

SCOTTS LIQUID GOLD INC
Form DEF 14A
April 22, 2002

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Scotts Liquid Gold

(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party:

(4) Date Filed:

SCOTT'S LIQUID GOLD-INC.
4880 Havana Street
Denver, Colorado 80239

NOTICE OF ANNUAL MEETING OF
SHAREHOLDERS
To Be Held May 1, 2002

TO OUR SHAREHOLDERS:

The Annual Meeting of Shareholders of Scott's Liquid Gold-Inc., a Colorado corporation (the "Company"), will be held at 10:00 a.m., Mountain Time, on Wednesday, May 1, 2002 at the Company's offices, 4880 Havana Street, Denver, Colorado for the purpose of considering and acting upon the following:

- (1) The election of six directors;
- (2) Such other matters as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 6, 2002 are entitled to notice of and to vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

CAROLYN J. ANDERSON
Corporate Secretary

Denver, Colorado
March 22, 2002

THE FORM OF PROXY IS ENCLOSED. TO ASSURE THAT YOUR SHARES WILL BE VOTED AT THE MEETING, PLEASE COMPLETE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED, POSTAGE PREPAID, ADDRESSED ENVELOPE. NO ADDITIONAL POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.

SCOTT'S LIQUID GOLD-INC.
4880 Havana Street
Denver, Colorado 80239

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 1, 2002

The enclosed Proxy is solicited by and on behalf of the Board of Directors of Scott's Liquid Gold-Inc., a Colorado corporation (the "Company"), for use at the Company's Annual Meeting of Shareholders to be held at 10:00 a.m., Mountain Time, on Wednesday, May 1, 2002 at the Company's offices, 4880 Havana Street, Denver, Colorado, or any adjournment thereof. This Proxy Statement and the accompanying form

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of Proxy are first being mailed or given to the shareholders of the Company on or about March 22, 2002.

Any shareholder signing and mailing the enclosed Proxy may revoke it at any time before it is voted by giving written notice of the revocation to the Company's Corporate Secretary, by voting in person at the meeting or by filing at the meeting a later executed proxy.

VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS

All voting rights are vested exclusively in the holders of the Company's \$0.10 par value common stock. Each share of the Company's common stock is entitled to one vote. Cumulative voting in the election of directors is not permitted. Holders of a majority of shares entitled to vote at the meeting, when present in person or by proxy, constitute a quorum. On March 6, 2002, the record date for shareholders entitled to vote at the meeting, the Company had 10,153,058 shares of its \$0.10 par value common stock issued and outstanding.

When a quorum is present, in the election of directors, those six nominees having the highest number of votes cast in favor of their election will be elected to the Company's Board of Directors. Consequently, any shares not voted (whether by abstention, broker non-vote or otherwise) have no impact in the election of directors except to the extent the failure to vote for an individual results in another individual receiving a larger number of votes.

The following persons are the only persons known to the Company who on March 6, 2002, owned beneficially more than 5% of the Company's common stock, its only class of outstanding voting securities:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Mark E. Goldstein 4880 Havana Street Denver, Colorado 80239	2,646,965(1)(2)	25.8%
Scott's Liquid Gold-Inc. Employee Stock Ownership Plan 4880 Havana Street Denver, Colorado 80239	1,118,932(3)	11.0%

- (1) Includes 2,126,473 shares held by the Goldstein Family Partnership, Ltd., a limited partnership of which the general partner is the Goldstein Family Corporation and whose limited partners include Mark E. Goldstein, his children, a sister, and certain other relatives. Mr. Goldstein is the sole director and sole executive officer of the Goldstein Family Corporation, and he owns 80% of the outstanding stock of the Goldstein Family Corporation in his individual name and owns as a

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trustee 20% of the outstanding stock of the Goldstein Family Corporation. Mr. Goldstein has the sole voting and disposition powers with respect to these shares of the Company owned by the Goldstein Family Partnership, Ltd. Also includes 120,500 shares underlying stock options granted by the Company, and 76,002 shares held by Mr. Goldstein's minor children. Includes 4,600 shares held jointly by Mr. Goldstein and his wife, and does not include 25,890 shares of the Company's common stock owned by Mr. Goldstein's spouse, as to which Mr. Goldstein disclaims any beneficial ownership.

- (2) Does not include 94,760 shares held by the Company's Employee Stock Ownership Plan attributable to Mr. Goldstein's vested interest in the Plan as of December 31, 2001.
- (3) The five-person committee administering the Employee Stock Ownership Plan directs the voting of shares held under such Plan. The Company's four executive officers are members of this five-person committee.

SECURITY OWNERSHIP OF MANAGEMENT

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The following table shows as of March 6, 2002, the shares of the Company's common stock beneficially owned by each director and executive officer of the Company and the shares beneficially owned by all of the directors and executive officers as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Mark E. Goldstein	2,646,965(2)(3)(4)	25.8%
Carolyn J. Anderson	338,460(3)(4)	3.3%
Jeffrey R. Hinkle	228,878(3)(4)(5)	2.2%
Jeffry B. Johnson	85,000(3)(4)(6)	.8%
Carl A. Bellini	105,000(3)	1.0%
Dennis H. Field	176,833(3)	1.7%
All Directors and executive officers as a Group (six persons)	3,581,136(3)(4)	33.0%

- (1) Beneficial owners listed have sole voting and disposition power with respect to the shares shown unless otherwise indicated.
- (2) For information regarding Mr. Goldstein's beneficial ownership of shares, see footnote 1 under the table in "Voting Securities and Principal Shareholders."
- (3) For each named person, includes the following number of shares underlying stock options granted by the Company: 120,500 for Mr. Goldstein; 120,500 for Ms. Anderson; 129,000 for Mr. Hinkle; 58,000 for Mr. Johnson; 105,000 for Mr. Bellini; and 173,333 for Mr. Field.
- (4) Does not include shares owned by the Company's Employee Stock Ownership Plan under which, at December 31, 2001, Mark E. Goldstein had a vested interest in 94,760 shares, Carolyn J. Anderson had a vested interest in 135,336 shares, Jeffrey R. Hinkle had a vested interest in 54,375 shares, and Jeffrey B. Johnson had a vested interest in 51,904 shares.
- (5) Of Mr. Hinkle's shares, 64,100 are held jointly by Mr. Hinkle and his wife.
- (6) Of Mr. Johnson's shares, 22,000 are held jointly by Mr. Johnson and his wife.

There has been no change in control of the Company since the beginning of the last fiscal year, and there are no arrangements known to the Company, including any pledge of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION

Nominees

The Company's Board of Directors consists currently of six directors. Unless authority to vote is withheld, the persons named in the enclosed form of proxy will vote the shares represented by such proxy for the election of the six nominees for director named below. If, at the time of the Meeting, any of these nominees shall have become unavailable for any reason to serve as a director, the persons entitled to vote the proxy will vote for such substitute nominee or nominees, if any, as they determine in their discretion. If elected, the nominees for director will hold office until the next annual meeting of shareholders or until their successors are elected and qualified. The nominees for director, each of whom has consented to serve if elected, are as follows:

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Name of Nominee and Position in the Company	Age	Director Since	Principal Occupation for Last Five Years
Mark E. Goldstein (Chairman of the Board, President and Chief Executive Officer)	45	1983	Chairman of the Board of the Company since February 22, 2000, President and Chief Executive Officer of the Company since August, 1990. From 1982 to 1990, Vice President Marketing of Company. Employed by the Company since 1978.
Carolyn J. Anderson (Executive Vice President, Chief Operating Officer and Corporate Secretary)	63	1974	Executive Vice President since 1974, Chief Operating Officer of the Company since 1982 and Corporate Secretary since 1973. Employed by the Company since 1970.
Jeffrey R. Hinkle (Vice President Marketing)	48	2000	Vice President Marketing of the Company since February 2000, Vice President of Marketing for the Company's subsidiaries from November 1992 to 2000. Employed by the Company since 1981.
Jeffry B. Johnson (Treasurer and Chief Financial Officer)	56	2000	Treasurer and Chief Financial Officer of the Company since November 2000. From 1981 to 2000, Controller of Company. Employed by the Company since 1976.
Carl A. Bellini	68	2000	Management Consultant since 1997. From 1987 to 1997, Executive Vice President and Chief Operating Officer of Revco D.S., Inc. (a large drug store chain).
Dennis H. Field	69	1991	Management Consultant since 1990. From 1984 to 1990, Executive Vice President/General Manager, Faberge USA, Inc. (mass market health and beauty aids).

All of the foregoing persons are currently directors of the Company. Their positions on standing committees of the Board of Directors are shown below under "Directors' Meetings and Committees".

The Company's only executive officers are those who are described in the foregoing table. The officers of the Company are elected annually at the first meeting of the Company's Board of Directors held after each annual meeting of shareholders and serve at the pleasure of the Board of Directors.

There are no family relationships among the executive officers or directors of the Company. There are no arrangements or understandings pursuant to which any of these persons were elected as an executive officer or director.

Directors' Meetings and Committees

During the year ended December 31, 2001, the Company had four directors meetings, plus four actions by unanimous written consent. The Company's Board of Directors has both a Compensation Committee and an Audit Committee.

The primary responsibilities of the Compensation Committee include development of an executive compensation philosophy for the Company; origination of all executive compensation proposals; review of the appropriate mix of variable versus fixed compensation; and review of all transactions between the Company and any executive officer or director, whether or not involving compensation. The Committee consists of two outside directors of the Company and, in addition, the President of the Company. Current members of the Compensation Committee are Dennis H. Field (Chairperson), Carl A. Bellini, and Mark E. Goldstein (with Mr. Goldstein having no vote). The Compensation Committee met

one time during 2001.

The Audit Committee has as its primary responsibilities the recommendation of an independent public accountant to audit the annual financial statements of the Company, the review of internal and external audit functions, the review of the systems of internal accounting controls, and the review of financial information which is provided to the shareholders and others. The Audit Committee consists of two outside directors. The current members of the Audit Committee are Carl A. Bellini (Chairperson) and Dennis H. Field. The Audit Committee met four times during 2001, plus had one action by unanimous consent.

Compensation Committee Interlocks and Insider Participation

Mr. Dennis Field serves on both the Compensation Committee and the Audit Committee. From 1978 to 1982, Mr. Field was President and Chief Operating Officer of Aquafilter Corporation, a wholly owned subsidiary of the Company which manufactured cigarette filters. After leaving Aquafilter Corporation, Mr. Field had virtually no contact with the Company from the date of his resignation to 1991 when he was asked to join the Company's Board. Prior to 1991, he was Executive Vice President/General Manager, U.S. Division, of Faberge. Mr. Field has a distinguished career with significant consumer product companies.

Executive Compensation

Summary Compensation Table

The following Summary Compensation Table shows the annual and other compensation of the chief executive officer and all other executive officers of the Company at December 31, 2001, for services in all capacities provided to the Company and its subsidiaries for the past three years.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	
		Salary \$	Bonus \$(1)	Other Annual Compensation \$	Securities Underlying Options (#)	All Other Compensation \$(2)
Mark E. Goldstein	2001	\$ 350,000	\$	29,328	\$	1,117
Chairman of the Board, President and Chief Executive Officer	2000	\$ 350,000	\$	101,580	50,000	\$ 4,242
	1999	\$ 350,000	\$	29,695	20,500	\$ 1,767
Carolyn J. Anderson	2001	\$ 300,000	\$	76,214	\$	1,117
Executive Vice President, Chief Operating Officer, Corporate Secretary	2000	\$ 300,000	\$	30,341	50,000	\$ 4,242
	1999	\$ 300,000	\$	36,303	20,500	\$ 1,767
Jeffrey R. Hinkle(3)	2001	\$ 200,000	\$	12,148	\$	1,117
Vice President Marketing	2000	\$ 200,000	\$	96,755	50,000	\$ 4,242
Jeffry B. Johnson(3)	2001	\$ 190,000	\$	87,683	\$	1,117
Treasurer and Chief Financial Officer	2000	\$ 147,600	\$	7,087	50,000	\$ 3,841

Note: There were no restricted stock awards or long term incentive payouts during the last three fiscal years. During 1999, options to purchase 20,500 shares of the Company's common stock were awarded to each of the Company's then executive officers at an average price of \$1.64 a share. In 2000, options to purchase 50,000 shares of the Company's common stock were awarded to each of the Company's then executive officers at an average price of \$.70 a share. No options were granted to the executive officers during 2001.

(1)

The Company has adopted a bonus plan for its executive officers for the year 2002. The plan provides that an amount will be distributed to the Company's executive officers equal to 10% of the annual before tax profit exceeding \$1 million, excluding items that are infrequent, unusual, or extraordinary. Such amount, if any, for 2002 will be divided among the Company's executive officers as follows: President, 35%, Executive Vice President, 25%, Vice President Marketing, 20% and Treasurer, 20%. In no event is a bonus paid unless pre-tax profits, excluding the above-mentioned items, exceed \$1,000,000 for the fiscal year, nor is any bonus paid on the

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first \$1,000,000 of pre-tax earnings, excluding the above mentioned items. The Company had a similar plan in 2001, 2000, and 1999.

(2)

All Other Compensation for each of the executive officers consists of Company contributions under an Employee Stock Ownership Plan and Trust Agreement ("ESOP") which provides that the Company may contribute annually to the ESOP cash or common stock in an amount not to exceed 25% of all participants' total compensation (the maximum amount currently deductible under tax laws). The Board of Directors determines whether any contributions will be made for the year. Benefits are allocated to all eligible employees according to a formula based on compensation, except that any income earned on assets of the Trust is allocated to ESOP participants based upon the value that each participant's account bears to the total value of Trust assets.

(3)

Mr. Hinkle and Mr. Johnson became executive officers of the Company in 2000.

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The dollar amount of Other Annual Compensation changes from year to year because of fluctuations in the costs of benefits and their timing. Other Annual Compensation in the table above for 1999 through 2001 is comprised of the following:

	Mark E. Goldstein			Carolyn J. Anderson		
	1999	2000	2001	1999	2000	2001
Automobile purchase(1)	\$	\$ 36,733	\$	\$	\$	\$ 25,000
Income taxes on automobile purchase(1)		35,012				23,244
Other automobile expenses	1,785	2,204	1,333	537	707	1,939
Memberships	13,017	14,170	13,565	5,417	3,673	
Life insurance	2,387	2,328	2,412	8,497	8,069	8,069
Income taxes on life insurance	2,286	2,142	2,175	8,338	7,423	7,277
Medical plan(2)	3,227	2,015	2,889	3,028		238
Disability plan(3)	4,672	4,672	4,672	8,165	8,165	8,165
Other	2,321	2,304	2,282	2,321	2,304	2,282
Total other compensation	\$ 29,695	\$ 101,580	\$ 29,328	\$ 36,303	\$ 30,341	\$ 76,214

	Jeffrey R. Hinkle		Jeffrey B. Johnson	
	2000	2001	2000	2001
Automobile purchase(1)	\$ 44,016	\$	\$ 1,100	\$ 40,534
Income taxes on automobile purchase(1)	41,952		1,012	37,687
Other automobile expenses	461	789	2,625	2,099
Memberships				
Life insurance	1,344	1,344	1,146	1,592
Income taxes on life insurance	1,236	1,213	1,054	1,436
Medical plan(2)	3,113	3,642	150	3,279
Disability plan(3)	4,633	5,160		1,056
Other				
Total other compensation	\$ 96,755	\$ 12,148	\$ 7,087	\$ 87,683

(1)

Every three to five years, the Company provides funds needed, plus an amount to pay resulting income taxes, to each executive officer for the purchase of an automobile. In the case of Mr. Johnson, the amounts shown for 2000 represent the lease value, and income taxes on that value, for his use in 2000 of a vehicle owned by the Company.

- (2) In addition to group life, health, hospitalization and medical reimbursement plans which generally are available to all employees, the Company has adopted a plan which provides for additional medical coverage of not more than \$50,000 per year to each of the Company's executive officers. The plan further provides that, for a period of five years following an executive officer's voluntary retirement, or involuntary retirement in the event of a change in control of the Company, the Company will, at no cost to the executive or his or her surviving dependents, cover the executive and/or such dependents under the Company Health Plan and shall also provide, at no cost to the executive, for the payment of additional medical coverage of up to \$50,000 a year.
- (3) The Company maintains a Key Executive Disability Plan. The purpose of this Plan is to provide the executive with his or her regular salary during periods of long-term disability in excess of 90 days to age 70, or to date of death, whichever first occurs. The benefits available under this Plan will cease upon termination of employment as an executive officer of the Company other than during a period of disability. The Plan is partially funded by disability insurance maintained

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by the Company under which the Company is the beneficiary. The table sets forth the premiums paid by the Company for this disability insurance.

Option Grants in Last Fiscal Year

No options were granted to the Company's executive officers during the 2001 year.

Outstanding Options

No options were exercised by any of the Company's executive officers during 2001. The following table summarizes information with respect to the value of each officer's unexercised stock options at December 31, 2001.

Fiscal Year End Option Values

Name	Number of Securities Underlying Unexercised Options at Year End		In-the-Money Value of Unexercised Options at Year End(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Mark E. Goldstein	120,500	0	0	0
Carolyn J. Anderson	120,500	0	0	0
Jeffrey R. Hinkle	129,000	0	0	0
Jeffry B. Johnson	58,000	0	0	0

- (1) The in-the-money value of unexercised options is equal to the excess of the per share market price of the Company's stock at December 31, 2001 over the per share exercise price multiplied by the number of unexercised options. However, the per share exercise price was higher than the market price of the Company's stock at year end

Compensation Committee Report

Background

The Compensation Committee of the Board of Directors is currently comprised of the Company's two outside directors and the Company's President (who serves as a non-voting member of the Committee). In February, 2001, when action was taken by the Committee on executive compensation for 2001, the Compensation Committee consisted of three outside directors who were Dennis H. Field (Chairperson), Carl A. Bellini and James F. Keane, as well as the Company's President, Mark E. Goldstein. The responsibilities of the Compensation Committee include the origination of all executive compensation proposals.

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In making decisions regarding executive compensation, the Compensation Committee considers a number of factors. The Compensation Committee has also determined that an outside consultant on compensation matters should be used once every three years.

Organization Philosophy

The Committee believes that the Company's organization and the specific responsibilities of its executive officers are an essential part of analyzing compensation levels. The first important point concerning the management of the Company is that each executive subscribes to a team concept of executive management, and operates in accordance with this concept. Although each of the executive officers has his or her specific areas of responsibility and each is able to and often does make independent decisions, the executive officers operate as a collaborative team, and very few, if any, significant decisions are made without input from the group as a whole.

Second, each executive officer is responsible for a number of distinct areas and tasks. Each performs many tasks traditionally associated with "middle management" in other companies in addition

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to their respective duties of top level or executive management. As a result, the Company has very little "middle management" and operates as a fairly lean organization.

Mark E. Goldstein became President and Chief Executive Officer of the Company in 1990 and Chairman of the Board in February, 2000. Mark E. Goldstein has the responsibilities associated with these positions at a public company. He is also actively involved in the sales and marketing efforts of the Company and its development of new products. For example, Mark Goldstein is the primary contact with the Company's largest account, Wal-Mart Stores, Inc.; and he, together with Jeffrey R. Hinkle, directs the Company's advertising and promotional efforts. He ultimately is responsible for the day-to-day operations of the Company, although he relies on the Company's other executive officers for advice and counsel.

Carolyn J. Anderson has been employed by the Company for 31 years. She became Corporate Secretary in 1973; she was promoted to Executive Vice President in 1974; and Ms. Anderson was given the additional title and responsibilities of Chief Operating Officer in 1982. As Chief Operating Officer, Ms. Anderson has a direct responsibility for decision-making with respect to the day-to-day operations of the Company's plant and facilities. Additionally, Ms. Anderson directs the Company's research and development and quality control activities. Ms. Anderson is responsible for the Company's "human resources" decisions. Further, Ms. Anderson is, together with Mr. Johnson, the primary contact for the Company's legal matters.

Jeffrey R. Hinkle has been employed by the Company for 20 years. He joined the Company as a regional sales manager in 1981, held various sales positions at the Company's subsidiaries, including Vice President Marketing of subsidiaries, and became Vice President Marketing of the Company in February, 2000. Mr. Hinkle is responsible for the Company's sales force, marketing and, together with Mr. Goldstein, the Company's advertising and promotional efforts.

Jeffrey B. Johnson was elected as the Company's Treasurer and Chief Financial Officer in November, 2000. Mr. Johnson has served the Company for 25 years. He joined the Company as internal auditor in 1976, was promoted to Controller in 1981, and to Chief Accounting Officer on October 1, 2000. Mr. Johnson performs all of the functions of Treasurer and Chief Financial Officer, including negotiations and maintenance of relationships with creditors. He also supervises back office functions relating to accounting and, together with Mr. Goldstein, data processing and computer operations.

Factors and Policies

In determining its recommendations on executive compensation, the Committee considered the management organization as described above and the following factors, among others:

- (a) Services performed and time devoted to the Company by the executive;
- (b) Amounts paid to executives in comparable companies;
- (c)

The size and complexities of the business;

- (d) Successes achieved by the executive;
- (e) The executive's abilities;
- (f) Volume of business during the executive's tenure;
- (g) Corporate earnings and profits;
- (h) Comparison of salary to distributions to stockholders;
- (i) Prevailing economic conditions;
- (j) Compensation paid to other employees of the corporation; and

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- (k) The amount previously paid to the executive.

The Company and the Compensation Committee have viewed the base salary as an important part of the compensation for the Company's executive officers as well as other employees. It is the general philosophy of the Company that good employees who are paid well are more likely to stay with the Company and contribute significantly to the successes of the Company's businesses.

The Company's 2001 executive bonus plan provided for a bonus pool based on 10% of pre-tax profits (excluding items that are infrequent, unusual or extraordinary) for a year in excess of \$1 million. Any bonus amount payable under the plan would have been divided as follows: Mark E. Goldstein, 35%; Carolyn J. Anderson, 25%; Jeffrey R. Hinkle, 20%; and Jeffry B. Johnson, 20%. The Company had substantially the same plan in prior years and has implemented substantially the same plan for the year 2002. The Compensation Committee believes that this bonus plan is an important part of the incentives for the Company's executive officers and recognizes directly many of the factors considered important by the Compensation Committee as stated above.

The Company provides certain other benefits and perquisites to the executive officers. The Committee believes that the types of benefits offered to Company executives and the value of these benefits are similar to benefit packages provided by competitors. A number of the benefits are provided by the Company not only to the executive officers but also to other Company employees. The Company believes that these benefits are appropriate for their positions, to compensate them consistent with market levels and to facilitate performance of their jobs in a more efficient and effective manner.

Application of Factors

Utilizing these factors and policies, the Compensation Committee in February, 2001 recommended that the base salaries of the Company's executive officers remain the same in 2001 as in 2000 and that the components of other compensation provided to the Company's executive officers also remain the same in 2001 as in 2000. These recommendations were adopted by the Company's Board of Directors.

In making its recommendations for the compensation of executives in 2001, the Compensation Committee noted, among other things, that: (1) The executive officers devote considerable time to the Company, often more than full-time; (2) the base salaries of Mr. Goldstein and Ms. Anderson have not changed since 1995 when the Company increased the base salaries of the then four executive officers by 13.5% in the aggregate; (3) the Company's bonus plan emphasizes performance and successes achieved by executives; (4) the levels of the bonus plan and other components of compensation have been in effect for a number of years; (5) prior to the grant of options in December, 2000, the Company's officers were awarded only modest stock options in 1998 and 1999, having previously received none since 1994, and those options replaced options that either had expired or were about to expire; and (6) the anticipated amounts paid for the base salary and bonus in 2001 were and are expected to be tax deductible, without being subject to a limitation on the deductibility of certain compensation in excess of \$1 million under the

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Internal Revenue Code. The Committee believed that the roles of the Company's officers continue to be difficult because of decreasing sales of the Company's products and competitive and market factors, including the consolidation of manufacturers, the consolidation of retailers and the state of art in business practices.

In terms of performance by the executives in 2000, the Committee noted in February, 2001, a number of factors, including, among others, the following:

The Company filled gaps in management caused by the deaths in 2000 of two executives, with transitions made to new executive officers;

Carl A. Bellini was added to the Board of Directors as a non-employee director;

The TriStrata lawsuit, alleging patent infringements by Alpha Hydrox products, was settled on favorable terms;

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Management developed new advertisements for the Company's products;

The Company commenced arrangements to act as a distributor for Montagne Jeunesse products;

The Company introduced new Neoteric products consisting of a fade cream, a moisturizer face wash and an under-eye treatment;

The Company was working on the development of two new products which are the RubOut and Alpha Radiance products;

Touch of Scent had improved revenues for 2000 because of sales at Wal-Mart;

Efforts were underway to increase the sales of Scott's Liquid Gold for wood;

Advertising costs were decreased for 2000 and 2001; and other costs were also reduced in 2000 and 2001.

Since 1992, the Compensation Committee has engaged a consultant on compensation matters every three years. The Hay Group was most recently engaged in 2000 and issued a report in February, 2001. The report concluded that:

In the aggregate the Company's executive compensation levels were within 10% of the median of a peer group used for the report and just over 10% above the median of a general industry group in terms of total direct compensation.

The base salary and the total cash compensation for the four executive officers in the aggregate were each between the median and the 75th percentile for the peer group; their aggregate base salary was above the 90th percentile for the general industry group; and their total cash compensation in the aggregate was between the 75th and 90th percentile for the general industry group.

The comparison groups were a peer group comprised of perfumes, cosmetics, and other toilet preparation companies and selected specialty chemical companies with an average annual revenue of \$39.25 million and a general industry group comprised of companies from a broad range of industries. The report stated that the Company's executive compensation places a greater emphasis on base salary than the comparison groups.

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In conclusion, the Compensation Committee believes that the levels of compensation for the Company's executive officers have been fair and appropriate.

COMPENSATION COMMITTEE

Dennis H. Field, Chairman

Carl A. Bellini

Mark E. Goldstein

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Stock Performance Graph

There follows a graph, constructed for the Company, comparing the cumulative total shareholder return of Scott's Liquid Gold-Inc. common stock to the Media General Composite Index (see below), and to a selected peer group.

	1996	1997	1998	1999	2000	2001
Scott's Liquid Gold	100.00	212.50	98.16	49.08	38.41	27.31
Peer Group	100.00	147.58	177.98	204.35	156.88	162.29
Media General Composite Index	100.00	129.85	158.74	193.64	174.80	154.77

Fiscal year ended December 31

Assumes \$100 invested on January 1, 1997
in the Company, the Peer Group,
The Media General Composite Index
and assumes the reinvestment of any dividends

Note: The foregoing graph was prepared for the Company by Media General Financial Services of Richmond, Virginia. The peer group selected by the Company consists of companies which use the standard industrial classification of specialty cleaning and sanitation and which are publicly held, and other publicly held companies which are partially or entirely engaged in the cosmetics business. The Company believes that, within its industry classes, the assembly of a peer group is difficult because the Company competes with other companies that are significantly larger than Scott's Liquid Gold-Inc., including two major companies which are not publicly traded.

The following companies comprise the peer group: Avon Products, Inc., CCA Industries, Inc., Chattem, Inc., Clorox Co. (includes Armor All Products, acquired by Clorox Co. in 1997), Del Laboratories, Inc., and Procter & Gamble. The Media General Composite Index is based on

the market value of all common stocks listed on the NYSE, AMEX and Nasdaq National Market. The index is adjusted for all stock splits and dividends.

Compensation of Directors

Four directors are full-time executive officers of the Company and receive no additional compensation for service as a director. Carl A. Bellini, and Dennis H. Field are non-employee directors. The Company pays \$2,500 per month to each non-employee director for his services as director.

On January 15, 1993, the Company's Board of Directors adopted the Company's 1993 Stock Option Plan for Outside Directors (the "Plan"), which was approved by the Company's shareholders on May 5, 1993. The Plan provides for the granting of options to directors who are not employees of the Company. The purpose of the Plan is to further the growth and development of the Company by providing an incentive to outside directors of the Company, by increasing their involvement in the business and affairs of the Company, by helping the Company to attract and retain well qualified directors and/or by rewarding directors for their past dedication to the Company. The Plan became effective on January 15, 1993.

A maximum of 400,000 shares of the Company's common stock are available for issuance upon the exercise of options granted under the Plan. The number of shares available under the Plan, the number of shares subject to outstanding options, and the exercise price per share of such options are subject to adjustment on account of stock dividends, stock splits, mergers, consolidations, recapitalizations, combinations or exchanges of stock, or other similar circumstances. If any option under the Plan terminates or expires, the shares allocable to the unexercised portion of the option will again be available for purposes of the Plan.

The Plan is administered by the Board of Directors or a committee appointed by and serving at the pleasure of the Board of Directors, consisting of no fewer than two directors. The Plan is currently administered by the Board of Directors. At March 6, 2002, options to purchase 281,666 shares of the Company's common stock were outstanding under the Plan, with an additional 18,334 shares available for options. Except for the exercise of options for 100,000 shares by a director, who resigned from the Board during 1999, no options had been exercised at or prior to March 6, 2002.

The non-employee directors are also eligible to receive grants of options under the 1998 Stock Option Plan. Other eligible persons under the 1998 Plan are all full-time employees of the Company, and the Plan has been used primarily to provide options to full-time employees. No options have been issued to non-employee directors under the 1998 Plan except for three options for a total of 75,000 shares granted to non-employee directors in December, 2000 and one option for a total of 50,000 shares to a non-employee director in February 2002. A maximum of 1,100,000 shares of common stock are available for issuance upon the exercise of options granted under the 1998 Plan. Options may be granted under the 1998 plan through November 8, 2008. The option price for non-qualified stock options granted under the 1998 Plan, which are the only type available to non-employee directors, must not be less than 85% of the fair market value as of the date of grant of the shares subject to the option. In other respects, the 1998 Plan is similar to the terms of the 1993 Stock Option Plan described above.

During 2001, the Company granted options to a non-employee director, under the 1993 plan, to purchase 5,000 shares of an exercise price of \$.62 per share (this replaced options that expired on August 19, 2001). The non-employee director who received this option was James F. Keane who died later in 2001. There were no options granted during 2001 under the 1998 Plan to non-employee directors. On February 19, 2002, each of the two non-employee directors received options under the 1993 and 1998 Plans with an exercise price of \$0.57 per share, which was the fair market value on the date of grant, and an expiration date of February 18, 2007. Mr. Bellini's option was for 50,000 shares, and the option granted to Mr. Field, replacing options that expired on February 14, 2001, was for 100,000 shares. These options are fully vested.

The following table summarizes information with respect to the value of each non-employee director's unexercised stock options at December 31, 2001:

Year End Option Values

Year End Option Values

Name	Number of Securities Underlying Unexercised		In-the-Money Value of Unexercised	
	Options at Year End Exercisable	Options at Year End Unexercisable	Options at Year End(1) Exercisable	Options at Year End(1) Unexercisable
Carl A. Bellini	55,000	0	0	0
Dennis H. Field	73,333	0	0	0
James F. Keane Estate	128,333	0	0	0

(1)

The in-the-money value of unexercised options is equal to the excess of the per share market price of the Company's stock at December 31, 2001 over the per share exercise price multiplied by the number of unexercised options. However, the per share exercise price was higher than the market price of the Company's stock at year end.

TRANSACTIONS WITH MANAGEMENT

The Company has indemnification agreements with each of its directors and executive officers. These agreements provide for indemnification and advancement of expenses to the full extent permitted by law in connection with any proceeding in which the person is made a party because the person is a director or officer of the Company. They also state certain procedures, presumptions and terms relevant to indemnification and advancement of expenses.

SECTION 16 REPORTS

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and beneficial owners of more than 10% of the outstanding shares of the Company to file with the Securities and Exchange Commission reports regarding changes in their beneficial ownership of shares in the Company. To the Company's knowledge, there was full compliance with all Section 16(a) filing requirements applicable to those persons for 2001.

COMPANY ACCOUNTANTS

Arthur Andersen LLP were selected by the Board of Directors as the Company's independent auditors for the fiscal year ended December 31, 2002. This firm has been the Company's independent auditors for each of the Company's fiscal years since the year ended December 31, 1988. A representative of Arthur Andersen LLP is expected to be present at the Annual Meeting of Shareholders and to have the opportunity to make a statement if he so desires. Such representative also is expected to be available to respond to appropriate questions at that time.

REPORT OF AUDIT COMMITTEE

March 22, 2002

To the Board of Directors of Scott's Liquid Gold-Inc.:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2001. We have discussed with Arthur Andersen, LLP, its independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, *Independence*

Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with the auditors the auditors' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and filed with the Securities and Exchange Commission.

The Audit Committee is composed of the two directors named below, all of whom are independent directors as defined in Rule 4200(a)(14) of the Nasdaq Stock Market listing standards.

The Board has adopted a written charter for the Audit Committee.

Submitted by the members of the Audit Committee of the Board of Directors.

Carl A. Bellini, Chairman
Dennis H. Field

DISCLOSURE OF AUDITOR FEES

The following is a description of the fees billed to the Company by Arthur Andersen, LLP during the year ended December 31, 2001:

Audit Fees Audit fees paid and/or billed to the Company by Arthur Andersen in connection with Arthur Andersen's review and audit of the Company's annual financial statement for the year ended December 31, 2001 and Arthur Andersen's review of the Company's interim financial statements included in the Company's Quarterly Reports on Form 10-Q during the year ended December 31, 2001 totaled approximately \$64,000.

Financial Information Systems Design and Implementation Fees The Company did not engage Arthur Andersen to provide advice to the Company regarding financial information systems design and implementation during the year ended December 31, 2001.

All other fees Fees billed to the Company by Arthur Andersen during the year ended December 31, 2001 for all other non-audit services rendered to the Company (which consisted of tax services) totaled approximately \$23,500.

SHAREHOLDER PROPOSALS

Shareholder proposals for inclusion in the Company's proxy materials relating to the next annual meeting of shareholders must be received by the Company on or before November 22, 2002. Also, persons named in the proxy solicited by the Board of Directors of the Company for its year 2003 annual meeting of shareholders may exercise discretionary authority on any proposal presented by a shareholder of the Company at that meeting if the Company has not received notice of the proposal by February 5, 2003.

2001 ANNUAL REPORT ON FORM 10-K

THE COMPANY'S FORM 10-K REPORT FOR 2001 CONSISTS PRIMARILY OF CROSS REFERENCES TO INFORMATION IN THE COMPANY'S ANNUAL REPORT TO SHAREHOLDERS AND THIS PROXY STATEMENT AND IS FILED ELECTRONICALLY WITH THE SECURITIES AND EXCHANGE COMMISSION. SHAREHOLDERS WHO WISH TO OBTAIN, WITHOUT CHARGE, A COPY OF THE COMPANY'S FORM 10-K REPORT FOR THE YEAR ENDED DECEMBER 31, 2001 IN THE FORM FILED WITH THE SEC SHOULD ADDRESS A WRITTEN REQUEST TO CAROLYN J. ANDERSON, CORPORATE SECRETARY, SCOTT'S LIQUID GOLD-INC., 4880 HAVANA STREET, DENVER, COLORADO 80239.

SIGNATURE(S) OF SHAREHOLDER(S)

Please complete, date and sign exactly as your name appears hereon. If shares are held jointly, each holder should sign. When signing as attorney, executor, administrator, trustee, guardian or corporate official, please add your title.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. PLEASE SIGN AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.

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