limited and only one admission card will be issued for each stockholder account. To obtain an Admission Card, please complete and return this form in the enclosed envelope. A sequenced and numbered Admission Card will be mailed to you. Please allow at least two weeks for receipt of the Admission Card.

Please complete the information below:

Beneficial Owner: _____ Record Owner
Shares held by _____

Name

Street

Class of Stock: Common City/Town State Zip
 Preferred

STEPAN COMPANY

ANNUAL STOCKHOLDERS' MEETING

22 WEST FRONTAGE ROAD
NORTHFIELD, ILLINOIS 60093

APRIL 29, 1994, AT 9:00 A.M.

TO: INSTITUTIONS/BANKS/TRUSTS/BROKERS/DEPOSITORIES

Seating is limited for the Annual Meeting of Stepan Company. Therefore, it is imperative that only one sequenced and numbered admission card be available to each account holder. Please notify each account holder that they must provide proof of said ownership as of March 1, 1994 (record date), in order to receive such admission card, and such proof must accompany them with the admission card to the meeting on April 29, 1994. Please allow at least two weeks for receipt of Admission Cards.

ADMISSION CARD

No. _____

This card admits one Stepan Company stockholder to the Annual Stockholders' Meeting to be held at 22 West Frontage Road, Northfield, Illinois, April 29, 1994, 9:00 a.m.