GEORGIA GULF CORP /DE/
Form 10-Q
November 06, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-9753

GEORGIA GULF CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**58-1563799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
115 Perimeter Center Place, Suite 460, Atlanta, Georgia	**30346**
(Address of principal executive offices)	(Zip Code)

(770) 395-4500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer ý Smaller reporting company o

Non-accelerated filer o
(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of November 3, 2009**
Common Stock, $0.01 par value	32,967,546

Table of Contents

GEORGIA GULF CORPORATION FORM 10-Q

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

INDEX

		Page Number
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	3
	Condensed Consolidated Balance Sheets (Unaudited)	3
	Condensed Consolidated Statements of Operations (Unaudited)	4
	Condensed Consolidated Statements of Cash Flows (Unaudited)	5
	Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 4.	Controls and Procedures	57
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	58
Item 1A.	Risk Factors	58
Item 4.	Submission of Matters to a Vote of Security Holders	61
Item 6.	Exhibits	62
SIGNATURES		63
CERTIFICATIONS		

Table of Contents

PART I. FINANCIAL INFORMATION.

Item 1. FINANCIAL STATEMENTS.

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	**$ 28,339**	$ 89,975
Receivables, net of allowance for doubtful accounts of $15,922 in 2009 and $12,307 in 2008	**172,350**	117,287
Inventories	**238,715**	240,199
Prepaid expenses	**31,544**	21,360
Income tax receivables	**3,796**	2,264
Deferred income taxes	**21,009**	22,505
Total current assets	**495,753**	493,590
Property, plant and equipment, net	**701,205**	760,760
Goodwill	**201,331**	189,003
Intangible assets, net of accumulated amortization of $10,745 in 2009 and $9,988 in 2008	**15,420**	15,905
Other assets, net	**132,639**	150,643
Non-current assets held for sale	**14,227**	500
Total assets	**$ 1,560,575**	$ 1,610,401
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current portion of long-term debt	**$ 23,609**	$ 56,843
Accounts payable	**121,339**	105,052
Interest payable	**5,052**	16,115
Income taxes payable	**1,635**	3,476
Accrued compensation	**14,525**	9,890
Liability for unrecognized income tax benefits and other tax reserves	**9,448**	27,334
Other accrued liabilities	**52,025**	49,693
Total current liabilities	**227,633**	268,403
Long-term debt	**478,318**	1,337,307
Liability for unrecognized income tax benefits	**61,613**	34,592
Deferred income taxes	**237,065**	70,141
Other non-current liabilities	**36,075**	39,886
Total liabilities	**1,040,704**	1,750,329
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock $0.01 par value; 75,000,000 shares authorized; no shares issued		
Common stock $0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 32,967,546 in 2009 and 1,379,273 in 2008	**330**	14
Additional paid-in capital	**472,028**	105,815
Retained earnings (accumulated deficit)	**56,981**	(218,502)
Accumulated other comprehensive loss, net of tax	**(9,468)**	(27,255)

Total stockholders' equity (deficit)		**519,871**		(139,928)
Total liabilities and stockholders' equity (deficit)	**$**	**1,560,575**	$	1,610,401

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)	**Three Months Ended September 30, 2009**	**Three Months Ended September 30, 2008**	**Nine Months Ended September 30, 2009**	**Nine Months Ended September 30, 2008**
Net sales	**$ 556,342**	$ 818,564	**$ 1,488,016**	$ 2,380,868
Operating costs and expenses:				
Cost of sales	**472,643**	756,503	**1,313,924**	2,217,656
Selling, general and administrative expenses	**46,864**	44,095	**129,724**	130,459
Long-lived asset impairment charges	**4,167**	2,516	**20,357**	18,695
Restructuring (gain) costs, net	**(5,928)**	1,169	**5,927**	8,758
Loss (gain) on sale of assets, net		33	**62**	(27,282)
Total operating costs and expenses	**517,746**	804,316	**1,469,994**	2,348,286
Operating income	**38,596**	14,248	**18,022**	32,582
Gain on substantial modification of debt			**121,033**	
Gain on debt exchange	**400,835**		**400,835**	
Interest expense, net	**(30,709)**	(32,280)	**(107,229)**	(98,157)
Foreign exchange loss	**(48)**	(1,864)	**(981)**	(585)
Income (loss) before income taxes	**408,674**	(19,896)	**431,680**	(66,160)
Provision (benefit) for income taxes	**178,523**	(2,494)	**156,196**	(7,205)
Net income (loss)	**$ 230,151**	$ (17,402)	**$ 275,484**	$ (58,955)
Earnings (loss) per share:				
Basic	**$ 9.21**	$ (14.64)	**$ 29.49**	$ (48.86)
Diluted	**$ 9.20**	$ (14.64)	**$ 29.47**	$ (48.86)
Weighted average common shares:				
Basic	**23,355**	1,379	**8,788**	1,378
Diluted	**25,006**	1,379	**9,349**	1,378

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

GEORGIA GULF CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	**Nine Months Ended September 30, 2009**	**2008**
Cash flows from operating activities:		
Net income (loss)	**$ 275,484**	$ (58,955)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**89,147**	112,495
Accretion of fair value discount on term loan	**8,888**	
Gain on substantial modification of debt	**(121,033)**	
Gain on debt exchange	**(400,835)**	
Foreign exchange gain	**(627)**	
Deferred income taxes	**154,938**	(13,089)
Tax deficiency related to stock plans	**(1,414)**	(861)
Stock based compensation	**10,212**	2,493
Long-lived asset impairment charges and loss on sale of assets	**20,419**	21,872
Net gain on sale of property, plant and equipment, and assets held for sale		(27,125)
Payment of Quebec trust tax settlement		(20,073)
Other non-cash items	**1,844**	1,608
Change in operating assets, liabilities and other	**11,845**	(25,752)
Net cash provided by (used in) operating activities	**48,868**	(7,387)
Cash flows from investing activities:		
Capital expenditures	**(24,958)**	(44,023)
Proceeds from sale of property, plant and equipment, and assets held-for sale	**1,900**	78,095
Proceeds from insurance recoveries related to property, plant and equipment	**1,980**	
Net cash (used in) provided by investing activities	**(21,078)**	34,072
Cash flows from financing activities:		
Net change in revolving line of credit	**(29,411)**	107,718
Repayment of long-term debt	**(19,727)**	(73,094)
Purchases and retirement of common stock	**(25)**	(110)
Fees paid to amend and exchange debt	**(43,256)**	(9,823)
Dividends paid		(8,379)
Net cash (used in) provided by financing activities	**(92,419)**	16,312
Effect of exchange rate changes on cash and cash equivalents	**2,993**	496
Net change in cash and cash equivalents	**(61,636)**	43,493
Cash and cash equivalents at beginning of period	**89,975**	9,227
Cash and cash equivalents at end of period	**$ 28,339**	$ 52,720

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

GEORGIA GULF CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying condensed consolidated financial statements do reflect all the adjustments that, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. Such adjustments are of a normal, recurring nature. Our operating results for the nine-month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009. For purposes of subsequent events, we have evaluated our operations through November 6, 2009.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 and as reissued in our September 2, 2009 Form 8-K. There have been no material changes in the significant accounting policies followed by us during the three and nine month periods, ended September 30, 2009.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("Codification" or "ASC") subtopic 105-10, *Generally Accepted Accounting Principles*. The Codification is now the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This statement is effective for interim and annual reporting periods ending after September 15, 2009. All existing accounting standards are superseded as described in this statement. All other accounting literature not included in the Codification is nonauthoritative. The Codification did not have an impact on our consolidated financial statements.

In June 2009, the FASB issued ASC topic 810, *Amendments to FASB Interpretation No. 46(R)*, which amends the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity ("VIE") and requires enhanced disclosures to provide more information about an enterprise's involvement in a VIE. In addition, it requires an enterprise to perform an analysis to determine whether the enterprise's variable interest gives it a controlling interest in a VIE. The analysis identifies the primary beneficiary of the VIE as the enterprise that has both (a) the power to direct the activities of the VIE and (b) the obligation to absorb losses of the VIE. This statement will be effective for us beginning in the first quarter of 2010. We are currently evaluating the impact of this statement on our consolidated financial statements.

In June 2009, the FASB issued ASC topic 860, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*, which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in the transferred assets. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after

November 15, 2009. Early adoption is prohibited. We are currently evaluating the impact of this statement on our consolidated financial statements.

In May 2009, the FASB issued ASC topic 855, *Subsequent Events*, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. Among other things, this statement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. It is effective prospectively for interim and annual periods ending after June 15, 2009. The disclosures required by this statement are included in Note 1.

In April 2009, the FASB issued ASC subtopic 820-10, *Fair Value Measurements and Disclosures,* section 65-4, *Transition Related to FASB Staff Position ("FSP") SFAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.* This section emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This section was effective for the second quarter of 2009 and did not have a material impact on our consolidated financial statements.
On August 28, 2009 the FASB issued Accounting Standards Update ("ASU") 2009-05, *Measuring Liabilities at Fair Value,* (previously exposed for comments as proposed FSP 157-f) to provide guidance on measuring the fair value of liabilities under ASC 820. This ASU clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. The ASU also provides guidance in the absence of a Level 1 measurement. The ASU is effective for the first interim or annual reporting period beginning after the ASU's issuance. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued ASC subtopic 825-10, *Financial Instruments,* section 65-1, *Transition Related to FSP SFAS 107-1 and Accounting Principles Bulletin ("APB") No. 28-1, Interim Disclosures About Fair Value of Financial Instruments.* This section states that an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107. Fair value information disclosed in the notes must be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. An entity also must disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and describe changes in method(s) and significant assumptions, if any, during the period. These new disclosures became effective for interim and annual periods ending after June 15, 2009. See Note 17, "Fair Value of Financial Instruments" for disclosures related to this statement.

In December 2008, the FASB issued ASC subtopic 715-20, *Compensation Retirement Benefits,* section 65-2, *Transition Related to FSP SFAS 132(R)-1, Employer's Disclosure about Postretirement Benefit Plan Assets*, which amends ASC subtopic 715-20 to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new section requires new disclosures for us for the year ending December 31, 2009, and will have no impact on our consolidated financial statements.

In August 2009, the SEC sent a sample letter to certain public companies that suggests these companies consider disclosing, in their Management Discussion and Analysis ("MD&A"), information

about the following items relating to the provision and allowances for loan losses: Higher-risk loans, changes in practices regarding the determination of the allowance for loan losses, and declines in collateral value. The letter also points out some other items that a company should consider disclosing to the extent they are relevant and material. While we did not receive a sample letter, the matters addressed did not have a material impact on our MD&A.

3. DIVESTITURES

In March 2008, we executed a contingent sale agreement and received net proceeds of $12.6 million for certain Canadian real estate. The contingency was based on the buyer satisfying certain property zoning conditions and was resolved in June 2008. This transaction resulted in a $3.3 million loss recorded in March 2008 and is included in loss on sale of assets, net in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2008.

Further, in March 2008, we sold the assets and operations of our outdoor storage buildings business that were previously a part of our outdoor building products segment. The outdoor storage buildings business was sold for $13.0 million and resulted in a loss of approximately $4.6 million, which is included in restructuring costs on the condensed consolidated statement of operations for the nine months ended September 30, 2008. In addition, in March 2008, we sold the land and building from our Winnipeg, Manitoba Window and Door Profiles business for $4.5 million resulting in a nominal gain.

In June 2008, we sold land in Pasadena, Texas for net proceeds of $36.5 million, which resulted in a gain of $28.8 million. We sold and leased back equipment for $10.6 million resulting in a $2.2 million recognized gain, and a deferred gain of approximately $7.2 million that is being recognized ratably over the term of the lease. Additionally, in June 2008 we sold property for $3.2 million and received $1.2 million in cash and a short-term note for $2.0 million, which has subsequently been collected.

There were no significant divestitures in the three or nine months ended September 30, 2009.

4. RESTRUCTURING ACTIVITIES

In March 2008, we initiated plans to permanently shut down the Oklahoma City, Oklahoma 500 million pound polyvinyl chloride ("PVC" or "vinyl resin") plant, the "Oklahoma City Restructuring Plan." The plant ceased operations in March 2008. We wrote down the plant's property, plant and equipment in accordance with ASC subtopic 360-10, *Property, Plant and Equipment*, resulting in a $15.5 million impairment charge and incurred additional termination benefits and closing costs of $2.0 million that were expensed as incurred, in accordance with ASC 420-10, *Exit or Disposal Cost Obligations*. No significant costs related to the Oklahoma City Restructuring Plan were incurred in the three and nine months ended September 30, 2009, and we do not expect there to be any future costs associated with the Oklahoma City Restructuring Plan.

Additionally, the restructuring costs for the nine months ended September 30, 2008 include our divestiture and closure of our outdoor storage buildings business assets and operations. The outdoor storage building business was sold for $13.0 million and resulted in a loss of approximately $4.6 million ("Outdoor Storage Plan"). During the third quarter of 2009 we reached a favorable settlement on a legal claim which resulted in the reversal of a litigation accrual of $3.1 million and a credit of restructuring costs for the same amount for the three and nine months ended September 30, 2009. The amount is noted as a reduction in the additions column in the table below.

In the fourth quarter of 2008, we initiated a restructuring plan (the "Fourth Quarter 2008 Restructuring Plan") that includes the permanent shut down of our 450 million pound PVC manufacturing facility in Sarnia, Ontario, the exit of a recycled PVC compound manufacturing facility in Woodbridge, Ontario, the consolidation of various manufacturing facilities, and elimination of certain duplicative activities in our operations. In connection with the Fourth Quarter 2008 Restructuring Plan, we incurred

costs related to termination benefits, including severance, pension and postretirement benefits, operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with ASC 420-10 and related accounting standards. We expect to pay these termination benefits and other qualified restructuring activity costs through December 2009. Any costs incurred associated with the Fourth Quarter 2008 Restructuring Plan that will benefit future periods, such as relocation costs, will be expensed in the periods incurred. Total restructuring expenses incurred for the three and nine months ended September 30, 2009 includes a $4.0 million credit adjustment for the wind up of the Canadian pension plan (see note 14). The amount is noted as a reduction in the additions column in the table below. Additionally, future costs for the Fourth Quarter 2008 Restructuring Plan are estimated to be approximately $0.6 million, consisting of future severance and non-workforce related costs.

In May 2009, we initiated plans to further consolidate plants in our window and door profiles and mouldings products segment ("2009 Window and Door Consolidation Plan"). As a result we incurred restructuring costs, including impairment of the plants' fixed assets for the three and nine months ended September 30, 2009. For the three months ended September 30, 2009, we incurred $4.4 million of impairment charges for real estate associated with the further consolidation of these plants. The detail of restructuring and impairment expenses incurred for the three and nine months ended September 30, 2009 are noted in the tables below. Additional future costs for the 2009 Window and Door Consolidation Plan are estimated to be approximately $1.3 million, consisting primarily of future non-workforce related costs.

Table of Contents

The expenses associated with the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan for the three and nine months ended September 30, 2009 for severance and other exit costs were a credit of $5.9 million and expenses of $3.5 million, respectively, and are included in restructuring costs in the condensed consolidated statement of operations. A summary of our restructuring activities recognized as a result of the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan, by reportable segment for the three and nine months ended September 30, 2009 is as follows:

(In thousand)	Balance at June 30, 2009	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at September 30, 2009
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$ 1,831	$ (3,817)	$ (868)	$ 4,135(a)	$ 1,281
Exit costs	4,093	271	(733)	(468)(b)	3,163
Window and door profiles and mouldings products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	1,859	(132)	(442)	215	1,500
Exit costs	1	(1)			
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits	1,595	(260)	(150)	29	1,214
Exit costs		60	(60)		
Outdoor building products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	366	1,001	(187)		1,180
Outdoor Storage Plan:					
Involuntary termination benefits	205	2	(27)	14	194
Exit costs	3,685	(3,130)	(1,826)	1,271	
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits		78	(78)		
Total	$ 13,635	$ (5,928)	$ (4,371)	$ 5,196	$ 8,532

Table of Contents

(In thousand)	Balance at December 31, 2008	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at September 30, 2009
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$ 3,246	$ (3,552)	$ (2,588)	$ 4,175(a)	$ 1,281
Exit costs	4,185	3,473	(4,229)	(266)(b)	3,163
Window and door profiles and mouldings products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	1,472	1,446	(1,888)	470	1,500
Exit costs	1	(1)			
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits		1,457	(261)	18	1,214
Exit costs		60	(60)		
Outdoor building products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	1,283	1,572	(1,834)	159	1,180
Exit costs					
Outdoor Storage Plan:					
Involuntary termination benefits	523	124	(265)	(188)	194
Exit costs	1,779	(1,244)	(1,943)	1,408	
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits		123	(123)		
Exit costs					
Total	$ 12,489	$ 3,458	$ (13,191)	$ 5,776	$ 8,532

(a) Includes a $4.0 million adjustment for the wind up of the Canadian post retirement health and welfare and pension plans that were previously reflected in accumulated other comprehensive income.

(b) Includes a reclassification of $0.8 million of Other Post Retirement Benefits from Exit Costs to Involuntary Termination Benefits for the Fourth Quarter 2008 Restructuring Plan in the Chlorovinyls segment.

(In thousand)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Chlorovinyls		
Fourth Quarter 2008 Restructuring Plan:		

Impairment of long-lived assets	$	**(277)**	$	**201**
Window and door profiles and mouldings products				
2009 Window and Door Consolidation Plan:				
Impairment of long-lived assets		**4,444**		**20,156**
Total	$	**4,167**	$	**20,357**

In the first quarter of 2009, we engaged the services of several consultants to assist us in performance improvement, transportation management and indirect sourcing cost reduction initiatives among other areas of the business with the ultimate goal to restructure our businesses and improve and sustain

profitability for the long-term. For the three and nine months ended September 30, 2009, we incurred nil and $2.5 million, respectively, related to fees paid to these consultants to advise us on the restructuring strategies noted above which are included in restructuring costs in the condensed consolidated statements of operations.

5. ACCOUNTS RECEIVABLE SECURITIZATION

We had an agreement pursuant to which we sold an undivided percentage ownership interest in a certain defined pool of our U.S. trade receivables on a revolving basis through a wholly owned subsidiary to two third parties (the "Securitization"). This wholly owned subsidiary was funded through advances on sold trade receivables and collections of these trade receivables and its activities were exclusively related to the Securitization. As collections reduced accounts receivable included in the pool, we sold ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. At December 31, 2008 the unpaid balance of accounts receivable in the defined pool was approximately $158.2 million and balance of receivables sold was $111.0 million.

On March 17, 2009, we entered into a new Asset Securitization agreement pursuant to which we sell an undivided percentage ownership interest in a certain defined pool of our U.S. and Canadian trade accounts receivable on a revolving basis through a wholly owned subsidiary to third parties (the "New Securitization"). This wholly owned subsidiary is funded through advances on sold trade receivables and collections of these trade receivables and its activities are exclusively related to the New Securitization. Under the New Securitization agreement we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. As collections reduce accounts receivable included in the pool, we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million, as permitted by the New Securitization. Under the New Securitization program we have added additional building products U.S. trade accounts receivable to the program. While the New Securitization adds the ability to sell an undivided percentage ownership in a certain defined pool of Canadian trade accounts receivable, we are in the process of establishing the administrative procedures and at September 30, 2009 had not commenced the sale of Canadian trade accounts receivable. The New Securitization agreement expires on March 13, 2011. At September 30, 2009, the unpaid balance of accounts receivable in the defined pool was approximately $157.3 million and the balance of receivables sold was $97.1 million.

Continued availability of the New Securitization is conditioned upon compliance with covenants, related primarily to operation of the New Securitization, and compliance with the senior secured credit facility covenants (as discussed in Note 9), set forth in the related agreements. As of September 30, 2009, we were in compliance with all such covenants (see Note 9 regarding continued compliance with the senior secured credit facility covenants as such compliance will impact the continued availability of the New Securitization). If the New Securitization agreement was terminated, we would not be required to repurchase previously sold receivables, but would be prevented from selling additional receivables to the third parties. In the event that the New Securitization agreement was terminated, we would have to source these funding requirements with availability under our senior secured credit facility or obtain alternative financing.

Table of Contents

6. INVENTORIES

The major classes of inventories were as follows:

(In thousands)	September 30, 2009	December 31, 2008
Raw materials, work-in-progress, and supplies	**$ 93,367**	$ 94,618
Finished goods	**145,348**	145,581
Inventories	**$ 238,715**	$ 240,199

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

(In thousands)	September 30, 2009	December 31, 2008
Machinery and equipment	**$ 1,352,851**	$ 1,328,701
Land and land improvements	**84,472**	86,167
Buildings	**193,955**	197,481
Construction-in-progress	**25,370**	33,036
Property, plant and equipment, at cost	**1,656,648**	1,645,385
Accumulated depreciation	**955,443**	884,625
Property, plant and equipment, net	**$ 701,205**	$ 760,760

8. OTHER ASSETS, NET AND GOODWILL AND OTHER INTANGIBLE ASSETS

Other assets, net of accumulated amortization, consisted of the following:

(In thousands)	September 30, 2009	December 31, 2008
Advances for long-term purchase contracts	**$ 71,770**	$ 85,310
Investment in joint ventures	**14,608**	16,104
Deferred financing costs, net	**36,915**	42,167
Long-term receivables	**3,715**	3,640
Other	**5,631**	3,422
Total other assets, net	**$ 132,639**	$ 150,643

In connection with the amendments to our senior secured credit facility to further ease certain financial covenants and the amendment of our new asset securitization program we incurred $35.8 million of additional deferred financing costs, of which $4.5 was accrued as of December 31, 2008. Also, in connection with the fifth-amendment to our senior secured credit facility we wrote off $21.4 million of deferred financing costs relating to the gain on substantial modification of debt on March 16, 2009 (see Note 9, "Long-Term Debt").

Goodwill. At September 30, 2009, we had goodwill of $181.5 million, $18.2 million and $1.7 million in our Chlorovinyls, Window & Door and Mouldings and Outdoor Building Products segments, respectively, with the changes from December 31, 2008 resulting from foreign currency translation adjustments. At December 31, 2008, we had goodwill of $169.1 million, $18.2 million and $1.7 million in our Chlorovinyls, Window & Door Profiles and Mouldings and Outdoor Building Products segments, respectively.

Table of Contents

Assets Held-For-Sale. Assets held for sale includes real estate totaling $14.2 million and $0.5 million at September 30, 2009 and December 31, 2008, respectively.

Indefinite-lived intangible assets-trade names. At September 30, 2009 and December 31, 2008, we had trade name assets related to the acquisition of Royal Group of $4.4 million and $4.2 million, respectively, with the changes from December 31, 2008 resulting from foreign currency translation adjustments.

Finite-lived intangible assets. The following represents the summary of finite-lived intangible assets as of September 30, 2009 and December 31, 2008. Total estimated amortization expense for the next five fiscal years is approximately $1.0 million per year.

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Total
Gross carrying amounts at September 30, 2009:			
Customer relationships	$ 199	$ 11,422	**$ 11,621**
Technology		11,867	**11,867**
Total	199	23,289	**23,488**
Accumulated amortization at September 30, 2009:			
Customer relationships	(124)	(4,784)	**(4,908)**
Technology		(5,837)	**(5,837)**
Total	(124)	(10,621)	**(10,745)**
Foreign currency translation adjustment at September 30, 2009:			
Customer relationships	(75)	(1,683)	**(1,758)**
Technology			
Total	(75)	(1,683)	**(1,758)**
Net carrying amounts at September 30, 2009:			
Customer relationships		4,955	**4,955**
Technology		6,030	**6,030**
Total	$	$ 10,985	**$ 10,985**

Table of Contents

In thousands	**Chlorovinyls**	**Window and Door Profiles and Mouldings**	**Total**
Gross carrying amounts at December 31, 2008:			
Customer relationships	$ 199	$ 11,422	$ 11,621
Technology		11,867	11,867
Total	199	23,289	23,488
Accumulated amortization at December 31, 2008:			
Customer relationships	(124)	(4,530)	(4,654)
Technology		(5,334)	(5,334)
Total	(124)	(9,864)	(9,988)
Foreign currency translation adjustment and other at December 31, 2008:			
Customer relationships	(75)	(1,677)	(1,752)
Technology			
Total	(75)	(1,677)	(1,752)
Net carrying amounts at December 31, 2008:			
Customer relationships		5,215	5,215
Technology		6,533	6,533
Total	$	$ 11,748	$ 11,748

Finite-lived intangible assets amortization expense for the three and nine months ended September 30, 2009 and 2008 was as follows:

(In thousands)	**September 30, 2009**	**September 30, 2008**
For the three months ended	**$ 253**	$ 1,200
For the nine months ended	**757**	3,600

9. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	**September 30, 2009**	**December 31, 2008**
Senior Secured Credit Facility:		
Revolving credit facility due 2011	**$ 105,409**	$ 125,762
Term loan B due 2013	**214,205**	350,350
7.125% notes due 2013	**8,965**	100,000
9.5% senior notes due 2014	**13,148**	497,240
10.75% senior subordinated notes due 2016	**41,348**	197,407
Lease financing obligation	**103,932**	91,473
Other	**14,920**	31,918
Total debt	**$ 501,927**	$ 1,394,150
Less current portion	**(23,609)**	(56,843)
Long-term debt	**$ 478,318**	$ 1,337,307

The current portion of long-term debt includes $20.1 million on our revolving credit facility based on our estimate of the amount we will pay down over the next twelve months, as well as $3.5 million of

principal on our term loan B, which we are contractually obligated to pay. Therefore, we have classified this debt as current in our consolidated balance sheet as of September 30, 2009.

At September 30, 2009 and December 31, 2008, under our revolving credit facility we had a maximum available borrowing capacity of $300.0 million (as adjusted by the ninth amendment to our senior secured credit facility as described below) and $375.0 million, respectively. At September 30, 2009 we had $140.0 million of revolving credit facility availability after giving effect to outstanding letters of credit of $54.5 million and outstanding revolver borrowings of $105.4 million. At September 30, 2009, the availability was subject to restrictive covenants requiring compliance with a maximum leverage ratio, a maximum senior secured leverage ratio, a minimum fixed charge coverage ratio and minimum interest coverage ratio. Debt under the senior secured credit facility is secured by a majority of our consolidated assets, including real and personal property, inventory, accounts receivable and other intangibles. At September 30, 2009, we had about $168.4 million of liquidity, consisting of $28.3 million of cash and $140.1 million of revolving credit facility availability.

Under our senior secured credit facility and our new asset securitization agreement, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, incur debt, grant liens, sell our assets and engage in certain other activities. Our ability to meet these covenants, satisfy our debt obligations and pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other factors, some of which are beyond our control. In September 2008, we began executing a series of amendments (the fourth through eighth amendments) to our senior secured credit facility to allow us more flexibility to improve our capital structure for the future. Commencing in March 2009, these amendments also permitted us to withhold about $38.0 million in aggregate interest on our 7.125 percent, 9.5 percent and 10.75 percent notes, which constituted defaults under the related indentures, in connection with the debt exchange detailed below. During this time, we also obtained forbearances from certain of the note holders with respect to the withheld interest payments and the related defaults.

The Fifth Amendment to the senior secured credit facility was accounted for as an extinguishment of the Term loan B in accordance with ASC subtopic 50 section 40, *Debt Modifications and Extinguishments*. As required by ASC subtopic 50 section 40, due to the fact that the Fifth and Fourth Amendment were within the same consecutive twelve month period, the evaluation compared the present value of future cash flows under the terms of the Fifth Amendment to the present value of the remaining cash flows under the terms of the Term loan B agreement prior to the Fourth Amendment. We determined that the net present value of the Term loan B future cash flows under the terms of the Fifth Amendment was more than 10 percent different from the present value of the remaining cash flows under the terms of the Term loan B agreement prior to the Fourth Amendment. Due to the substantial difference, we determined an extinguishment of debt had occurred with the Fifth Amendment. Accordingly, we recorded the amended Term loan B at its estimated fair value of $207.1 million at the date of extinguishment. The difference between the fair value of the amended Term loan B and the carrying value of the original Term loan B less the related financing cost at the date of debt extinguishment of $121.0 million was recorded as a gain on substantial modification of debt in the condensed consolidated statement of operations for the nine months ended September 30, 2009. The difference between the fair value and the carrying value of the Term loan B on the date of the modification was $142.3 million and was recorded as a debt discount against the principal amount of the Term loan B.

The fair value of the Term loan B was estimated to be approximately 59.3 percent of par value by taking a weighted average of the bid prices in the broker market for the Term loan B during the period from March 17, 2009 through April 23, 2009 and debt pricing for recent new debt issuances for companies with comparable credit ratings. A weighted average approach was used due to the fact that the Term loan B is not widely traded on any given day, including March 17, 2009. The daily bid price from March 17, 2009 to April 23, 2009 ranged from 41.8 percent to 61.0 percent of par. We weighted our estimate to the latter

Table of Contents

part of the thirty trading days after March 17, 2009 as we believed it took some time for the market to understand the extent of the Fifth Amendment and adjust the pricing accordingly. The average bid price during the twenty to twenty-five trading days and twenty-five to thirty trading days subsequent to the Fifth Amendment was 59.0 percent and 60.7 percent of par, respectively. The average pricing of then recent publicly available new debt issuances for companies with comparable credit ratings was estimated to be approximately 61.0 percent of par. A 100 basis point difference relative to the outstanding par of our Term loan B is approximately $3.5 million.

The $142.3 million Term loan B debt discount is being accreted ratably as interest expense through 2013, the maturity date of the Term loan B. As of September 30, 2009, the unamortized balance of the debt discount was $133.5 million. During the three and nine months ended September 30, 2009, we recorded additional interest expense of $4.3 million and $8.9 million, respectively, related to the accretion of the debt discount associated with the amended Term loan B. As of September 30, 2009, the carrying amount of the Term B is $214.2 million and the principal ultimately owed is $347.7 million.

On March 31, 2009, we commenced private exchange offers for our outstanding 7.125 percent senior notes due 2013 (the "2013 notes"), 9.5 percent senior notes due 2014 (the "2014 notes"), and 10.75 percent senior subordinated notes due 2016 (the "2016 notes" and collectively with the 2013 notes and 2014 notes, the "notes"). After numerous extensions and amendments, on July 29, 2009, we consummated our private exchange of equity for approximately $736.0 million (principal amount), or 92.0 percent, in aggregate principal amount of the notes. The $736.0 million was comprised of $91.0 million of the $100 million of 2013 notes, $486.8 million of the $500 million of 2014 notes, and $158.1 million of the $200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and 1.3 million shares of common stock were issued in exchange for the tendered notes after giving effect to a 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares. In exchange for each $1,000 in principal amount of the 2013 notes and 2014 notes, we issued 47.30 shares of convertible preferred stock and 2.11 shares of common stock and in exchange for each $1,000 in principal amount of the 2016 notes, the company issued 18.36 shares of convertible preferred stock and 0.82 shares of common stock. In September 2009 the 30.2 million preferred shares converted to an equal number of common shares. After giving effect to the debt exchange we have outstanding $9.0 million of the 2013 notes, $13.1 million of the 2014 notes and $41.3 million of the 2016 notes.

In accordance with ASC subtopic 470-60, *Troubled Debt Restructuring by Debtors* this debt for equity exchange was a troubled debt restructuring and thus an extinguishment of the notes for which we recognized a net gain of $400.8 million. The $400.8 million net gain from the debt for equity exchange represents basic earnings per share of approximately $10.24 and $27.39 for the three and nine months ended September 30, 2009, respectively. This gain included $731.5 million of principal debt, net of original issuance discounts, $53.7 million accrued interest, $14.1 million deferred financing fees written off and $12.4 million of third party fees which was exchanged for the $357.9 million fair value of the common and preferred shares. The $357.9 million fair value of the common and preferred shares was estimated using a combination of discounted future cash flows, market multiples for similar companies and recent comparable transactions. In addition, the resulting fair value of the equity approximates $11.36 per share that was also evaluated relative to the public markets and determined to be reasonable. Due to the fact that the determination of the fair value of the equity exchanged was primarily derived by projected future cash flows we evaluated the sensitivity of the major assumptions including discount rates and forecasted cash flows. A 100 basis points increase or decrease in the discount rate or a 10% increase or decrease in the annual forecasted cash flows results in an approximately $30.0 million increase or decrease in the estimated fair value of the equity exchanged.

In conjunction with the completion of the private debt for equity exchange we executed the ninth amendment to our senior secured agreement which adjusts the financial covenants to reflect current market conditions as well as the impact of the private debt exchange offers. The maximum leverage ratios

and minimum interest coverage ratios were adjusted favorably to us through October 1, 2011. The amendment added a new minimum fixed charge coverage ratio covenant and a maximum senior secured leverage ratio covenant, and eliminated the minimum EBITDA covenant. The capital expenditure limitations established by the amendment are $35.0 million in 2009, $45.0 million in 2010 and 2011 and thereafter are $50.0 million per year. Our 2009 capital expenditures limit is $35.0 million. The amendment also allows us to use 50 percent of the first $45.0 million of net cash proceeds from asset dispositions to make additional capital expenditures, subject to certain annual limitations and minimum EBITDA requirements. The amendment replaced the $75.0 million minimum revolver availability requirement by permanently reducing the aggregate revolving commitments from $375.0 million to $300.0 million. Concurrently, we entered into an amendment to our new securitization agreement to conform the covenants to those in the ninth amendment to our senior secured credit facility.

Management believes based on current and projected levels of operations and conditions in our markets and the effect of the ninth amendment to our senior secured credit facility and the exchange offers that cash flow from operations, together with our cash and cash equivalents of $28.3 million and the availability to borrow an additional $140.0 million under the revolving credit facility at September 30, 2009, will be adequate for the foreseeable future to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements, meet the restrictive covenants and comply with the financial ratios of the senior secured credit facility. As of September 30, 2009, we are in compliance with all required debt covenants.

Lease Financing Transaction. The lease financing obligation is the result of the sale and concurrent leaseback of certain land and buildings in Canada in 2007. In connection with this transaction, a collateralized letter of credit was issued in favor of the buyer lessor resulting in the transaction being recorded as a financing transaction rather then a sale, and the land and building and related accounts continue to be recognized in the condensed consolidated balance sheet. The future minimum lease payments under the terms of the related lease agreements at September 30, 2009 are $1.7 million in 2009, $6.7 million in 2010, $6.9 million in 2011, $7.0 million in 2012, $7.2 million in 2013, and $24.2 million thereafter. The change in the future minimum lease payments from the December 31, 2008 balance is due to monthly payments and the change in the Canadian dollar exchange rate during the nine months ended September 30, 2009.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. In October 2004, the United States Environmental Protection Agency ("USEPA") notified us that we have been identified as a potentially responsible party for a Superfund site in Galveston, Texas. The site is a former industrial waste recycling, treatment and disposal facility. Over one thousand potentially responsible parties, ("PRPs"), have been identified by the USEPA. We contributed a relatively small proportion of the total amount of waste shipped to the site. In the notice, the USEPA informed us of the agency's willingness to settle with us and other potentially responsible parties that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. In the fourth quarter of 2007, we accepted a settlement offer from USEPA. Under the terms of this settlement, we are required to pay $63,771 for cleanup costs incurred, or to be incurred, by USEPA, in exchange for a covenant not to sue and protection from contribution actions brought by other parties. The settlement agreement has now been approved by USEPA and payment of the $63,771 settlement amount was made during the quarter ended June 30, 2009.

In August 2004 and January and February 2005, the USEPA conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA informed us that it identified several "areas of concern," and indicated that such areas of concern may, in its view, constitute violations of applicable requirements, thus warranting monetary penalties and possible injunctive relief. In lieu of pursuing such relief through its traditional enforcement process, the USEPA proposed that the parties enter into negotiations in an effort to reach a global settlement of the

areas of concern and that such a global settlement cover our manufacturing facilities at Lake Charles, Louisiana and Oklahoma City, Oklahoma as well. During the second quarter of 2006, we were informed by the USEPA that its regional office responsible for Oklahoma and Louisiana desired to pursue resolution of these matters on a separate track from the regional office responsible for Mississippi. During the second quarter of 2007, we reached agreement with the USEPA responsible for Mississippi on the terms and conditions of a consent decree that would settle USEPA's pending enforcement action against our Aberdeen, Mississippi facility. All parties have executed a consent decree setting forth the terms and conditions of the settlement. The consent decree has been approved by the federal district court in Atlanta, Georgia. Under the consent decree, we were required to, among other things, pay a $610,000 fine, which was paid in March 2008, and undertake certain other environmental improvement projects. While the cost of such additional projects will likely exceed $1 million, we do not believe that these projects will have a material effect on our financial position, results of operations, or cash flows.

We have not yet achieved a settlement with the USEPA regional office responsible for Oklahoma and Louisiana. It is likely that any settlement, if achieved, will result in the imposition of monetary penalties, capital expenditures for installation of environmental controls, and/or other relief. We do not know the total cost of monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

During the first quarter of 2007, we voluntarily disclosed possible noncompliance with environmental requirements, including hazardous waste management and disposal requirements, at our Pasadena facility to the Texas Commission on Environmental Quality ("TCEQ"). In the second quarter of 2008, we entered into an Agreed Order with TCEQ to resolve certain issues related to the voluntary disclosure. Under the Agreed Order, we paid a required fine of $23,608. We do not expect any further enforcement action from this voluntary disclosure. However, if such additional action is taken, we do not expect the cost of any penalties, injunctive relief, or other ordered actions to have a material effect on our financial position, results of operations, or cash flows.

Royal Group and certain of its former officers and former board members were named defendants in two shareholder class action lawsuits in the United States District Court for the Southern District of New York and the Ontario Superior Court of Justice concerning, among other things, alleged inadequate disclosure to shareholders during the cumulative period of February 26, 1998 and October 18, 2004 of related party transactions. In March 2007, Royal Group entered into a stipulation and agreement of settlement with the respective plaintiffs in each case, after a mediation process among Royal Group and the plaintiffs, for the full settlement of all claims raised in those actions against Royal Group and all of the defendants on behalf of class members in return for the payment of Canadian dollar $9.0 million towards a global settlement fund by Royal Group and its insurer. Following execution of the stipulation and agreement of settlement, Royal Group paid the Canadian dollar $9.0 million settlement amount in cash into escrow. The settlement was conditional upon, among other things, approval by both the Ontario Superior Court of Justice and United States District Court for the Southern District of New York and the corresponding orders approving the settlement becoming final. By order dated December 17, 2007, the Ontario Superior Court of Justice approved the settlement and, subject to all conditions to the stipulations and settlement agreement being satisfied including final approval of the settlement by the United States District Court for the Southern District of New York, dismissed the Ontario action. The United States District Court for the Southern District of New York approved the settlement at a hearing on March 6, 2008. The settlement contains no admission of wrongdoing by Royal Group or any of the other defendants.

On June 6, 2008, we received notice and a letter of transmittal (collectively, the "Notice") from persons ("Claimants") claiming to own at least 25 percent of our 7.125 percent notes due 2013 (the "Notes"), which were issued under an indenture dated December 3, 2003 (the "Indenture") between us and U.S. Bank National Association, the trustee, under the Indenture. The Notice asserted that borrowings under our senior secured credit facility resulted in the incurrence of debt obligations in excess

of the amount permitted under Section 3.3 of the Indenture. Believing that all existing indebtedness was incurred in compliance with the provisions of the Indenture, we disputed the Notice. We filed a complaint in the Court of Chancery of the State of Delaware on June 8, 2008 seeking to enjoin the Claimants and seeking a declaratory judgment to the effect that we were not in default under Section 3.3 of the Indenture (the "Complaint").

On July 15, 2008, we entered into a settlement agreement with the Claimants. In connection with the settlement, the Claimants withdrew their notice of default, and the parties dismissed the litigation. The terms of the settlement include mutual releases of the parties, certain restrictions and obligations upon the Claimants with regard to their holdings of our securities, and the payment by us of $1.4 million of legal fees to the Claimants.

On September 29, 2008, we obtained the consent of holders of a majority of the 7.125 percent notes to an amendment to the related Indenture and paid a consent fee of $1.5 million to all consenting note holders pro rata to their respective holdings. The amendment amends certain covenants in the Indenture, and provides a waiver of defaults, if any. Approval of the lenders under our senior secured credit agreement was required for the consent fee payment and the Indenture amendment.

In addition, we are subject to other claims and legal actions that may arise in the ordinary course of business. We believe that the ultimate liability, if any, with respect to these other claims and legal actions will not have a material effect on our financial position or on our results of operations.

Environmental Regulation. Our operations are subject to increasingly stringent federal, state and local laws and regulations relating to environmental quality. These regulations, which are enforced principally by the USEPA and comparable state agencies and Canadian federal and provincial agencies, govern the management of solid hazardous waste, emissions into the air and discharges into surface and underground waters, and the manufacture of chemical substances. In addition to the matters involving environmental regulation above, we have the following potential environmental issues.

In the first quarter of 2007, the USEPA informed us of possible noncompliance at our Aberdeen, Mississippi facility with certain provisions of the Toxic Substances Control Act. Subsequently, we discovered possible non-compliance involving our Plaquemine, Louisiana and Pasadena, Texas facilities, which were then disclosed. We expect that all of these disclosures will be resolved in one settlement agreement with USEPA. While the penalties, if any, for such noncompliance may exceed $100,000, we do not expect that any penalties will have a material effect on our financial position, results of operations, or cash flows.

There are several serious environmental issues concerning the vinyl chloride monomer ("VCM") facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains about 90 monitoring wells and 18 recovery wells. Investigation to determine the full extent of the contamination is ongoing. It is possible that offsite groundwater recovery will be required, in addition to groundwater monitoring. Soil remediation could also be required.

Investigations are currently underway by federal environmental authorities concerning contamination of an estuary near the Lake Charles VCM facility we acquired known as the Calcasieu Estuary. It is likely that this estuary will be listed as a Superfund site and will be the subject of a natural resource damage recovery claim. It is estimated that there are about 200 PRPs associated with the estuary contamination. CONDEA Vista is included among these parties with respect to its Lake Charles facilities, including the VCM facility we acquired. The estimated cost for investigation and remediation of the estuary is unknown and could be quite costly. Also, Superfund statutes may impose joint and several liability for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the

Table of Contents

waste, transported the waste to the disposal site, selected the disposal site, or presently or formerly owned, leased or operated the disposal site or a site otherwise contaminated by hazardous substances. Any or all of the responsible parties may be required to bear all of the costs of cleanup regardless of fault, legality of the original disposal or ownership of the disposal site. Currently, we discharge our wastewater to CONDEA Vista, which has a permit to discharge treated wastewater into the estuary.

CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition (November 1999), we may make a claim for indemnification at any time. For environmental matters that were then unknown, we must generally make claims for indemnification before November 12, 2009. Further, our agreement with CONDEA Vista provides that CONDEA Vista will be subject to the presumption that all later discovered on-site environmental contamination arose before closing, and is therefore CONDEA Vista's responsibility. This presumption may only be rebutted if CONDEA Vista can show that we caused the environmental contamination by a major, un-addressed release.

At our Lake Charles VCM facility, CONDEA Vista will continue to conduct the ongoing remediation at its expense until November 12, 2009. After November 12, 2009, we will be responsible for remediation costs up to about $150,000 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. As part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore maintained a $2.2 million accrual in non-current liabilities at September 30, 2009.

As for employee and independent contractor exposure claims, CONDEA Vista is responsible for exposures before November 12, 2009, and we are responsible for exposures after November 12, 2009, on a pro rata basis determined by years of employment or service before and after November 12, 1999, by any claimant.

In May 2008, our corporate management was informed that further efforts to remediate a spill of styrene reducer at our Royal Mouldings facility in Atkins, Virginia would be necessary. The spill was the result of a supply line rupture from an external holding tank. As a result of this spill, the facility entered into a voluntary remediation agreement with the Virginia Department of Environmental Quality ("VDEQ") in August 2003 and began implementing the terms of the voluntary agreement shortly thereafter. In August 2007, the facility submitted a report on the progress of the remediation to the VDEQ. Subsequently, the VDEQ responded by indicating that continued remediation of the area impacted by the spill is required. While the additional remediation costs may exceed $100,000, we do not expect such costs will have a material effect on our financial position, results of operations or cash flows.

We believe that we are in material compliance with all current environmental laws and regulations. We estimate that any expenses incurred in maintaining compliance with these requirements will not materially affect earnings or cause us to exceed our level of anticipated capital expenditures. However, there can be no assurance that regulatory requirements will not change, and it is not possible to accurately predict the aggregate cost of compliance resulting from any such changes.

Although we are not aware of any significant environmental liabilities associated with Royal Group, should any arise, we would have no third party indemnities for environmental liabilities, including liabilities resulting from Royal Group's operations prior to our acquisition of the company.

Table of Contents

11. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates, foreign currency exchange rates and commodity prices. When entered into, we formally designate and document the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. We formally assess both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. We do not enter into derivative financial instruments for speculative or trading purposes.

The fair values of derivatives used to hedge or modify our risks fluctuate over time. We do not view these fair value amounts in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transaction or other exposures. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices.

We recognize all derivative instruments as either assets or liabilities in our consolidated balance sheets at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedging relationship, we must designate the instrument as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the exposure being hedged.

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, we may enter into derivative contracts, such as swaps, futures and option contracts with financial counter-parties, which are generally less than one year in duration. We designate any natural gas or raw material derivatives as cash flow hedges. Our outstanding contracts are valued at market with the offset recorded to other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. The fair value of our natural gas swap contracts was a $0.1 million current asset at September 30, 2009. This amount reflects what we currently expect to be reflected in our operating results once our contracts are settled. The settlement date of these contracts was October of 2009. These contacts did not contain any hedge ineffectiveness and thus there was no related impact to operating results for the three months ended September 30, 2009. At December 31, 2008, the fair value of our natural gas swap contracts was a current asset of $0.2 million.

Interest Rate Risk Management. We maintain floating rate debt, which exposes us to changes in interest rates. Our policy is to manage our interest rate risk through the use of a combination of fixed and floating rate instruments and interest rate swap agreements. We designate interest rate derivatives as cash flow hedges. At September 30, 2009 and December 31, 2008, we had an interest rate swap designated as a cash flow hedge of underlying floating rate debt obligations, with a current liability of $0.6 million and $2.9 million, respectively. Our outstanding interest rate swap hedge at September 30, 2009 has an expiration date of November 2009. The effective portion of the mark-to-market effects of our cash flow hedge instruments is recorded in accumulated other comprehensive income ("AOCI") until the underlying interest payment affects income. The amount in our current liability reflects what we currently expect to be

reflected in our results of operations once the interest rate swap is settled. Our interest rate swap contract is expected to settle in November 2009. We do not expect any hedge ineffectiveness and thus no related impact to operating results. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During the three months and nine months ended September 30, 2009 and 2008, the impact on the consolidated financial statements due to interest rate hedge ineffectiveness was immaterial.

12. EARNINGS PER SHARE

We calculate earnings per share in accordance with ASC subtopic 260-10, *Earnings per Share,* using the two-class method. The two-class method requires that share-based awards with non-forfeitable dividends be classified as participating securities. In calculating basic earnings per share, this method requires net income to be reduced by the amount of dividends declared in the current period for each participating security and by the contractual amount of dividends or other participation payments that are paid or accumulated for the current period. Undistributed earnings for the period are allocated to participating securities based on the contractual participation rights of the security to share in those current earnings assuming all earnings for the period are distributed. Recipients of our restricted stock awards have contractual participation rights that are equivalent to those of common stockholders. Therefore, we allocate undistributed earnings to restricted stock and common stockholders based on their respective ownership percentage, as of the end of the period.

The two-class method also requires the denominator to include the weighted average restricted stock when calculating basic earnings per share. Diluted earnings per share also include the additional share equivalents from the assumed conversion of stock options calculated using the treasury stock method, subject to the anti-dilution provisions of ASC subtopic 260-10. The two-class method has been retroactively applied for all periods presented.

Table of Contents

The following table presents the computation of basic and diluted earnings (loss) per share:

Basic and Diluted Earnings (Loss) Per Share Two-class Method	Three months ended September 30, 2009		Three months ended September 30, 2008(a)	
In thousands, except per share data				
Basic Earnings (loss) per share				
Undistributed income (loss)	**$**	**230,151**	$	(20,192)
Restricted stock ownership		**7%**		%
Restricted stock interest on undistributed income	**$**	**15,109**	$	
Weighted average restricted shares Basic		**1,641**		17
Total restricted shareholders basic earnings per share	**$**	**9.21**	$	
Undistributed income (loss)	**$**	**230,151**	$	(20,192)
Common stock ownership		**93%**		100%
Common stockholders interest in undistributed income (loss)	**$**	**215,042**	$	(20,192)
Weighted average common shares Basic		**23,355**		1,379
Total common stockholders basic earnings (loss) per share	**$**	**9.21**	$	(14.64)
Diluted Earnings (loss) per share				
Common stockholders interest in undistributed (loss) income	**$**	**215,042**	$	(20,192)
Add: Undistributed earnings restricted stock		**15,109**		
Undistributed income (loss) used in diluted earnings per share	**$**	**230,151**	$	(20,192)
Weighted average common shares basic		**23,355**		1,379
Weighted average restricted shares-basic		**1,641**		
Stock Options		**10**		
Weighted average shares diluted		**25,006**		1,379
Total diluted earnings (loss) per share	**$**	**9.20**	$	(14.64)

Table of Contents

Basic and Diluted Earnings (Loss) Per Share Two-class Method	Nine months ended September 30, 2009	2008(a)
In thousands, except per share data		
Basic Earnings (loss) per share		
Undistributed income (loss)	**$ 275,484**	$ (67,335)
Restricted stock ownership	**6%**	%
Restricted stock interest on undistributed income	**$ 16,362**	$
Weighted average restricted shares Basic	**555**	16
Total restricted shareholders basic earnings (loss) per share	**$ 29.49**	$
Undistributed income (loss)	**$ 275,484**	$ (67,335)
Common stock ownership	**94%**	100%
Common stockholders interest in undistributed income (loss)	**$ 259,122**	$ (67,335)
Weighted average common shares Basic	**8,788**	1,378
Total common stockholders basic earnings (loss) per share	**$ 29.49**	$ (48.86)
Diluted Earnings (loss) per share		
Common stockholders interest in undistributed income (loss)	**$ 259,122**	$ (67,335)
Add: Undistributed earnings (loss) restricted stock	**16,362**	
Undistributed income (loss) used in diluted earnings per share	**$ 275,484**	$ (67,335)
Weighted average common shares basic	**8,788**	1,378
Weighted average restricted shares-basic	**555**	
Stock Options	**6**	
Weighted average shares diluted	**9,349**	1,378
Total diluted earnings (loss) per share	**$ 29.47**	$ (48.86)

(a) In accordance with ASC subtopic 260-10, undistributed losses have been entirely allocated to the common stockholders and corresponding common stockholders basic and diluted earnings (loss) per share due to the fact that the restricted stock owners are not contractually obligated to share in the losses of the company.

On July 28, 2009 we affected a 1-for-25 reverse stock split of our common stock. This reverse stock split has been reflected in share data and earnings per share data contained herein for all periods presented. On July 29, 2009, in connection with the debt for equity exchanges we issued 1.3 million common shares and 30.2 million convertible preferred shares to our bond holders that tendered their notes. These newly issued common shares are included in the above three and nine months ended September 30, 2009 earnings per share on a weighted average basis from the date of issuance. On September 17, 2009, the preferred shares were converted to common shares on a one for one basis. These newly issued shares of preferred stock that converted to common shares are eligible to participate in any dividends that we issue and thus were treated as common share equivalents from the period issued until the date they formally converted to common shares in the calculations above. Common stock outstanding prior to the debt exchange, retroactively adjusted for the stock split, was approximately 1.4 million shares. As a result of the common stock issued and preferred stock issued and converted, in connection with the debt exchange, 32.9 million shares of common stock were outstanding at September 30, 2009. Since the newly issued common shares and preferred stock that converted to common shares were issued in late July, they are only included in the number of common shares outstanding for two months resulting in a weighted average of 23.4 million common shares outstanding for the three months ended September 30, 2009.

Table of Contents

Diluted earnings (loss) per share reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in our earnings. Dilutive common stock options are included in the diluted earnings per share calculation using the treasury stock method. Options to purchase 0.1 million and 0.2 million shares of common stock were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect for the three and nine months ended September 30, 2009, respectively. Options to purchase 0.1 million shares of common stock were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect for the three and nine months ended September 30, 2008.

13. STOCK-BASED COMPENSATION

On September 17, 2009, our stockholders approved the 2009 Equity and Performance Incentive Plan (the "2009 Plan"). The 2009 Plan provides for the issuance of up to 3,033,000 (post the 1 for 25 reverse split) shares of our common stock. On July 27, 2009, the 2009 Plan was adopted in connection with the completion of our private debt for equity exchange described in Note 9. Additionally, on July 27, 2009 restricted share units for 2,274,745 shares in the aggregate were granted under the 2009 Plan.

Under the 1998, 2002, and 2009 Equity and Performance Incentive Plans, we are authorized by our stockholders to grant awards for up to 3,313,000 shares of our common stock to employees and non-employee directors. As of September 30, 2009, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, and employee stock options.

Stock Options. For the nine months ended September 30, 2009 and 2008, we granted options to purchase 52,108 and 31,365 shares, respectively, to employees and non-employee directors. As of September 30, 2009 we have not granted any equity awards to non-employee directors subsequent to completing the debt exchange on July 29, 2009. Option prices are equal to the closing price of our common stock on the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant.

Stock-based Compensation related to Stock Options. The fair value of stock options granted has been estimated as of the date of grant using the Black-Scholes option-pricing model. The use of a valuation model requires us to make certain assumptions with respect to selected model inputs. We use the historical volatility for our stock, as we believe that historical volatility is more representative than implied volatility. The expected life of the awards is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our history and expectation of dividend payouts. The weighted average fair value derived from the Black-Scholes model and the related weighted-average assumptions used in the model are as follows:

	Nine months ended September 30,	
Stock Option Grants	**2009**	**2008**
Grant date fair value	**$ 16.77**	$ 57.75
Assumptions		
Risk-free interest rate	**2.13%**	2.86%
Expected life	**6.0 years**	6.0 years
Expected volatility	**101%**	53%
Expected dividend yield	**0.00%**	4.75%

Table of Contents

A summary of stock option activity under all plans for the nine months ended September 30, 2009, is as follows:

	Nine months ended September 30, 2009			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2009	**124,854**	**$ 536.94**		
Granted	**52,108**	**21.12**		
Exercised				
Forfeited	**(2,358)**	**70.31**		
Expired	**(5,070)**	**994.79**		
Outstanding on September 30, 2009	**169,534**	**371.28**	**6.6**	**$ 447**
Vested or expected to vest at September 30, 2009	**168,526**	**372.99**	**6.6**	**441**
Exercisable on September 30, 2009	**88,732**	**619.14**	**4.4**	
Shares available on September 30, 2009 for options that may be granted	**758,255**			

Compensation expense, net of tax, for the nine months ended September 30, 2009 and 2008 from stock options was approximately $0.8 million and $1.2 million, respectively.

Restricted and Deferred Stock. During the nine months ended September 30, 2009 and 2008, we granted 2,274,745 and 10,959 restricted stock units, restricted stock and deferred stock units, respectively, to our key employees and non-employee directors. As of September 30, 2009 we have not granted any equity awards to non-employee directors subsequent to completing the debt exchange July 29, 2009. The restricted stock units granted in 2009 under the 2009 Plan vest 50 percent over a three-year period and the other 50 percent vest based on specific performance metrics. The restricted stock units and restricted stock granted prior to the 2009 Plan generally vest over a three-year period and the deferred stock units vest over a one-year period. The weighted average grant date fair value per share of restricted and deferred stock units and restricted stock granted during the nine months ended September 30, 2009 and 2008 was $8.75 and $168.00, respectively, which is based on the stock price as of the date of grant. Compensation expense, net of tax, for the nine months ended September 30, 2009 and 2008 from restricted stock units, restricted stock and deferred stock units was $5.8 million and $1.3 million, respectively. The compensation expense, net of tax, from the 2009 plan grants on July 27, 2009 was $5.4 million and is included in the $5.8 million above. A summary of restricted stock and deferred stock units and related changes therein is as follows:

	Nine months ended September 30, 2009			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2009	**17,927**		**$ 330.32**	
Granted	**2,274,745**		**8.75**	
Vested	**(8,248)**		**417.27**	
Forfeited	**(239)**		**196.70**	
Outstanding on September 30, 2009	**2,284,185**	**1.8 years**	**$ 9.78**	**$ 68,526**
Vested or expected to vest at September 30, 2009	**2,210,184**	**1.8 years**	**$ 13.97**	**$ 66,300**

Table of Contents

As of September 30, 2009 and 2008, we had approximately $13.8 million and $4.2 million of total unrecognized compensation cost related to nonvested share-based compensation which we will record in our statements of operations over a weighted average recognition period of approximately three years. The unrecognized compensation cost from the 2009 plan grants on July 27, 2009 was approximately $11.6 million as of September 30, 2009. The total fair value of shares vested during the nine months ended September 30, 2009 and 2008 was $6.4 million and $6.6 million, respectively. For additional information about our share-based payment awards, refer to Note 14 of the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008 and as reissued in our September 2, 2009 Form 8-K.

14. EMPLOYEE RETIREMENT PLANS

The following table provides the components for the net periodic benefit income (cost) for all of our pension plans:

Pension Plans In thousands	Three months ended September 30, 2009	 2008	Nine months ended September 30, 2009	 2008
Components of net periodic benefit cost:				
Service cost	**$ (30)**	$ 1,204	**$ 1,243**	$ 3,961
Interest cost	**2,036**	1,843	**5,858**	5,578
Expected return on assets	**(1,900)**	(2,761)	**(6,123)**	(8,280)
Amortization of:				
Prior service credit			**(129)**	
Curtailment gain	**(1,566)**	(141)	**(5,868)**	(405)
Actuarial loss (gain)	**337**	(20)	**1,263**	(26)
Total net periodic benefit (income) costs	**$ (1,123)**	$ 125	**$ (3,756)**	$ 828

Our major assumptions used to determine the net periodic benefit cost for our U.S. pension plans are presented as follows:

	Nine months ended September 30, 2009	 2008
Discount rate	**6.50/6.75%(1)**	6.25%
Expected return on assets	**8.75%**	8.00%
Rate of compensation increase	**4.51%/N/A(2)**	4.26%

(1) Fiscal 2009 retirement plan pension cost was based on costs as of two measurement dates due to the mid-year plan freeze, January 1 and March 31, 2009.

(2) Due to the mid-year plan freeze, the rate of compensation increase was no longer applicable as of the March 31, 2009 remeasurement date.

In February 2009, we announced to our U.S. employees that we were freezing the benefits for the Georgia Gulf Corporation Retirement Plan (the "Plan") as of March 31, 2009. As a result, we recognized a $4.3 million curtailment gain as of March 31, 2009. In addition, as a result of freezing the pension benefits on March 31, 2009, we changed the amortization methodology for gains and losses from the average expected future service period for active plan participants to the average expected future lifetime for all plan participants. This change in amortization method decreased pension costs from April 1, 2009 through December 31, 2009 by approximately $1.6 million.

Table of Contents

In connection with the closure of our Sarnia, Ontario PVC resin manufacturing facility in December 2008, we decided to wind up the Canadian Pension and Other Post-retirement Benefits Plans. For the Canadian Pension Plan, curtailment gains of $1.6 million were recognized as of September 30, 2009 when the remaining employees were released and the plant decommissioning was complete. We will recognize ongoing benefit costs for the Canadian Pension Plan until the wind up deficit is fully funded over a period of up to five years. All future benefit obligations in the Canadian Other Post-retirement Benefits Plan were fully settled as of September 30, 2009. We recognized benefit income for this plan of $2.6 million for the nine months ended September 30, 2009, which included a curtailment gain of $0.9 million and a settlement gain of $1.7 million as of September 30, 2009.

For the three and nine months ended September 30, 2009, we made no contributions to the U.S. pension plan trust. For the nine months ended September 30, 2009 and 2008, we made contributions of $0.4 million to the Canadian pension plan trusts. We made contributions in the form of direct benefit payments for the U.S. pension plans in the nine months ended September 30, 2009 and 2008 of approximately $0.4 million.

15. COMPREHENSIVE INCOME (LOSS) INFORMATION

Our comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, unrealized gains and losses on derivative financial instruments designated as cash flow hedges, and adjustments to pension liabilities as required by ASC subtopic 715-30, *Compensation Retirement Benefits Defined Benefit Plans Pensions*. The components of accumulated other comprehensive income (loss) and total comprehensive income (loss) are shown as follows:

Accumulated other comprehensive loss net of tax

In thousands	September 30, 2009	December 31, 2008
Unrealized losses on derivative contracts	**$ (302)**	$ (1,661)
Pension liability adjustment including affect of ASC subtopic 715-30	**(21,956)**	(18,908)
Cumulative currency translation adjustment	**12,790**	(6,686)
Accumulated other comprehensive loss	**$ (9,468)**	$ (27,255)

The components of total comprehensive income (loss) are as follows:

Total comprehensive income (loss)

In thousands	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Net income (loss)	**$ 230,151**	$ (17,402)	**$ 275,484**	$ (58,955)
Unrealized losses on derivative contracts	**730**	1,108	**1,359**	1,019
Pension liability adjustment including affect of ASC subtopic 715-30	**(3,762)**	(114)	**(3,048)**	(215)
Cumulative currency translation adjustment	**11,670**	(9,908)	**19,476**	(19,579)
Total comprehensive income (loss)	**$ 238,789**	$ (26,316)	**$ 293,271**	$ (77,730)

Table of Contents

16. INCOME TAXES

Our effective income tax rates for the three and nine months ended September 30, 2009 were 43.7 percent and 36.2 percent, respectively, as compared to 12.5 percent and 10.9 percent, as reported for the three and nine months ended September 30, 2008, respectively. The difference in the rate as compared to the U.S. statutory federal income tax rate in 2009 was primarily due to federal and state income tax credits including credits earned from timely repayment of the Mississippi Industrial Development Bond, the benefit related to the cancellation of debt income ("CODI") offset by the reduction of tax attributes as a result of the debt exchange and concurrent change in control of the company for tax purposes, and the valuation allowance in Canada.

On March 17, 2009, we modified the terms of our Term Loan B debt. The changes to the terms of this debt resulted in a significant modification for tax purposes. As a result, we recognized CODI related to this modification. On July 29, 2009, we exchanged about $736.0 million of our debt for about 96% of the equity of the company. Since the value of the shares issued in the exchange was less than the adjusted issue price of the notes, we recognized CODI as a result of this debt exchange. In addition, simultaneously with the debt exchange, the terms of the Term B debt were again modified resulting in a significant modification. This significant modification generated a deductible premium for tax purposes.

There are two exceptions to the current recognition of the CODI that may apply to us. Under the insolvency exception, we may not be required to realize CODI to the extent that, immediately prior to the exchange, we were insolvent for tax purposes. In general, a company is insolvent to the extent that the fair market value of its assets is less than its liabilities. To the extent CODI is excluded under the insolvency exception, we will be required to reduce certain of our tax assets. This would affect our future tax paying position.

The American Recovery and Reinvestment Act of 2009 ("ARRA") added a second exception to the immediate realization of the CODI. The Act would permit us to elect to defer the current recognition of any CODI resulting from the debt exchange and instead recognize any such income ratably over a five-year period beginning in 2014. If this election is made, we would be required to defer the deduction of all or a substantial portion of any "original issue discount" ("OID") expenses. These OID deductions also would be deferred until 2014 and we would be allowed to deduct these costs ratably over the same five-year period.

We are currently considering whether to make the election described in the preceding paragraph in combination with the insolvency exception as a result of the March 2009 debt modification and the July 2009 debt exchange and debt modification. Our decision will depend on, among other things, the extent to which we believe we were insolvent for tax purposes at the time of the debt exchange and estimates of our future taxable income or loss. Regardless of whether we make the election or rely on the insolvency exception, we do not expect these transactions to result in a material current federal cash tax liability for the company. Because state tax laws vary from federal tax laws, we expect a current state income tax liability as a result of this transaction.

The transfer of about 96% of the equity of the company to the former bondholders created a change in control for US Federal tax purposes. Because of this change in control, our ability to use our federal net operating loss carry forwards and certain other tax attributes is limited by Section 382 of the Internal Revenue Code of 1986, as amended. We have recognized tax expense as a result of our inability to realize these tax attributes during the three and nine months ended September 30, 2009.

In 1994, we entered into an Industrial Revenue Bond agreement with the state of Mississippi. The terms of the bond provided that repayment of the bond principal and interest creates state income tax credits. The bond was fully repaid in May 2009 resulting in significant state income tax credits being generated in 2009. The credits do not expire.

Table of Contents

The difference in our effective income tax rate for the period compared to the U.S. statutory federal income tax rate in 2008 was primarily due to federal and state income tax credits, the reversal of the interest accrued on the settled Quebec Trust matter discussed below and the valuation allowance in Canada. As previously disclosed in Note 16 in the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008 and as reissued in our September 2, 2009 Form 8-K, we are not recognizing a tax benefit for the net operating losses in Canada, as we have determined that we have not met the ASC topic 740, *Accounting for Income Taxes*, criteria to allow us to realize such benefits.

In March 2008, we reached a settlement with the provinces of Quebec and Ontario and the Canada Customs and Revenue Agency with respect to their assessments resulting from the retroactive application of tax law changes promulgated by Bill 15, which amended the Quebec Taxation Act and other legislative provisions. Over the last several years, Royal Group, in connection with its tax advisors, established tax structures that used a Quebec Trust to minimize its overall tax liabilities in Canada. Bill 15 eliminated the ability to use the Quebec Trust structure on a retroactive basis. As of December 31, 2007, we had recorded a liability for the unrecognized tax benefit of $46.1 million related to the Quebec Trust matter. We settled this matter with all relevant jurisdictions by making cash payments totaling $20.1 million. In the first quarter of 2008 we recognized an income tax benefit of $9.2 million related to the reversal of $5.8 million in interest accrued on this liability and the reversal of $3.4 million in a previously established valuation allowance for net operating loss carry forwards, the value of which was realized via this settlement. In addition, we reduced goodwill by $16.5 million as a result of the settlement of the preacquisition tax contingency. Finally, we were able to release a letter of credit in favor of the trustee for the Quebec Trust of Canadian $44.0 million.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, long-term debt, and interest rate swap contracts. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value because of the nature of such instruments. The fair value of our senior secured credit facility is based on present rates for indebtedness with similar amounts, durations and credit risk. The fair values of our 7.125 percent senior notes, our 9.5 percent senior notes, our 10.75 percent senior subordinated notes, our interest rate swap contracts, and our natural gas swap contract are based on quoted market values.

ASC topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. These levels, in order of highest to lowest priority are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3 Prices that are unobservable for the asset or liability and are developed based on the best information available in the circumstances, which might include the company's own data.

Our interest rate swaps and natural gas swap contracts are fair valued with Level 2 inputs. For further details concerning our derivative instruments, refer to Note 11 "Hedging Transactions and Derivative Financial Instruments."

Our Term loan B fair value for purposes of recording the gain on substantial modification of our Term loan B was determined by Level 3 inputs. The fair value of the common and preferred shares for purposes of recording the value of the equity exchanged in our July 29, 2009 debt for equity exchange and the resulting net gain was determined by Level 3 inputs. For further details concerning the fair value of Term

Table of Contents

loan B debt and the fair value of the common and preferred shares in our July 29, 2009 debt for equity exchange see Note 9 "Long-term Debt."

The following is a summary of the carrying values and estimated fair values of our fixed-rate long-term debt, interest rate swaps and natural gas swaps as of September 30, 2009 and December 31, 2008:

	September 30, 2009		December 31, 2008	
In thousands	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Level 1				
Long-term debt:				
7.125% senior notes due 2013	**$ 8,965**	**$ 7,296**	$ 100,000	$ 30,000
9.5% senior notes due 2014	**13,148**	**12,359**	497,240	152,500
10.75% senior subordinated notes due 2016	**41,348**	**25,946**	197,407	48,000
Level 2				
Long-term debt:				
Revolving credit facility expires 2011	**105,409**	**99,084**	125,762	89,920
Term loan B due 2013	**214,205**	**343,072**	350,350	229,479
Derivative instruments:				
Interest rate swap contracts	**(613)**	**(613)**	(2,850)	(2,850)
Natural gas swap contracts	**127**	**127**	179	179

18. SEGMENT INFORMATION

We have identified four reportable segments through which we conduct our operating activities: (i) chlorovinyls; (ii) window and door profiles and mouldings products; (iii) outdoor building products; and (iv) aromatics. These four segments reflect the organization used by our management for purposes of allocating resources, and assessing performance. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM and vinyl resins and compounds. Our vinyl-based building and home improvement products are marketed under the Royal Group brand names, and are managed within two reportable segments: window and door profiles and mouldings products and outdoor building products. Outdoor building products include siding, pipe and pipe fittings, deck, fence and rail products, and until March 2008, outdoor storage buildings. The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone.

Earnings of our segments exclude interest income and expense, unallocated corporate expenses and general plant services, provision for income taxes and costs of our receivables securitization program. Transactions between operating segments are valued at market-based prices. The revenues generated by these transfers are provided in the following table.

Table of Contents

The accounting polices of the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in our annual report on Form 10-K for the year ended December 31, 2008 and as reissued in our September 2, 2009 Form 8-K.

In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Eliminations, Unallocated and Other	Total
Three months ended September 30, 2009:						
Net sales	**$ 229,133**	**$ 100,521**	**$ 98,617**	**$ 128,071**	**$**	**$ 556,342**
Intersegment revenues	**69,616**		**278**	**46**	**(69,940)**	
Long-lived asset impairment (credits) charges	**(277)**		**4,444**			**4,167**
Restructuring (income) costs, net	**(3,538)**		**(302)**	**(2,088)**		**(5,928)**
(Gain) loss on sale of assets, net						
Operating (loss) income	**30,573**	**9,347**	**2,008**	**14,650**	**(17,982)**	**38,596**
Depreciation and amortization	**14,861**	**1,084**	**6,935**	**2,962**	**3,853**	**29,695**
Three months ended September 30, 2008:						
Net sales	$ 365,501	$ 165,457	$ 124,027	$ 163,579	$	$ 818,564
Intersegment revenues	96,819		866	19	(97,704)	
Long-lived asset impairment charges	836		1,805	(125)		2,516
Restructuring costs, net	591		226	352		1,169
(Gain) loss on sale of assets, net	13		(60)	80		33
Operating (loss) income	27,982	(4,547)	(561)	516	(9,142)	14,248
Depreciation and amortization	18,314	1,230	11,483	3,616	1,828	36,471

In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Eliminations, Unallocated and Other	Total
Nine months ended September 30, 2009:						
Net sales	**$ 702,915**	**$ 227,979**	**$ 241,691**	**$ 315,431**	**$**	**$ 1,488,016**
Intersegment revenues	**180,795**		**1,080**	**96**	**(181,971)**	
Long-lived asset impairment charges	**201**		**20,156**			**20,357**
Restructuring (income) costs, net	**(63)**		**3,014**	**508**	**2,468**	**5,927**
(Gain) loss on sale of assets, net			**(24)**	**86**		**62**
Operating (loss) income	**75,466**	**17,709**	**(31,528)**	**6,304**	**(49,929)**	**18,022**
Depreciation and amortization	**45,532**	**3,343**	**20,669**	**8,433**	**11,170**	**89,147**
Nine months ended September 30, 2008:						
Net sales	$ 1,108,471	$ 516,118	$ 328,104	$ 428,175	$	$ 2,380,868
Intersegment revenues	232,589		2,756	1,750	(237,095)	
Long-lived asset impairment charges	16,815		1,880			18,695
Restructuring costs, net	2,302		1,434	5,022		8,758
(Gain) loss on sale of assets, net	(1,689)		1,210	2,027	(28,830)	(27,282)
Operating (loss) income	64,673	(7,373)	(15,943)	(14,295)	5,520	32,582

Depreciation and amortization	56,269	4,522	34,911	11,516	5,277	112,495

33

Table of Contents

19. SUPPLEMENTAL GUARANTOR INFORMATION

Our payment obligations under the indentures for our unsecured 7.125 percent senior notes, our unsecured 9.5 percent senior notes, and our unsecured 10.75 percent senior subordinated notes are guaranteed by Great River Oil & Gas Corporation, Georgia Gulf Lake Charles, LLC, Georgia Gulf Chemicals & Vinyls, LLC, and Royal Plastics Group (USA) Limited, Rome Delaware Corporation, Plastic Trends, Inc., Royal Outdoor Products, Inc., Royal Window and Door Profiles Plant 13 Inc., Royal Window and Door Profiles Plant 14 Inc. and Royal Window Coverings (USA) LP, all of which are wholly owned subsidiaries (the "Guarantor Subsidiaries") of Georgia Gulf Corporation. The guarantees are full, unconditional and joint and several. Georgia Gulf is in essence a holding company for all of its wholly and majority owned subsidiaries. The following condensed consolidating balance sheets, statements of operations and statements of cash flows present the combined financial statements of the parent company, and the combined financial statements of our Guarantor Subsidiaries and our remaining subsidiaries (the "Non-Guarantor Subsidiaries"). Separate financial statements of the Guarantor Subsidiaries are not presented because we have determined that they would not be material to investors.

Provisions in our senior secured credit facility limit payment of dividends, distributions, loans and advances to us by our subsidiaries.

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

September 30, 2009

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 17,374	$ 10,965	$	$ 28,339
Receivables, net	5,433	504,673	201,895	(539,651)	172,350
Inventories		161,005	77,710		238,715
Prepaid expenses	528	26,363	4,653		31,544
Income tax receivable	(984)	3,072	1,708		3,796
Deferred income taxes	232	20,777			21,009
Total current assets	5,209	733,264	296,931	(539,651)	495,753
Property, plant and equipment, net	204	461,291	239,710		701,205
Long-term receivables affiliates	423,616			(423,616)	
Goodwill		97,572	103,759		201,331
Intangibles, net		13,138	2,282		15,420
Other assets, net	21,863	83,233	27,543		132,639
Non-current assets held-for-sale		14,227			14,227
Investment in subsidiaries	966,856	126,588		(1,093,444)	
Total assets	$ 1,417,748	$ 1,529,313	$ 670,225	$ (2,056,711)	$ 1,560,575
Current portion of long-term debt	$ 23,609	$	$	$	$ 23,609
Accounts payable	495,765	131,419	33,805	(539,650)	121,339
Interest payable	4,534		518		5,052
Income tax payable		471	1,164		1,635
Accrued compensation	928	6,492	7,105		14,525
Liability for unrecognized income tax benefits and other tax reserves		3,241	6,207		9,448
Other accrued liabilities	1,364	19,002	31,659		52,025
Total current liabilities	526,200	160,625	80,458	(539,650)	227,633
Long-term debt, less current portion	354,406	55	123,857		478,318
Long-term payables affiliates			423,616	(423,616)	
Liability for unrecognized income tax benefits		6,522	55,091		61,613
Deferred income taxes	12,531	223,834	700		237,065
Other non-current liabilities	4,740	28,447	2,888		36,075
Total liabilities	897,877	419,483	686,610	(963,266)	1,040,704
Total stockholders' equity (deficit)	519,871	1,109,830	(16,385)	(1,093,445)	519,871
Total liabilities and stockholders' deficit	$ 1,417,748	$ 1,529,313	$ 670,225	$ (2,056,711)	$ 1,560,575

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

December 31, 2008

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 49,724	$ 40,251	$	$ 89,975
Receivables, net	72,753	273,053	192,176	(420,695)	117,287
Inventories		143,845	96,354		240,199
Prepaid expenses	97	16,818	4,445		21,360
Income tax receivable	(984)	1,856	1,392		2,264
Deferred income taxes	1,078	21,427			22,505
Total current assets	72,944	506,723	334,618	(420,695)	493,590
Property, plant and equipment, net	226	521,837	238,697		760,760
Long-term receivables affiliates	373,417			(373,417)	
Goodwill		97,572	91,431		189,003
Intangibles, net		13,898	2,007		15,905
Other assets, net	39,968	95,997	14,678		150,643
Non-current assets held-for-sale		500			500
Investment in subsidiaries	961,703	139,570		(1,101,273)	
Total assets	$ 1,448,258	$ 1,376,097	$ 681,431	$ (1,895,385)	$ 1,610,401
Current portion of long-term debt	$ 56,790	$ 53	$	$	$ 56,843
Accounts payable	261,795	175,439	88,513	(420,695)	105,052
Interest payable	16,115				16,115
Income tax payable		1,988	1,488		3,476
Accrued compensation	159	4,052	5,679		9,890
Liability for unrecognized income tax benefits and other tax reserves		4,829	22,505		27,334
Other accrued liabilities	3,341	18,069	28,283		49,693
Total current liabilities	338,200	204,430	146,468	(420,695)	268,403
Long-term debt, less current portion	1,245,886	41	91,380		1,337,307
Long-term payables affiliates			373,417	(373,417)	
Liability for unrecognized income tax benefits		6,597	27,995		34,592
Deferred income taxes	(957)	70,509	589		70,141
Other non-current liabilities	5,057	31,491	3,338		39,886
Total liabilities	1,588,186	313,068	643,187	(794,112)	1,750,329
Stockholders' (deficit) equity	(139,928)	1,063,029	38,244	(1,101,273)	(139,928)
Total liabilities and stockholders' (deficit) equity	$ 1,448,258	$ 1,376,097	$ 681,431	$ (1,895,385)	$ 1,610,401

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Three Months Ended September 30, 2009

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,737	$ 427,805	$ 166,504	$ (41,704)	$ 556,342
Operating costs and expenses:					
Cost of sales		379,291	131,162	(37,810)	472,643
Selling, general and administrative expenses	15,546	17,137	18,075	(3,894)	46,864
Long-lived asset impairment charges		4,444	(277)		4,167
Restructuring (gain) costs, net		256	(6,184)		(5,928)
Total operating costs and expenses	15,546	401,128	142,776	(41,704)	517,746
Operating income (loss)	(11,809)	26,677	23,728		38,596
Other income (expense):					
Gain on debt exchange	400,835				400,835
Interest expense, net	(31,777)	6,259	(5,191)		(30,709)
Foreign exchange gain (loss)	48	4	(100)		(48)
Equity in earnings of subsidiaries	40,733	(1,210)		(39,523)	
Intercompany interest income (expense)	1,473		(1,473)		
Income before income taxes	399,503	31,730	16,964	(39,523)	408,674
Provision for income taxes	169,352	7,748	1,423		178,523
Net income (loss)	$ 230,151	$ 23,982	$ 15,541	$ (39,523)	$ 230,151

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Three Months Ended September 30, 2008

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,563	$ 661,531	$ 223,921	$ (70,451)	$ 818,564
Operating costs and expenses:					
Cost of sales		622,831	197,076	(63,404)	756,503
Selling, general and administrative expenses	8,130	20,486	22,526	(7,047)	44,095
Long-lived asset impairment charges		1,582	934		2,516
Restructuring costs, net		626	543		1,169
Loss (gain) on sale of assets, net		14	19		33
Total operating costs and expenses	8,130	645,539	221,098	(70,451)	804,316
Operating income (loss)	(4,567)	15,992	2,823		14,248
Other (expense) income:					
Interest expense, net	(31,842)	3,460	(3,898)		(32,280)
Foreign exchange gain (loss)	(91)	(6)	(1,767)		(1,864)
Equity in income of subsidiaries	10,766	128		(10,894)	
Intercompany interest income (expense)	4,462		(4,462)		
Income (loss) before income taxes	(21,272)	19,574	(7,304)	(10,894)	(19,896)
Provision (benefit) for income taxes	(3,870)	34	1,342		(2,494)
Net income (loss)	$ (17,402)	$ 19,540	$ (8,646)	$ (10,894)	$ (17,402)

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Nine Months Ended September 30, 2009

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 11,383	$ 1,192,613	$ 393,974	$ (109,954)	$ 1,488,016
Operating costs and expenses:					
Cost of sales		1,070,103	341,158	(97,337)	1,313,924
Selling, general and administrative expenses	35,938	58,089	48,314	(12,617)	129,724
Long-lived asset impairment charges		11,610	8,747		20,357
Restructuring (gain) costs, net	2,468	580	2,879		5,927
Loss on sale of assets			62		62
Total operating costs and expenses	38,406	1,140,382	401,160	(109,954)	1,469,994
Operating income (loss)	(27,023)	52,231	(7,186)		18,022
Other income (expense):					
Gain on the substantial modification of debt	121,700		(667)		121,033
Gain on debt exchange	400,835				400,835
Interest expense, net	(111,738)	18,159	(13,650)		(107,229)
Foreign exchange gain (loss)	31	47	(1,059)		(981)
Equity in earnings of subsidiaries	27,054	(10,723)		(16,331)	
Intercompany interest income (expense)	5,480		(5,480)		
Income (loss) before income taxes	416,339	59,714	(28,042)	(16,331)	431,680
Provision for income taxes	140,855	11,343	3,998		156,196
Net income (loss)	$ 275,484	$ 48,371	$ (32,040)	$ (16,331)	$ 275,484

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Nine Months Ended September 30, 2008

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 9,723	$ 1,957,596	$ 588,689	$ (175,140)	$ 2,380,868
Operating costs and expenses:					
Cost of sales		1,842,256	530,993	(155,593)	2,217,656
Selling, general and administrative expenses	18,126	62,746	69,134	(19,547)	130,459
Long-lived asset impairment charges		17,177	1,518		18,695
Restructuring costs		2,238	6,520		8,758
(Gain) loss on sale of assets		(31,034)	3,752		(27,282)
Total operating costs and expenses	18,126	1,893,383	611,917	(175,140)	2,348,286
Operating income (loss)	(8,403)	64,213	(23,228)		32,582
Other (expense) income:					
Interest expense, net	(93,254)	6,480	(11,383)		(98,157)
Foreign exchange loss	(294)	(10)	(281)		(585)
Equity in income of subsidiaries	17,500	(1,927)		(15,573)	
Intercompany interest income (expense)	16,152		(16,152)		
Income (loss) before income taxes	(68,299)	68,756	(51,044)	(15,573)	(66,160)
Provision (benefit) for income taxes	(9,344)	5,888	(3,749)		(7,205)
Net income (loss)	$ (58,955)	$ 62,868	$ (47,295)	$ (15,573)	$ (58,955)

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Nine Months Ended September 30, 2009

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 96,119	$ (12,454)	$ (34,797)	$	$ 48,868
Cash from investing activities:					
Proceeds from insurance recoveries		1,781	199		1,980
Capital expenditures		(21,638)	(3,320)		(24,958)
Proceeds from sale of property, plant and equipment and assets held for sale			1,900		1,900
Net cash used in investing activities		(19,857)	(1,221)		(21,078)
Cash from financing activities:					
Net change in revolving line of credit	(40,333)		10,922		(29,411)
Long-term debt payments	(19,688)	(39)			(19,727)
Proceeds from issuance of common stock					
Purchase and retirement of common stock	(25)				(25)
Fees paid to amend debt	(36,073)		(7,183)		(43,256)
Repayment of capital lease					
Net cash (used in) provided by financing activities	(96,119)	(39)	3,739		(92,419)
Effect of exchange rate changes on cash			2,993		2,993
Net change in cash and cash equivalents		(32,350)	(29,286)		(61,636)
Cash and cash equivalents at beginning of period		49,724	40,251		89,975
Cash and cash equivalents at end of period	$	$ 17,374	$ 10,965	$	$ 28,339

Table of Contents

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Nine Months Ended September 30, 2008

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (37,857)	$ 27,758	$ 2,712	$	$ (7,387)
Investing activities:					
Capital expenditures		(35,310)	(8,713)		(44,023)
Proceeds from sale of property, plant and equipment		47,148	30,947		78,095
Net cash provided by investing activities		11,838	22,234		34,072
Financing activities:					
Net change in revolving line of credit	105,813		1,905		107,718
Long-term debt payments	(73,054)	(40)			(73,094)
Intercompany financing	23,099		(23,099)		
Return of internal capital		(1,499)	1,499		
Purchases and retirement of common stock	(110)				(110)
Fees paid to amend debt	(9,823)				(9,823)
Dividends paid	(8,379)				(8,379)
Net cash (used in) provided by financing activities	37,546	(1,539)	(19,695)		16,312
Effect of exchange rate changes on cash	311		185		496
Net change in cash and cash equivalents		38,057	5,436		43,493
Cash and cash equivalents at beginning of period		8,315	912		9,227
Cash and cash equivalents at end of period	$	$ 46,372	$ 6,348	$	$ 52,720

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

We are a leading, integrated North American manufacturer of two chemical product lines, chlorovinyls and aromatics, and a manufacturer of vinyl-based building and home improvement products. Our primary chlorovinyls products are chlorine, caustic soda, vinyl chloride monomer ("VCM"), vinyl resins and vinyl compounds, and our aromatics products are cumene, phenol and acetone. Our vinyl-based building and home improvement products, marketed under Royal Group brands, include window and door profiles, mouldings, siding, pipe and pipe fittings, and deck, fence and rail.

We have identified four reportable segments through which we conduct our operating activities: (i) chlorovinyls products; (ii) window and door profiles and mouldings products; (iii) outdoor building products; and (iv) aromatics products.

Results of Operations

The following table sets forth our consolidated statement of operations data for each of the three and nine month periods ended September 30, 2009 and 2008, and the percentage of net sales of each line item for the periods presented.

	Three months ended				Nine months ended			
Dollars in Millions	**September 30, 2009**		**September 30, 2008**		**September 30, 2009**		**September 30, 2008**	
Net sales	**$ 556.3**	**100%**	$ 818.6	100%	**$ 1488.0**	**100%**	$ 2,380.9	100.0%
Cost of sales	**472.6**	**85.0%**	756.5	92.4%	**1,313.9**	**88.3%**	2,217.7	93.1%
Gross margin	**83.7**	**15.0%**	62.1	7.6%	**174.1**	**11.7%**	163.2	6.9%
Selling, general and administrative expense	**46.9**	**8.4%**	44.1	5.4%	**129.7**	**8.7%**	130.4	5.5%
Long-lived asset impairment charges	**4.1**	**0.8%**	2.5	0.3%	**20.4**	**1.4%**		