HEALTH CARE PROPERTY INVESTORS INC
Form S-3
May 13, 2005
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As filed with the Securities and Exchange Commission on May 13, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

HEALTH CARE PROPERTY INVESTORS, INC.

(Exact name of registrant as specified in its charter)

3760 Kilroy Airport Way, Suite 300 Long Beach, California 90806

Maryland	**(562) 733-5100**	**33-0091377**
(State or Other Jurisdiction of Incorporation or Organization)	**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)**	**(I.R.S. Employer Identification No.)**

Edward J. Henning, Esq.

Senior Vice President, General Counsel and Corporate Secretary

3760 Kilroy Airport Way, Suite 300

Long Beach, California 90806

(562) 733-5100

(Name, address, including zip code, and telephone number, including

area code, of agent for service)

Copy to:

R. Scott Shean, Esq.

Latham & Watkins LLP

650 Town Center Drive, Suite 2000

Costa Mesa, California 92626

(714) 540-1235

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of shares to be registered	Amount to be registered(1)	Proposed maximum aggregate price per share(2)	Proposed maximum aggregate offering price(3)	Amount of registration fee
Common Stock, par value $1.00 per share	53,602	$25.28	$1,355,059	$160

(1) In the event of a stock split, stock dividend, or similar transaction involving the Company s common stock, the number of shares registered shall automatically be increased to cover the additional shares in accordance with Rule 416(a) under the Securities Act.

(2) Based upon the average of the high and low prices of the shares of common stock reported on the New York Stock Exchange on May 9, 2005, pursuant to Rule 457(c) of the Securities Act.

(3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of the Securities Act.

This registration statement relates to the possible resale of 53,602 shares of common stock of Health Care Property Investors, Inc. by the selling holders named in the registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 13, 2005

PROSPECTUS

Health Care Property Investors, Inc.

53,602 Shares

Common Stock

This prospectus relates to the possible resale from time to time of up to an aggregate of 53,602 shares of common stock, par value $1.00 per share, of Health Care Property Investors, Inc., a Maryland corporation, that may be issued to holders of up to 26,801 non-managing member units in HCPI/Utah, LLC, if these holders tender their units and we elect to exchange these units for shares of our common stock in lieu of a cash payment. The non-managing member units in HCPI/Utah, LLC were issued to affiliates of The Boyer Company, L.C., a Utah limited liability company, in connection with the contribution of real property and improvements to HCPI/Utah, LLC. These holders, as well as certain parties that received non-managing member units from the above mentioned holders pursuant to assignments, are referred to herein as selling holders.

We will not receive any proceeds from the issuance of the shares of our common stock to the selling holders or the resale of the shares by the selling holders; however, we will acquire membership units of HCPI/Utah, LLC currently held by the selling holders tendered in exchange for shares of our common stock.

Our shares of common stock are traded on the New York Stock Exchange under the symbol HCP. On May 11, 2005, the last reported sales price of our common stock on the New York Stock Exchange was $26.12 per share.

You should consider the risks discussed in "Risk Factors" beginning on page 1 of this prospectus before you invest in our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED ON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2005

Health Care Property Investors, Inc.

3760 Kilroy Airport Way, Suite 300

Long Beach, California 90806

(562) 733-5100

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All references in this prospectus to HCP we, us or our mean Health Care Property Investors, Inc., its majority-owned subsidiaries and other entities controlled by Health Care Property Investors, Inc. except where it is clear from the context that the term means only the issuer, Health Care Property Investors, Inc.

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RISK FACTORS

Below are the risks that we believe are material to investors who purchase or own our common stock. In addition to other information contained or incorporated by reference in this prospectus, you should carefully consider the following factors before acquiring the common stock offered by this prospectus.

Risks Related to Our Operators

If our tenants and mortgagors are unable to operate our properties in a manner sufficient to generate income, they may be unable to make rent and loan payments to us.

The healthcare industry is highly competitive and we expect that it may become more competitive in the future. Our tenants and mortgagors are subject to competition from other healthcare providers that provide similar healthcare services, including from newly constructed facilities. The profitability of healthcare facilities depends upon several factors, including the number of physicians using the healthcare facilities or referring patients there, competitive systems of healthcare delivery and the size and composition of the population in the surrounding area. Private, federal and state payment programs, including a reduction in reimbursement by any of them, and the effect of other laws and regulations may also have a significant influence on the revenues and income of the properties. If our tenants and mortgagors are not competitive with other healthcare providers and are unable to generate income, they may be unable to make rent and loan payments to us.

The bankruptcy, insolvency or financial deterioration of our facility operators could significantly delay our ability to collect unpaid rents or require us to find new operators.

Our financial position and our ability to make distributions to our stockholders may be adversely affected by financial difficulties experienced by any of our major operators, including bankruptcy, insolvency or a general downturn in the business, or in the event any of our major operators do not renew or extend their relationship with us as their lease terms expire.

We are exposed to the risk that our operators may not be able to meet their obligations, which may result in their bankruptcy or insolvency. Although our leases and loans provide us the right to terminate an investment, evict an operator, demand immediate repayment and other remedies, the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. An operator in bankruptcy may be able to restrict our ability to collect unpaid rents or interest during the bankruptcy proceeding.

Tenet Healthcare Corporation accounts for a significant percentage of our revenues and is currently experiencing significant legal, financial and regulatory difficulties.

During 2004, Tenet Healthcare Corporation accounted for approximately 12% of our revenues. According to public disclosures, Tenet is experiencing significant legal, financial and regulatory difficulties. We cannot predict with certainty the impact, if any, of the outcome of these uncertainties on our consolidated financial statements. The failure or inability of Tenet to pay its obligations could materially reduce our revenue, net income and cash flows and could have a material adverse effect on the value of our common stock.

Our operators are faced with increased litigation and rising insurance costs that may affect their ability to pay their lease or mortgage payments.

In some states, advocacy groups have been created to monitor the quality of care at healthcare facilities, and these groups have brought litigation against operators. Also, in several instances, private litigation by patients has succeeded in winning very large damage awards for alleged abuses. The effect of this litigation and potential litigation has been to materially increase the costs of monitoring and reporting quality of care compliance incurred by our tenants. In addition, the cost of liability and medical malpractice insurance has increased and may continue to increase so long as the present litigation environment affecting the operations of healthcare facilities continues. Continued cost increases could cause our tenants to be unable to pay their lease or mortgage payments, potentially decreasing our revenue and increasing our collection and litigation costs. Moreover, to the extent we are required to take back the affected facilities, our revenue from those facilities could be reduced or eliminated for an extended period of time.

Risks Related to Real Estate Investment and Our Structure

We rely on external sources of capital to fund future capital needs, and if our access to such capital is difficult or on commercially unreasonable terms, we may not be able to meet maturing commitments or make future investments necessary to grow our business.

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In order to qualify as a REIT under the Internal Revenue Code, among other things, we are required to distribute to our stockholders at least 90% of our REIT taxable income each year, and we will be subject to tax to the extent we distribute less than 100% of our REIT taxable income to our stockholders each year. Because of these distribution requirements, we may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, we rely on external sources of capital. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, we might not be able to make the investments needed to grow our business, or to meet our obligations and commitments as they mature, which could negatively affect the ratings of our debt and even, in extreme circumstances, affect our ability to continue operations. Our access to capital depends upon a number of factors over which we have little or no control, including general market conditions, interest rates, the market s perception of our growth potential, our current and potential future earnings, and our cash distributions and the market price of the shares of our capital stock.

If we are unable to purchase suitable healthcare facilities at a favorable cost, we will be unable to continue to grow through acquisitions.

The acquisition and financing of healthcare facilities at favorable costs is highly competitive. If we cannot identify and purchase a sufficient quantity of healthcare facilities at favorable prices, or if we are unable to finance such acquisitions on commercially favorable terms, our business will suffer.

Unforeseen costs associated with the acquisition of new properties could reduce our profitability.

Our business strategy contemplates future acquisitions. The acquisitions we make may not prove to be successful. We might encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities. We might never realize the anticipated benefits of an acquisition, which could adversely affect our profitability.

Since real estate investments are illiquid, we may not be able to sell properties when we desire.

Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to vacancies or economic conditions. This inability to respond to changes in the performance of our investments could adversely affect our ability to service debt and make distributions to our stockholders. In addition, there are limitations under the federal income tax laws applicable to REITs that may limit our ability to recognize the full economic benefit from a sale of our assets.

Transfers of healthcare facilities generally require regulatory approvals and alternative uses of healthcare facilities are limited.

Because transfers of healthcare facilities may be subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate, there may be delays in transferring operations of our facilities to successor tenants or we may be prohibited from transferring operations to a successor tenant. In addition, many of our properties are healthcare facilities that may not be easily adapted to non-healthcare related uses. If we are unable to transfer properties at times opportune to us, our revenue and operations may suffer.

Some potential losses may not be covered by insurance.

We generally require our tenants and mortgagors to secure and maintain comprehensive liability and property insurance that covers us, as well as the tenants or mortgagors, on most of our properties. Some types of losses, however, either may be uninsurable or too expensive to insure against. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future.

Loss of our tax status as a REIT would have significant adverse consequences to us.

We believe we currently operate and have operated commencing with our taxable year ended December 31, 1985, in a manner that allows us to qualify as a REIT for federal income tax purposes under the Internal Revenue Code, as amended.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable

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income, excluding capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions may adversely affect our investors or our ability to qualify as a REIT for tax purposes. Although we believe that we have been organized and have operated in such manner, we can give no assurance that we have qualified or will continue to qualify as a REIT for tax purposes.

If we lose our REIT status, we will face serious tax consequences that will substantially reduce the funds available to make payments of principal and interest on the debt securities we issue and to make distributions to our stockholders. If we fail to qualify as a REIT:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax and increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for four taxable years following the year during which we lost our qualification.

In addition, if we fail to qualify as a REIT, we would not be required to make distributions to stockholders.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could adversely affect the value of our common stock.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we have filed at the SEC s public reference rooms. You may read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. You may inspect information that we file with The New York Stock Exchange at the offices of The New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring to the other information we have filed with the SEC. The information that we incorporate by reference is considered a part of this prospectus and information that we file later with the SEC will automatically update and supersede the information contained in this prospectus. We incorporate by reference the following documents we filed with the SEC pursuant to Section 13 of the Securities Exchange Act of 1934, as amended:

our Current Reports on Form 8-K dated February 3, 2005 and April 27, 2005;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005;

our Annual Report on Form 10-K for the fiscal year ended December 31, 2004;

our Proxy Statement filed on April 8, 2005; and

the description of our common stock contained in our registration statement on Form 10 dated May 7, 1985 (File No. 1-8895), including the amendments dated May 20, 1985 and May 23, 1985, and any other amendment or report filed for the purpose of updating such description, including the description of amendments to our charter contained in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2001 and June 30, 2004.

We are also incorporating by reference additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before we stop offering the securities described in this prospectus. These documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

If you are a stockholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them through us or the SEC. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference the exhibit in this prospectus. Stockholders may obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from:

Investor Relations

Health Care Property Investors, Inc.

3760 Kilroy Airport Way, Suite 300

Long Beach, California 90806

(562) 733-5100

investorrelations@hcpi.com

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CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

Statements in this prospectus and the information incorporated by reference in this prospectus or any prospectus supplement that are not historical factual statements are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this section for purposes of complying with these safe harbor provisions. The statements include, among other things, statements regarding the intent, belief or expectations of us and our officers and can be identified by the use of terminology such as may, will, expect, believe, intend, plan, estimate, should and other comparable terms or the negative the addition, we, through our senior management, from time to time make forward looking oral and written public statements concerning our expected future operations and other developments. You are cautioned that, while forward looking statements reflect our good faith belief and best judgment based upon current information, they are not guarantees of future performance and are subject to known and unknown risks and uncertainties. Actual results may differ materially from the expectations contained in the forward looking statements as a result of various factors. In addition to the factors set forth in this prospectus and in our annual report on Form 10-K for the fiscal year ended December 31, 2004, you should consider the following:

Legislative, regulatory, or other changes in the healthcare industry at the local, state or federal level which increase the costs of or otherwise affect the operations of our lessees or mortgagors;

Changes in the reimbursement available to our lessees and mortgagors by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;

Competition for tenants and mortgagors, including with respect to new leases and mortgages and the renewal or rollover of existing leases;

Availability of suitable healthcare facilities to acquire at a favorable cost of capital and the competition for such acquisition and financing of healthcare facilities;

The ability of our lessees and mortgagors to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;

The financial weakness of operators in the long-term care and assisted living sectors, including the bankruptcies of certain of our tenants, which results in uncertainties in our ability to continue to realize the full benefit of such operators leases;

Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital;

The risk that we will not be able to sell or lease facilities that are currently vacant;

The potential costs of SB 1953 (seismic safety) compliance with respect to our hospital in Tarzana, California;

The financial, legal and regulatory difficulties of two of our significant operators, Tenet Healthcare Corporation and HealthSouth Corporation; and

The potential impact of existing and future litigation matters.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward looking events discussed in this prospectus or discussed in or incorporated by reference in this prospectus may not occur.

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THE COMPANY

We were organized in 1985 to qualify as a real estate investment trust, or a REIT. We invest directly or through joint ventures in healthcare related real estate located throughout the United States. We commenced business 20 years ago, making us the second oldest REIT specializing in healthcare real estate. Since 1986, the debt rating agencies have rated our debt investment grade. As of April 27, 2005, Moody s Investors Service and Standard & Poor s rated our senior debt at Baa2 and BBB+, respectively. The market value of our common stock was approximately $3.45 billion as of May 5, 2005.

As of March 31, 2005, our gross investment in our properties, including investments through joint ventures and mortgage loans, was approximately $3.5 billion. As of March 31, 2005, our portfolio of 525 properties in 43 states consisted of:

- 28 hospitals;
- 169 skilled nursing facilities;
- 118 assisted living and continuing care retirement communities;
- 186 medical office buildings; and
- 24 other healthcare facilities.

Our principal offices are located at 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806, and our telephone number is (562) 733-5100.

USE OF PROCEEDS

We are filing the registration statement of which this prospectus is a part pursuant to our contractual obligations to the holders named in the section entitled Selling Holders. We will not receive any proceeds from the issuance of shares of common stock to the selling holders or the resale of the shares by the selling holders; however, we will acquire membership units of HCPI/Utah, LLC currently held by the selling holders tendered in exchange for shares of our common stock. We will also pay registration expenses which we estimate to be approximately $55,000.

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DESCRIPTION OF CAPITAL STOCK

GENERAL

Our authorized capital stock consists of 750,000,000 shares of common stock, par value $1.00 per share, and 50,000,000 shares of preferred stock, par value $1.00 per share. All share numbers set forth in this prospectus have been adjusted as appropriate to reflect the 2-for-1 stock split we effected with respect to our common stock on March 2, 2004. The following description is qualified in all respects by reference to our charter and to our bylaws, as amended and restated, copies of which were filed as exhibits to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

DESCRIPTION OF COMMON STOCK

As of May 11, 2005, there were 134,331,875 shares of common stock outstanding. All shares of common stock participate equally in dividends payable to holders of common stock, when and as authorized by our board and declared by HCP, and in net assets available for distribution to holders of common stock on our liquidation, dissolution, or winding up. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of HCP common stockholders. Holders of our common stock do not have cumulative voting rights in the election of directors. Our charter contains restrictions on the ownership and transfer of our common stock. See Transfer Restrictions, Redemption and Business Combination Provisions.

All issued and outstanding shares of common stock are, and the common stock offered under this prospectus will be upon issuance, validly issued, fully paid and nonassessable. Holders of our common stock do not have preference, conversion, exchange or preemptive rights. Our common stock is listed on the New York Stock Exchange under the symbol HCP.

The transfer agent and registrar of our common stock is The Bank of New York.

DESCRIPTION OF PREFERRED STOCK

Under our charter, our board is authorized without further stockholder action to establish and issue, from time to time, up to 50,000,000 shares of preferred stock of HCP, in one or more series, with such designations, preferences, powers and relative participating, optional or other special rights, and the qualifications, limitations or restrictions thereon, including, but not limited to, dividend rights, dividend rate or rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences as shall be stated in the resolution providing for the issue of a series of such stock, adopted, at any time or from time to time, by our board. As of May 11, 2005, HCP had outstanding 4,000,000 shares of 7.25% Series E Cumulative Redeemable Preferred Stock and 7,820,000 shares of 7.1% Series F Cumulative Redeemable Preferred Stock. The material terms of our series E preferred stock and series F preferred stock are described below.

Series E Preferred Stock

Voting Rights. Holders of the series E preferred stock generally do not have any voting rights, except in limited circumstances.

The consent of the holders of series E preferred stock is not required for the taking of any corporate action, including any merger or consolidation involving HCP or a sale of all or substantially all of the assets of HCP, regardless of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the series E preferred stock, except as expressly set forth in the provisions of our charter which relate to the series E preferred stock.

Rank. With respect to dividend rights and rights upon liquidation, dissolution or winding up of HCP, the series E preferred stock ranks:

- senior to the common stock of HCP, and to all equity securities issued by HCP ranking junior to the series E preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP;

- on a parity with all equity securities issued by HCP the terms of which specifically provide that such equity securities rank on a parity with the series E preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP; and

- junior to all equity securities issued by HCP the terms of which specifically provide that such equity securities rank senior to the series E preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP. See Voting Rights above.

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The term equity securities does not include convertible debt securities, which rank senior to the series E preferred stock prior to conversion.

Dividends. Holders of shares of the series E preferred stock are entitled to receive, when, as, and if declared by our board out of funds of HCP legally available for the payment of dividends, cumulative preferential annual cash dividends at the rate of 7.25% of the liquidation preference (equivalent to $1.8125 per annum per share).

Dividends on the series E preferred stock are cumulative from the date of original issue and are payable quarterly in arrears on or about the last day of each March, June, September and December or, if not a business day, the next succeeding business day.

No dividends may be declared by our board or paid or set apart for payment on the series E preferred stock if the terms of any agreement of HCP, including any agreement relating to its indebtedness, prohibits such a declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach of or default under such an agreement. Likewise, no dividends may be declared by our board or paid or set apart for payment if such declaration or payment is restricted or prohibited by law.

Dividends on the series E preferred stock accrue, however, whether or not HCP has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the series E preferred stock do not bear interest and holders of the series E preferred stock are not entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the series E preferred stock is first credited against the earliest accrued but unpaid dividend due that remains payable.

No full dividends may be declared or paid or set apart for payment on any class or series of preferred stock ranking, as to dividends, on a parity with or junior to the series E preferred stock, other than a dividend in shares of any class of stock ranking junior to the series E preferred stock as to dividends and upon liquidation, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and set apart for such payment on the series E preferred stock for all past dividend periods and the then current dividend period. When dividends are not paid in full, or full payment is not so set apart, upon the series E preferred stock and the shares of any other class or series of preferred stock ranking on a parity as to dividends with the series E preferred stock, including the series F preferred stock, all dividends declared upon the series E preferred stock and any other class or series of preferred stock ranking on a parity as to dividends with the series E preferred stock are declared pro rata so that the amount of dividends declared per share of series E preferred stock and such other class or series of preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the series E preferred stock and such other class or series of preferred stock, which cannot include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend, bear to each other.

Except as provided in the preceding paragraph, unless full cumulative dividends on the series E preferred stock have been or contemporaneously are declared and paid or declared and set apart for payment for all past dividend periods and the then current dividend period, then, other than the payment of dividends in shares of our common stock or other shares of capital stock ranking junior to the series E preferred stock as to dividends and upon liquidation:

- no dividends may be declared or paid or set aside for payment upon our common stock, or any other capital stock of HCP ranking junior to or on a parity with the series E preferred stock as to dividends or upon liquidation;

no other distribution may be declared or made upon our common stock, or any other capital stock of HCP ranking junior to or on a parity with the series E preferred stock as to dividends or upon liquidation;

no shares of our common stock, or any other shares of capital stock of HCP ranking junior to or on a parity with the series E preferred stock as to dividends or upon liquidation may be redeemed, purchased or otherwise acquired for any consideration by HCP, except by conversion into or exchange for other capital stock of HCP ranking junior to the series E preferred stock as to dividends and upon liquidation or for the purpose of preserving HCP s qualification as a REIT, or pursuant to comparable provisions in our charter with respect to other classes or series of capital stock of HCP. See Restrictions on Ownership and Transfer Relating to Preferred Stock.

Liquidation Preferences. Upon any liquidation, dissolution or winding up of the affairs of HCP, the holders of series E preferred stock are entitled to be paid out of the assets of HCP legally available for distribution to its stockholders a liquidation preference of $25 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of capital stock of HCP that ranks junior to the series E preferred stock as to liquidation rights.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of HCP or otherwise is permitted under the Maryland General Corporation Law, no effect is given to amounts that would be needed if HCP would be dissolved at the time of the distribution, to satisfy the preferential rights upon

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distribution of holders of shares of stock of HCP whose preferential rights upon distribution are superior to those receiving the distribution.

Maturity; Redemption. The series E preferred stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of HCP. The series E preferred stock is not redeemable prior to September 15, 2008. HCP is entitled, however, to purchase shares of the series E preferred stock in order to preserve its status as a REIT for federal or state income tax purposes at any time. Following September 15, 2008, HCP may, at its option, redeem the series E preferred stock, in whole or in part, at any time or from time to time, at $25 per share (currently $100,000,000 in the aggregate), plus accrued and unpaid dividends.

Restrictions on Ownership and Transfer. See Restrictions on Ownership and Transfer Relating to Preferred Stock.

Series F Preferred Stock

Voting Rights. Holders of the series F preferred stock generally do not have any voting rights, except in limited circumstances.

The consent of the holders of series F preferred stock is not required for the taking of any corporate action, including any merger or consolidation involving HCP or a sale of all or substantially all of the assets of HCP, regardless of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the series F preferred stock, except as expressly set forth in the provisions of our charter which relate to the series F preferred stock.

Rank. With respect to dividend rights and rights upon liquidation, dissolution or winding up of HCP, the series F preferred stock ranks:

- senior to the common stock of HCP, and to all equity securities issued by HCP ranking junior to the series F preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP;

- on a parity with the series E preferred stock and all other equity securities issued by HCP the terms of which specifically provide that such equity securities rank on a parity with the series F preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP; and

- junior to all equity securities issued by HCP the terms of which specifically provide that such equity securities rank senior to the series F preferred stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of HCP. See Voting Rights above.

The term equity securities does not include convertible debt securities, which rank senior to the series F preferred stock prior to conversion.

Dividends. Holders of shares of the series F preferred stock are entitled to receive, when, as, and if declared by our board out of funds of HCP legally available for the payment of dividends, cumulative preferential annual cash dividends at the rate of 7.10% of the liquidation preference (equivalent to $1.775 per annum per share).

Dividends on the series F preferred stock are cumulative from the date of original issue and are payable quarterly in arrears on or about the last day of each March, June, September and December or, if not a business day, the next succeeding business day.

No dividends may be declared by our board or paid or set apart for payment on the series F preferred stock if the terms of any agreement of HCP, including any agreement relating to its indebtedness, prohibits such a declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach of or default under such an agreement. Likewise, no dividends may be declared by our board or paid or set apart for payment if such declaration or payment is restricted or prohibited by law.

Dividends on the series F preferred stock accrue, however, whether or not HCP has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the series F preferred stock do not bear interest and holders of the series F preferred stock are not entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the series F preferred stock is first credited against the earliest accrued but unpaid dividend due that remains payable.

No full dividends may be declared or paid or set apart for payment on any class or series of preferred stock ranking, as to dividends, on a parity with or junior to the series F preferred stock, other than a dividend in shares of any class of stock ranking junior to the series F preferred stock as to dividends and upon liquidation, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and set apart for such payment on the series F preferred stock for all past dividend periods and the then current dividend period. When dividends are not paid in full, or full payment is not so set apart, upon the

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series F preferred stock and the shares of any other class or series of preferred stock ranking on a parity as to dividends with the series F preferred stock, including the series E preferred stock, all dividends declared upon the series F preferred stock and any other class or series of preferred stock ranking on a parity as to dividends with the series F preferred stock are declared pro rata so that the amount of dividends declared per share of series F preferred stock and such other class or series of preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the series F preferred stock and such other class or series of preferred stock, which cannot include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend, bear to each other.

Except as provided in the preceding paragraph, unless full cumulative dividends on the series F preferred stock have been or contemporaneously are declared and paid or declared and set apart for payment for all past dividend periods and the then current dividend period, then, other than the payment of dividends in shares of our common stock or other shares of capital stock ranking junior to the series F preferred stock as to dividends and upon liquidation:

- no dividends may be declared or paid or set aside for payment upon our common stock, or any other capital stock of HCP ranking junior to or on a parity with the series F preferred stock as to dividends or upon liquidation;

- no other distribution may be declared or made upon our common stock, or any other capital stock of HCP ranking junior to or on a parity with the series F preferred stock as to dividends or upon liquidation;

- no shares of our common stock, or any other shares of capital stock of HCP ranking junior to or on a parity with the series F preferred stock as to dividends or upon liquidation may be redeemed, purchased or otherwise acquired for any consideration by HCP, except by conversion into or exchange for other capital stock of HCP ranking junior to the series F preferred stock as to dividends and upon liquidation or for the purpose of preserving HCP s qualification as a REIT, or pursuant to comparable provisions in our charter with respect to other classes or series of capital stock of HCP. See Restrictions on Ownership and Transfer Relating to Preferred Stock.

Liquidation Preferences. Upon any liquidation, dissolution or winding up of the affairs of HCP, the holders of series F preferred stock are entitled to be paid out of the assets of HCP legally available for distribution to its stockholders a liquidation preference of $25 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of capital stock of HCP that ranks junior to the series F preferred stock as to liquidation rights.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of HCP or otherwise is permitted under the Maryland General Corporation Law, no effect is given to amounts that would be needed if HCP would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of HCP whose preferential rights upon distribution are superior to those receiving the distribution.

Maturity; Redemption. The series F preferred stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of HCP. The series F preferred stock is not redeemable prior to December 3, 2008. HCP is entitled, however, to purchase shares of the series F preferred stock in order to preserve its status as a REIT for federal or state income tax purposes at any time. Following December 3, 2008, HCP may, at its option, redeem the series F preferred stock, in whole or in part, at any time or from time to time, at $25 per share (currently $195,500,000 in the aggregate), plus accrued and unpaid dividends.

Restrictions on Ownership and Transfer. See Restrictions on Ownership and Transfer Relating to Preferred Stock.

TRANSFER RESTRICTIONS, REDEMPTION AND BUSINESS COMBINATION PROVISIONS

Among other requirements, in order for us to qualify as a REIT under the Internal Revenue Code, no more than 50% in value of our outstanding shares of stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year. In addition, if we, or an owner of 10% or more of our capital stock, actually or constructively owns 10% or more of one of our tenants (or a tenant of any partnership or limited liability company in which we are a partner or member), the rent received by us (either directly or through the partnership or limited liability company) from the tenant will not be qualifying income for purposes of the gross income tests applicable to REITs contained in the Internal Revenue Code. A REIT s stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year.

Our charter contains restrictions on the ownership and transfer of our common stock that are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the

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exceptions described below, no person or entity may own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% (by number of shares or value, whichever is more restrictive) of the outstanding shares of common stock. We refer to the limits described in this paragraph as the ownership limits.

The constructive ownership rules under the Internal Revenue Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding common stock and thereby subject the common stock to the applicable ownership limit.

Our board of directors may, but in no event will be required to, waive the ownership limit with respect to a particular stockholder if it:

- determines that such ownership will not jeopardize our status as a REIT; and
- our board of directors otherwise decides such action would be in our best interest.

As a condition of such waiver, the board of directors may require an opinion of counsel satisfactory to it and/or undertakings or representations from the applicant with respect to preserving our REIT status.

These charter provisions further prohibit:

- any person from beneficially or constructively owning shares of our stock that would result in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT; and
- any person from transferring shares of our common stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of common stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

Pursuant to our charter, if any purported transfer of common stock or any other event would otherwise result in any person violating the ownership limits or such other limit as permitted by our board of directors, then any such purported transfer will be void and of no force or effect as to that number of shares in excess of the applicable ownership limit. The shares proposed to be transferred will be deemed to have been transferred to, and held by, a trustee of a trust for the exclusive benefit of a charitable organization selected by us. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust.

The trustee shall sell the shares to us or to another person designated by the trustee whose ownership of the shares will not violate the ownership limit.

The trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust:

- sell the excess shares to a person or entity who could own the shares without violating the ownership limits or as otherwise permitted by our board of directors, and

- distribute to the prohibited transferee or owner, as applicable, an amount equal to the lesser of (1) the price paid by the prohibited transferee or owner for the excess shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the last reported sales price reported on the New York Stock Exchange on the trading day immediately preceding the relevant date) and (2) the sales proceeds received by the trustee for the excess shares.

The trustee shall be designated by us and shall be unaffiliated with us and any prohibited transferee or owner. Prior to the sale of any excess shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the excess shares, and may also exercise all voting rights with respect to the excess shares.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee s sole discretion,

- to rescind as void any vote cast by a prohibited transferee or owner, as applicable, prior to our discovery that the shares have been transferred to the trust; and

- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote. Any dividend or other distribution paid to the prohibited transferee or owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or as otherwise permitted by the board of directors, then our charter provides that the transfer of the excess shares will be void.

All certificates representing shares of our common stock bear a legend referring to the restrictions described above.

In addition, if our board of directors shall, at any time and in good faith, be of the opinion that direct or indirect ownership of at least 9.9% of the voting shares of capital stock has or may become concentrated in the hands of one beneficial owner, it shall have the power:

- by lot or other means deemed equitable by it to call for the purchase from any stockholder of a number of voting shares sufficient, in the opinion of our board of directors, to maintain or bring the direct or indirect ownership of voting shares of capital stock of the beneficial owner to a level of no more than 9.9% of our outstanding voting shares; and

- to refuse to transfer or issue voting shares of capital stock to any person whose acquisition of such voting shares would, in the opinion of the board of directors, result in the direct or indirect ownership by that person of more than 9.9% of the outstanding voting shares of our capital stock.

If our board of directors fails to grant an exemption from this 9.9% ownership limitation, then the transfer of shares, options, warrants, or other securities convertible into voting shares that would create a beneficial owner of more than 9.9% of the outstanding voting shares shall be deemed void ab initio, and the intended transferee shall be deemed never to have had an interest in the transferred securities. The purchase price for any voting shares of capital stock so redeemed shall be equal to the fair market value of the shares reflected in the closing sales price for the shares, if then listed on a national securities exchange, or the average of the closing sales prices for the shares if then listed on more than one national securities exchange, or if the shares are not then listed on a national securities exchange, the latest bid quotation for the shares if then traded over-the-counter, on the last business day immediately preceding the day on which we send notices of such acquisitions, or, if no such closing sales prices or quotations are available, then the purchase price shall be equal to the net asset value of such stock as determined by the board of directors in accordance with the provisions of applicable law. From and after the date fixed for purchase by the board of directors, the holder of any shares so called for purchase shall cease to be entitled to distributions, voting rights and other benefits with respect to such shares, except the right to payment of the purchase price for the shares.

Our charter requires that, except in certain circumstances, business combinations between us and a beneficial holder of 10% or more of our outstanding voting stock, or a related person, must be approved by the affirmative vote of at least 90% of our outstanding voting shares.

A business combination is defined in our charter as:

our merger or consolidation with or into a related person;

any sale, lease, exchange, transfer or other disposition, including without limitation a mortgage or any other security device, of all or any substantial part (as defined below) of our assets (including, without limitation, any voting securities of a subsidiary) to a related person;

any merger or consolidation of a related person with or into us;

any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of a related person to us;

the issuance of any of our securities (other than by way of pro rata distribution to all stockholders) to a related person; and

any agreement, contract or other arrangement providing for any of the transactions described in the definition of business combination.

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The term substantial part means more than 10% of the book value of our total assets as of the end of our most recent fiscal year ending prior to the time the determination is being made.

In addition to the restrictions on business combinations contained in our charte000 1.0pt;" -->

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Georgia Gulf Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009 (Restated)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009 (Restated)
Net sales	**$ 735,706**	$ 524,343	**$ 1,367,155**	$ 931,674
Operating costs and expenses:				
Cost of sales	**660,414**	448,961	**1,264,785**	841,283
Selling, general and administrative expenses	**36,959**	50,247	**74,817**	82,861
Long-lived asset impairment charges		16,190		16,190
Restructuring costs	**439**	3,815	**134**	11,853
Loss on sale of assets, net				62
Total operating costs and expenses	**697,812**	519,213	**1,339,736**	952,249
Operating income (loss)	**37,894**	5,130	**27,419**	(20,575)
Gain on substantial modification of debt				121,033
Interest expense, net	**(17,425)**	(41,347)	**(35,260)**	(76,519)
Foreign exchange loss	**(429)**	(955)	**(434)**	(933)
Income (loss) before income taxes	**20,040**	(37,172)	**(8,275)**	23,006
Benefit from income taxes	**(1,649)**	(39,838)	**(10,933)**	(28,141)
Net income	**$ 21,689**	$ 2,666	**$ 2,658**	$ 51,147
Earnings per share:				
Basic	**$ 0.62**	$ 1.91	**$ 0.08**	$ 36.66
Diluted	**$ 0.62**	$ 1.90	**$ 0.08**	$ 36.54
Weighted average common shares:				
Basic	**33,722**	1,385	**33,721**	1,383
Diluted	**33,722**	1,394	**33,721**	1,388

See accompanying notes to unaudited condensed consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	Six Months Ended June 30, 2010	2009 (Restated)
Cash flows from operating activities:		
Net income	**$ 2,658**	$ 51,147
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**50,110**	59,452
Loan cost write off		4,600
Gain on substantial modification of debt		(121,033)
Foreign exchange loss (gain)	**(45)**	666
Deferred income taxes	**(7,696)**	(24,391)
Tax deficiency related to stock plans	**(695)**	(1,391)
Long lived asset impairment charges and loss on sale of assets	**591**	16,252
Stock based compensation	**1,548**	1,399
Other non-cash items	**5,528**	(3,437)
Change in operating assets, liabilities and other	**(46,076)**	(3,293)
Net cash provided by (used in) operating activities	**5,923**	(20,029)
Cash flows from investing activities:		
Capital expenditures	**(20,782)**	(18,385)
Proceeds from sale of property, plant and equipment, and assets held-for sale	**1,549**	878
Proceeds from insurance recoveries related to property, plant and equipment		1,980
Net cash used in investing activities	**(19,233)**	(15,527)
Cash flows from financing activities:		
Repayments on revolving line of credit		(4,363)
Borrowings on revolving line of credit		102,513
Repayments on ABL revolver	**(303,501)**	
Borrowings on ABL revolver	**313,572**	
Repayment of long-term debt	**(25)**	(18,818)
Stock compensation plan activity		(25)
Fees paid to amend or issue debt facilities	**(3,330)**	(29,661)
Tax benefits from employee share-based exercises	**3,328**	
Net cash provided by financing activities	**10,044**	49,646
Effect of exchange rate changes on cash and cash equivalents	**(368)**	235
Net change in cash and cash equivalents	**(3,634)**	14,325
Cash and cash equivalents at beginning of period	**38,797**	89,975
Cash and cash equivalents at end of period	**$ 35,163**	$ 104,300

See accompanying notes to unaudited condensed consolidated financial statements.

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

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 unaudited condensed consolidated financial statements do reflect all of 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 three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for any other interim period or for the full year ending December 31, 2010.

The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to audited consolidated financial statements included in Amendment No. 2 to our Annual Report on Form 10-K/A for the year ended December 31, 2009 (the "2009 Annual Report"). There have been no material changes in the significant accounting policies followed by us during the three and six month periods ended June 30, 2010 from those disclosed in the 2009 Annual Report, other than effective January 1, 2010 we changed our segment reporting as described in Note 17.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Codification ("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 was effective for us in the first quarter of 2010. On December 23, 2009, the FASB issued Accounting Standard Update ("ASU") 2009-17. The amendments contained in ASU 2009-17 replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a VIE with an approach focused on identifying which reporting entity has the power to direct the activities of a VIE that most significantly affect the entity's economic performance and the obligation to absorb losses of, or the right to receive benefits from, the entity. The ASU also requires additional disclosures about a reporting entity's involvement with VIEs and about any significant changes in risk exposure as a result of that involvement. On February 25, 2010, the FASB issued ASU 2010-10, which amends certain provisions of ASC topic 810. ASU 2010-10 defers the effective date of ASC topic 810 for a reporting enterprise's interest in certain entities and for certain money market mutual funds. In addition, the ASU amends certain provisions of ASC topic 810 to change how a decision maker or service provider determines whether its fee is a variable interest. We adopted ASC topic 810 and the ASUs noted above as of January 1, 2010, and the impact of this guidance did not have a material impact 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

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

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. The adoption of ASC topic 860 on January 1, 2010 did not have an impact on our consolidated financial statements.

On January 21, 2010, the FASB issued ASU 2010-06 which amends ASC topic 820, *Fair Value Measurements and Disclosures*, to add new requirements for disclosures about transfers into and out of Levels 1 and 2 of the fair value hierarchy and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements of the fair value hierarchy. This ASU also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, ASU 2010-06 amends guidance on employers' disclosures about postretirement benefit plan assets under ASC topic 715 to require that disclosures be provided by classes of assets instead of major categories of assets. ASU 2010-06 is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Early adoption is permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements. We are currently evaluating the Level 3 activity disclosures and do not expect this portion of ASU 2010-06, when effective, will have a material impact on our consolidated financial statements.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the "Act"). The Act is a comprehensive health care reform bill that includes revenue raising provisions for nearly $400 billion over ten years through tax increases on high-income individuals, excise taxes on high cost group health plans, and new fees on selected health-care-related industries. The Act eliminates the tax deduction for the portion of the prescription drug costs for which an employer receives a Medicare Part D federal subsidy (i.e., it reduces a company's tax deduction). As a result of this enacted legislation, a company may need to reduce its deferred tax asset associated with the deductible temporary differences related to its other postemployment benefit obligation. The Act will not have a material impact on our consolidated financial statements.

3. RESTRUCTURING ACTIVITIES

In March 2008, we sold our outdoor storage building business for $13.0 million resulting in a loss of approximately $4.6 million recorded in the first quarter of 2008. As part of exiting this business, we initiated a restructuring plan (the "Outdoor Storage Plan"). In connection with the Outdoor Storage Plan, we incurred costs related to termination benefits, operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with ASC subtopic 420-10 and related accounting standards. No significant costs related to the Outdoor Storage Plan were incurred in the three or six months ended June 30, 2010, and we do not expect there to be any significant future costs associated with the Outdoor Storage Plan. These costs and recovery are included in restructuring costs in the accompanying unaudited condensed consolidated statement of operations.

In the fourth quarter of 2008, we initiated a restructuring plan (the "Fourth Quarter 2008 Restructuring Plan") that included the permanent shut down of our 450 million pound polyvinyl chloride ("PVC") manufacturing facility in Sarnia, Ontario, the exit of a recycled PVC compound manufacturing

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

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 subtopic 420-10 and related accounting standards. For the three and six months ended June 30, 2010, we incurred $0.5 million in restructuring expenses and a recovery of $0.3 million, respectively, related to the Fourth Quarter 2008 Restructuring Plan primarily due to additional termination benefits and exit costs of $0.5 million incurred during the second quarter of 2010, offset by the reversal of remediation costs that did not have to be incurred or reimbursed by us. This amount is included as a reduction in the additions column in the table below. In addition, for the three and six months ended June 30, 2010, we incurred $nil and $0.1 million in long-lived asset impairment charges, respectively. Other than the involuntary termination benefits accrued, we do not expect there to be any future costs associated with the Fourth Quarter 2008 Restructuring Plan. The expenses associated with the Fourth Quarter 2008 Restructuring Plan incurred for the three and six months ended June 30, 2009 for severance and exit costs totaled $2.0 million and $5.6 million, respectively. These costs and recovery are included in restructuring costs in the accompanying unaudited condensed consolidated statement of operations.

In May 2009, we initiated plans to further consolidate plants in our window and door profiles business (the "2009 Window and Door Consolidation Plan"). As a result we incurred restructuring costs, including fixed asset impairment charges, termination benefits and other exit costs which have been recognized in accordance with ASC subtopic 420-10 and related accounting standards. For the three and six months ended June 30, 2010, we incurred $nil and $0.4 million of additional restructuring expenses, respectively, which are included in the table below. For the three months and six months ended June 30, 2009, $1.7 million of restructuring expenses were incurred, and are included in the table below. Additional future costs for the 2009 Window and Door Consolidation Plan are estimated to be approximately $0.6 million, consisting primarily of future non-workforce related costs.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

A summary of our restructuring activities, including costs 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 (see Note 17) for the three and six months ended June 30, 2010 is as follows:

(In thousands)	Balance at March 31, 2010	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2010
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 49**	$ 157	$	$ 42	**$ 248**
Exit costs	**542**	332	(699)	(8)	**167**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**2,103**	5	(513)	(71)	**1,524**
Exit costs					
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits	**651**	(36)	(117)	(21)	**477**
Exit costs		4	(4)		
Outdoor Storage Plan:					
Involuntary termination benefits	**127**	(23)	(11)	(3)	**90**
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**49**			(49)	
Total	**$ 3,521**	$ 439	$ (1,344)	$ (110)	**$ 2,506**

(In thousands)	Balance at December 31, 2009	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2010
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**$ 1,030**	$ 157	$ (991)	$ 52	**$ 248**
Exit costs	**1,976**	(756)	(922)	(131)	**167**
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**2,418**	230	(1,127)	3	**1,524**
Exit costs		55	(55)		
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits	**879**	(104)	(301)	3	**477**
Exit costs	**179**	460	(639)		
Outdoor Storage Plan:					

Involuntary termination benefits	**163**	(44)	(29)		**90**
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	**48**			(48)	
Total	**$ 6,693**	$ (2)	$ (4,064)	$ (121)	**$ 2,506**

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

A summary of our restructuring activities, including costs 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 six months ended June 30, 2009 is as follows:

(In thousand)	Balance at March 31, 2009	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2009
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$ 1,929	$ 148	$ (376)	$ 130	$ 1,831
Exit costs	3,875	1,281	(1,397)	334	4,093
Other	1,184			(1,184)	
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	3,170	539	(1,869)	385	2,225
Exit costs	1				1
Other	1,967			(1,967)	
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits		1,717	(111)	(11)	1,595
Outdoor Storage Plan:					
Involuntary termination benefits	346		(87)	(54)	205
Exit costs	3,403	117	(117)	282	3,685
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	32	13	(45)		
Total	$ 15,907	$ 3,815	$ (4,002)	$ (2,085)	$ 13,635

(In thousand)	Balance at December 31, 2008	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2009
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$ 3,246	$ 264	$ (1,721)	$ 42	$ 1,831
Exit costs	4,185	3,202	(3,496)	202	4,093
Other	1,184			(1,184)	
Building Products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	2,755	2,149	(3,093)	414	2,225
Exit costs	1				1
Other	1,967			(1,967)	

2009 Window and Door Consolidation Plan:					
Involuntary termination benefits		1,717	(111)	(11)	1,595
Outdoor Storage Plan:					
Involuntary termination benefits	523	122	(238)	(202)	205
Exit costs	1,779	1,886	(117)	137	3,685
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits		45	(45)		
Total	$ 15,640	$ 9,385	$ (8,821)	$ (2,569)	$ 13,635

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. RESTRUCTURING ACTIVITIES (Continued)

(In thousand)	Three and Six Months Ended June 30, 2009
Chlorovinyls	
Fourth Quarter 2008 Restructuring Plan:	
Impairment of long-lived assets	$ 478
Buildings products	
Window and Door Consolidation Plan:	
Impairment of long-lived assets	15,712
Total	$ 16,190

In the first quarter of 2009, we engaged the services of several consultants to assist us in performance improvement, and 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 six months ended June 30, 2009, we incurred $2.5 million related to fees paid to these consultants to advise us on the restructuring strategies noted above which are included in restructuring costs in the accompanying unaudited condensed consolidated statement of operations.

4. ACCOUNTS RECEIVABLE SECURITIZATION

On March 17, 2009, we entered into a new Asset Securitization agreement pursuant to which we sold 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 a third party (the "Securitization"). This wholly owned subsidiary was funded through advances on sold trade receivables and collections of those trade receivables and its activities were exclusively related to the Securitization. This Securitization replaced a previous 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. Under the Securitization agreement we could sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. As collections reduced our accounts receivable included in the pool, we could sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million, as permitted by the Securitization. However, as of December 22, 2009 the Securitization was replaced with a four-year term senior secured asset-based revolving credit facility that provides for a maximum of $300 million of revolving credit, subject to borrowing base availability and other terms and conditions (the "ABL Revolver") (see Note 9). As a result of the termination and replacement of our Securitization and the execution of the ABL Revolver, we repurchased $110.0 million of previously sold accounts receivable. The repurchase of these trade receivables did not result in any significant losses and as of March 31, 2010 these repurchased receivables have been collected.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

5. INVENTORIES

The major classes of inventories were as follows:

(In thousands)	June 30, 2010	December 31, 2009
Raw materials, work-in-progress, and supplies	**$ 127,756**	$ 97,351
Finished goods	**167,549**	154,046
Inventories	**$ 295,305**	$ 251,397

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

(In thousands)	June 30, 2010	December 31, 2009
Machinery and equipment	**$ 1,349,824**	$ 1,346,740
Land and land improvements	**85,462**	86,013
Buildings	**194,128**	195,602
Construction-in-progress	**32,429**	25,629
Property, plant and equipment, at cost	**1,661,843**	1,653,984
Accumulated depreciation	**1,003,805**	966,414
Property, plant and equipment, net	**$ 658,038**	$ 687,570

7. OTHER ASSETS, NET

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

(In thousands)	June 30, 2010	December 31, 2009
Advances for long-term purchase contracts	**$ 58,230**	$ 67,257
Investment in joint ventures	**10,549**	12,804
Debt issuance costs, net	**23,839**	25,654
Long-term receivables	**102**	3,714
Other	**5,844**	7,065
Total other assets, net	**$ 98,564**	$ 116,494

The decrease in Advances for long-term purchase contracts is the result of amortizing the prepayments usage over the terms of the related contracts. The amortization of these costs is reflected as other non-cash items in the accompanying unaudited condensed consolidated statement of cash flows.

Assets Held-For-Sale. Assets held for sale includes real estate totaling $14.2 million and $14.9 million at June 30, 2010 and December 31, 2009, respectively.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill. The following table provides the detail of the changes to goodwill by reportable segment during the six months ended June 30, 2010 from the year ended December 31, 2009.

In thousands	Chlorovinyls	Building Products	Total
Gross goodwill at December 31, 2009	239,444	152,058	391,502
Accumulated impairment losses at December 31, 2009	(55,487)	(132,206)	(187,693)
Net goodwill at December 31, 2009	$ 183,957	$ 19,852	$ 203,809
Gross goodwill at December 31, 2009	**239,444**	**152,058**	**391,502**
Foreign currency translation adjustment	**(922)**		**(922)**
Gross goodwill at June 30, 2010	**238,522**	**152,058**	**390,580**
Accumulated impairment losses at June 30, 2010	**(55,487)**	**(132,206)**	**(187,693)**
Net goodwill at June 30, 2010	**$ 183,035**	**$ 19,852**	**$ 202,887**

Indefinite lived intangible assets. At June 30, 2010 and December 31, 2009 we held trade names as indefinite lived intangible assets. The following table provides the summary of indefinite-lived intangible assets by reporting segment as of June 30, 2010 and December 31, 2009.

Indefinite-lived intangible assets-trade names

In thousands	Chlorovinyls	Building Products	Total
Balance at December 31, 2009	$ 353	$ 4,137	$ 4,490
Foreign currency translation adjustment	(3)	(18)	(21)
Balance at June 30, 2010	$ 350	$ 4,119	$ 4,469

Finite-lived intangible assets. At June 30, 2010 and December 31, 2009, we also had customer relationship and technology intangible assets. The following table provides the summary of finite-lived intangible assets by reportable segment as of June 30, 2010 and December 31, 2009.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Finite-lived intangible assets

In thousands	Chlorovinyls	Building Products	Total
Gross carrying amounts at June 30, 2010:			
Customer relationships	$ 199	$ 11,422	$ 11,621
Technology		11,867	11,867
Total	199	23,289	23,488
Accumulated amortization at June 30, 2010:			
Customer relationships	(124)	(5,037)	(5,161)
Technology		(6,339)	(6,339)
Total	(124)	(11,376)	(11,500)
Foreign currency translation adjustment and other at June 30, 2010:			
Customer relationships	(75)	(1,683)	(1,758)
Technology			
Total	(75)	(1,683)	(1,758)
Net carrying amounts at June 30, 2010:			
Customer relationships		4,702	4,702
Technology		5,528	5,528
Total	$	$ 10,230	$ 10,230

In thousands	Chlorovinyls	Building Products	Total
Gross carrying amounts at December 31, 2009:			
Customer relationships	$ 199	$ 11,422	$ 11,621
Technology		11,867	11,867
Total	199	23,289	23,488
Accumulated amortization at December 31, 2009:			
Customer relationships	(124)	(4,868)	(4,992)
Technology		(6,004)	(6,004)
Total	(124)	(10,872)	(10,996)
Foreign currency translation adjustment and other at December 31, 2009:			
Customer relationships	(75)	(1,684)	(1,759)

Technology			
Total	(75)	(1,684)	(1,759)
Net carrying amounts at December 31, 2009:			
Customer relationships		4,870	4,870
Technology		5,863	5,863
Total	$	$ 10,733	$ 10,733

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The average estimated useful life for customer relationships and technology are 18 years and 12 years, respectively. Amortization expense for the finite-lived intangible assets for the three and six months ended June 30, 2010 and June 30, 2009 was as follows:

In thousands	June 30, 2010	June 30, 2009
For the three months ended	**$ 264**	$ 252
For the six months ended	**504**	504

Total finite-lived intangible asset estimated annual amortization expense for the next five fiscal years is approximately $1.0 million per year.

9. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	June 30, 2010	December 31, 2009
Senior secured credit facility:		
Senior secured ABL revolving credit facility due 2013	**$ 65,678**	$ 56,462
9.0% senior secured notes due 2017	**496,907**	496,739
7.125% senior notes due 2013	**8,965**	8,965
9.5% senior notes due 2014	**13,156**	13,151
10.75% senior subordinated notes due 2016	**41,385**	41,360
Lease financing obligation	**105,562**	106,436
Other	**15,892**	15,892
Total debt	**747,545**	739,005
Less current portion	**(35,678)**	(28,231)
Long-term debt	**$ 711,867**	$ 710,774

On December 22, 2009, we refinanced our senior secured credit facility and our $175 million asset securitization agreement. At the time of the refinancing, our senior secured credit facility was comprised of a $300 million revolving credit facility and a $347.7 million Term Loan B. We replaced the senior secured credit facility and Securitization facility with the ABL Revolver and the issuance of $500.0 million in principal amount of our 9.0 percent senior secured notes.

The ABL Revolver provides for a maximum of $300 million of revolving credit through December 2013, subject to borrowing base availability, including sub-limits for letters of credit and swing line loans. The borrowing base is equal to specified percentages of our eligible accounts receivable and inventories, less a fixed $15 million availability reserve and other reserves reasonably determined by the co-collateral agents. Borrowings under the ABL Revolver are secured by substantially all of our assets.

The weighted average interest rate under the ABL Revolver was 5.0 percent and 6.0 percent as of June 30, 2010 and December 31, 2009, respectively. In addition to paying interest on outstanding principal under the ABL Revolver, we are required to pay a commitment fee in respect of the unutilized commitments and we must also pay customary letter of credit fees equal to the applicable margin (as defined in the ABL Revolver) on London Interbank Offered Rate ("LIBOR") loans and agency fees.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

9. LONG-TERM DEBT (Continued)

The ABL Revolver requires that if excess availability is less than $45 million, we must comply with a minimum fixed charge coverage ratio test of 1.10 to 1.00. At June 30, 2010 and December 31, 2009 excess availability was $198.3 million and $134.5 million, respectively. In addition, the ABL Revolver includes affirmative and negative covenants that, subject to significant exceptions, limit our ability and the ability of our subsidiaries to, among other things: incur, assume or permit to exist additional indebtedness or guarantees; incur liens; make investments and loans; pay dividends, make payments or redeem or repurchase capital stock; engage in mergers, acquisitions and asset sales; prepay, redeem or purchase certain indebtedness, including the 9.0 percent senior secured notes; amend or otherwise alter terms of certain indebtedness, including the 9.0 percent senior secured notes; engage in certain transactions with affiliates; and alter the business that we conduct.

If at any time the aggregate amount of outstanding loans, unreimbursed letter of credit drawings and undrawn letters of credit under the ABL Revolver exceeds the lesser of (i) the commitment amount and (ii) the borrowing base, we will be required to repay outstanding loans and cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount. If the amount available under the ABL Revolver is less than $60 million for a period of three consecutive business days or certain events of default have occurred, we will be required to deposit cash from our material deposit accounts (including all concentration accounts) daily in a collection account maintained with the administrative agent under the ABL Revolver, which will be used to repay outstanding loans and cash collateralize letters of credit.

At June 30, 2010 and December 31, 2009, we had $65.7 million and $56.5 million in outstanding principal borrowed under the ABL Revolver and had outstanding letters of credit totaling $21.0 million and $45.2 million, respectively. Over the next twelve months, we expect to repay $35.7 million of borrowings under our ABL Revolver. Therefore, we have classified this debt as current in our accompanying unaudited condensed consolidated balance sheet as of June 30, 2010. For the six months ended June 30, 2010, borrowings and repayments on our revolving credit facility have been presented on a gross basis in our condensed consolidated statement of cash flows. Such borrowings and repayments on our revolving credit facilities for the six months ended June 30, 2009, have been presented on a gross basis in the accompanying condensed consolidated statement of cash flows to conform to the presentation for the six months ended June 30, 2010.

On December 22, 2009, we issued $500.0 million principal amount of 9.0 percent senior secured notes due 2017. Interest on these notes is payable January 15 and July 15 of each year. On or after January 15, 2014, we may redeem the notes in whole or in part, initially at 104.5 percent of their principal amount, and thereafter at prices declining annually to 100 percent on or after January 15, 2016. During any twelve-month period prior to January 15, 2014, we may make optional redemptions of up to 10 percent of the aggregate principal amount of the 9.0 percent notes at a redemption price of 103.0 percent of such principal amount plus any accrued and unpaid interest. In addition, prior to January 15, 2013, we may redeem up to 35 percent of the aggregate principal amount of the notes at a redemption price equal to 109.0 percent of such principal amount, plus any accrued and unpaid interest. In addition, we may redeem some or all of the notes at any time prior to January 15, 2014 at a price equal to the principal amount thereof plus a make-whole premium and any accrued and unpaid interest. The 9.0 percent senior secured notes are secured by substantially all of our assets and contain certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

9. LONG-TERM DEBT (Continued)

Management believes based on current and projected levels of operations and conditions in our markets that cash flow from operations, together with our cash and cash equivalents on hand of $35.2 million and the availability to borrow an additional $198.3 million under our ABL Revolver as of June 30, 2010, will be adequate for the foreseeable future to (i) make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements Additionally, based on our current and projected levels of operations and financial conditions we believe we will be able to continue for the foreseeable future to meet the restrictive covenants and comply with the financial ratio requirements of the ABL Revolver and the indenture related to the 9.0 percent senior secured notes. As of June 30, 2010, we were 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 than 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 June 30, 2010 are $3.4 million in 2010, $7.0 million in 2011, $7.1 million in 2012, $7.3 million in 2013, $7.4 million in 2014, and $17.2 million thereafter. The change in the future minimum lease payments from the December 31, 2009 balance is due to monthly payments and the change in the Canadian dollar exchange rate during the six months ended June 30, 2010.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings. In August 2004 and January and February 2005, the United States Environmental Protection Agency ("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 in 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, with which we reached a settlement agreement. We have not yet achieved a settlement with the USEPA regional office responsible for Oklahoma and Louisiana. However, on November 17, 2009, we received a unilateral administrative order ("UAO") from this USEPA regional office. The UAO, issued pursuant to Section 3013(a) of the Resource Conservation and Recovery Act ("RCRA"), requires us to take certain monitoring and assessment activities in and around several of our wastewater and storm water conveyance systems. In addition, on December 17, 2009, we received a Notice of Potential Penalty ("NOPP") from the Louisiana Department of Environmental Quality. The NOPP contains allegations of violations that may potentially be similar in nature to allegations of violations by USEPA discussed above. The NOPP does not identify a specific penalty amount. 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 are not able to forecast the total cost of any monetary penalties, environmental projects, or other relief that would be

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

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.

In addition, we are currently, and may in the future become, subject to other claims and legal actions that arise in the ordinary course of business. We believe that the ultimate liability, if any, with respect to these other known 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 matters 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 VCM facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Groundwater contamination was first identified in 1981 and substantial investigation of the groundwater at the site has been conducted. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains an extensive network of monitoring wells and 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, 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 potentially responsible parties ("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 significant. 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 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 VCM

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

facility. For all matters of environmental contamination that were 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 have made such claims for indemnification before November 12, 2009.

At our Lake Charles VCM facility, CONDEA Vista continued to conduct the ongoing remediation at its expense until November 12, 2009. We are now responsible for remediation costs up to about $150,000 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 June 30, 2010.

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 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 materially 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.

11. 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 restricted stock awards have contractual participation rights that are equivalent to those of common stockholders. Therefore, we allocate undistributed earnings to restricted stock units and common stockholders based on their respective ownership percentage as of the end of the period.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

11. EARNINGS PER SHARE (Continued)

Diluted earnings per share includes 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 following table presents the computation of earnings per share:

Basic and Diluted Earnings Per Share Two-class Method

In thousands, except per share data	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Basic earnings per share				
Undistributed income	**$ 21,689**	$ 2,666	**$ 2,658**	$ 51,147
Restricted stock ownership interest in undistributed income	**3%**	1%	**3%**	1%
Restricted stock interest in undistributed income	**$ 738**	$ 18	**$ 89**	$ 435
Weighted average restricted shares Basic	**1,188**	10	**1,173**	12
Total restricted stockholders' basic earnings per share	**$ 0.62**	$ 1.91	**$ 0.08**	$ 36.66
Undistributed income	**$ 21,689**	$ 2,666	**$ 2,658**	$ 51,147
Common stock ownership interest in undistributed income	**97%**	99%	**97%**	99%
Common stockholders interest in undistributed income	**$ 20,951**	$ 2,647	**$ 2,569**	$ 50,712
Weighted average common shares Basic	**33,722**	1,385	**33,721**	1,383
Total common stockholders' basic earnings per share	**$ 0.62**	$ 1.91	**$ 0.08**	$ 36.66
Diluted earnings per share				
Undistributed income	**$ 21,689**	$ 2,666	**$ 2,658**	$ 51,147
Deduct: Undistributed earnings Restricted stock	**738**	18	**89**	435
Common stockholders' interest in undistributed income used in diluted earnings per share	**$ 20,951**	$ 2,647	**$ 2,569**	$ 50,712
Weighted average common shares Basic	**33,722**	1,385	**33,721**	1,383
Stock options		9		5
Weighted average common shares Diluted	**33,722**	1,394	**33,721**	1,388

Total diluted earnings per share	**$**	**0.62**	$	1.90	**$**	**0.08**	$	36.54

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. The par value of the common stock was not affected by the reverse stock split and remains at $0.01 per share. Consequently, on the company's accompanying unaudited condensed consolidated balance sheets, the aggregate par value of the issued common stock was reduced by reclassifying the par value amount of the eliminated shares of common stock to additional paid-in capital. On July 29, 2009, in connection with our previously disclosed debt for equity exchange, we issued approximately 1.3 million common shares and approximately 30.2 million convertible preferred shares to our note holders that tendered the various series of notes which we offered to exchange. On September 17, 2009, the convertible preferred shares were converted to common shares.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

11. EARNINGS PER SHARE (Continued)

In computing diluted earnings per share for the three months ended June 30, 2010 and for the six months ended June 30, 2010, all common stock equivalents were excluded as a result of their anti-dilutive effect. Options to purchase common stock totaling 0.1 million and 0.2 million for the three and six months ended June 30, 2009, respectively, were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect.

We have adjusted the three months and six months ended June 30, 2009 diluted weighted average common shares to appropriately reflect the application of the two class method.

12. EMPLOYEE RETIREMENT PLANS

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

	Three months ended June 30,		Six months ended June 30,	
In thousands	**2010**	**2009**	**2010**	**2009**
Components of net periodic benefit (income) cost:				
Service cost	**$**	$ 74	**$**	$ 1,273
Interest cost	**1,964**	1,927	**3,926**	3,822
Expected return on assets	**(2,468)**	(2,137)	**(4,926)**	(4,223)
Amortization of:				
Prior service credit				(129)
Curtailment gain				(4,302)
Actuarial loss	**204**	218	**409**	926
Total net periodic benefit (income) costs	**$ (300)**	$ 82	**$ (591)**	$ (2,633)

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

	Six months ended June 30,	
	2010	**2009**
Discount rate	**6.00%**	6.50%
Expected return on assets	**8.75%**	8.75%
Rate of compensation increase	**N/A (1)**	4.51%

(1) Due to the pension plans being frozen (see below), the rate of compensation increase is no longer applicable.

In December 2008, we announced that we would close our manufacturing facility in Sarnia, Ontario. As a result, we wound-up the defined benefit pension plan during 2009, and terminated the postretirement health care plan, which covered employees who worked at this facility. We will recognize ongoing benefit costs for this pension plan until the wind-up deficit is fully funded over a period of up to five years. During 2009, we made a cash payout offer to the remaining participants in the postretirement health care plan, which each accepted. Thus all future benefits obligations in the postretirement health care plan were fully settled as of December 31, 2009.

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

12. EMPLOYEE RETIREMENT PLANS (Continued)

In February 2009, upon approval by the Board of Directors, 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. No future benefits accrued under the Plan after March 31, 2009. As a result, we recognized a curtailment gain of $4.3 million during the six months ended June 30, 2009 due to accelerated recognition of prior service credits. In addition, as a result of freezing the Plan on March 31, 2009, we changed the amortization method 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 new amortization method is reflected in net periodic benefit costs after March 31, 2009 including the three and six months ended June 30, 2010 and 2009.

For the three and six months ended June 30, 2010, we made no contributions to the U.S. pension plan trust and we made contributions of $0.4 million and $0.5 million, respectively to the Canadian pension plan trust. We made contributions in the form of direct benefit payments for the U.S. pension plans in the three months and six months ended June 30, 2010 of approximately $nil and $0.4 million, respectively.

13. STOCK-BASED COMPENSATION

Under the 1998, 2002, and 2009 Equity and Performance Incentive Plans, we have been authorized by our stockholders to grant various awards for up to 3,313,000 shares of our common stock to employees and non-employee directors. As of June 30, 2010, 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 six months ended June 30, 2010 and 2009, we granted options to purchase $nil and 50,708 shares, respectively, to employees and non-employee directors. 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.

A summary of stock option activity under all plans for the six months ended June 30, 2010, is as follows:

	Six months ended June 30, 2010			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2010	159,114	$ 348.52		
Granted				
Exercised				
Forfeited	(60)	682.81		
Expired	(1,870)	727.81		
Outstanding on June 30, 2010	157,184	343.88	6.5	$ 6
Vested or expected to vest at June 30, 2010	156,707	344.75	6.5	6
Exercisable on June 30, 2010	110,607	465.93	5.7	
Shares available on June 30, 2010 for options that may be granted	667,262			

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

13. STOCK-BASED COMPENSATION (Continued)

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. There were no options granted for the six months ended June 30, 2010. The use of a different model or different assumptions, may result in a materially different valuation. The weighted average fair value derived from the Black-Scholes model and the related weighted-average assumptions used in the model for the six months ended June 30, 2009 are as follows:

	Stock Option Grants Six months ended June 30, 2009
Grant date fair value	$ 17.02
Assumptions	
Risk-free interest rate	2.12%
Expected life	6.00 years
Expected volatility	100%
Expected dividend yield	%

Compensation expense, net of tax, for the six months ended June 30, 2010 and 2009 due to stock options was approximately $0.2 million and $1.4 million, respectively.

Restricted and Deferred Stock. During the six months ended June 30, 2010, we granted 100,968 shares of restricted stock and deferred stock units to non-employee directors. The restricted stock and deferred stock units vest over a three-year period. The weighted average grant date fair value per share of restricted and deferred stock units granted during the six months ended June 30, 2010 was $17.55, and is based on the stock price as of the date of grant. No shares of restricted stock or deferred stock units were granted during the six months ended June 30, 2009. Compensation expense, net of tax, for the six months ended June 30, 2010 and 2009 from restricted stock and deferred stock units was $0.7 million and $0.6 million, respectively. A summary of restricted stock and deferred stock units and related changes therein is as follows:

	Six months ended June 30, 2010			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2010	**1,133,426**		**$ 10.82**	
Granted	**100,968**		**17.55**	
Vested	**(5,686)**		**296.58**	
Forfeited	**(5,517)**		**16.35**	
Outstanding on June 30, 2010	**1,223,191**	**1.13**	**10.02**	**$ 16,317**
Vested or expected to vest at June 30, 2010	**1,197,596**	**1.12**	**10.02**	**$ 15,976**

As of June 30, 2010 and 2009, we had approximately $5.9 million and $2.7 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 two years. The total fair value of shares vested during the six months ended June 30, 2010 and 2009 was $3.7 million and

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

13. STOCK-BASED COMPENSATION (Continued)

$5.3 million, respectively. For additional information about our share-based payment awards, refer to Note 14 of the Notes to Consolidated Financial Statements in our 2009 Annual Report.

14. COMPREHENSIVE INCOME INFORMATION

Our comprehensive income 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 loss and total comprehensive income are shown as follows:

Accumulated other comprehensive loss net of tax

In thousands	June 30, 2010	December 31, 2009
Unrealized gain on derivative contracts	**$ 515**	$ 160
Pension liability adjustment including affect of ASC topic 715	**(23,124)**	(23,377)
Currency translation adjustment	**17,228**	18,903
Total accumulated other comprehensive loss	**$ (5,381)**	$ (4,314)

The components of total comprehensive income are as follows:

Total comprehensive income

	Three months ended June 30,		Six months ended June 30,	
In thousands	2010	2009	2010	2009
Net income	**$ 21,689**	$ 2,666	**$ 2,658**	$ 51,147
Unrealized gain on derivative contracts	**610**	1,862	**355**	629
Pension liability adjustment including affect of ASC topic 715	**106**	478	**253**	714
Currency translation adjustment	**(6,013)**	9,340	**(1,675)**	5,693
Total comprehensive income	**$ 16,392**	$ 14,346	**$ 1,591**	$ 58,183

15. INCOME TAXES

Our effective income tax rates for the three and six months ended June 30, 2010 were negative 8.2 percent and 132.1 percent, respectively, as compared to 107.2 percent and negative 122.3 percent, as reported for the three and six months ended June 30, 2009, respectively. The difference in the rate as compared to the U.S. statutory federal income tax rate in 2010 was primarily due to a tax benefit from the resolution of certain uncertain tax positions in Canada and the lapsing of the statute of limitations on certain other uncertain tax positions in Canada, offset by an asset valuation allowance in Canada. 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 the timely repayment of the Mississippi Industrial Development Bond described below, and the valuation allowance in Canada. In

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

15. INCOME TAXES (Continued)

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 would create state income tax credits. The bond was fully repaid in May 2009 resulting in significant state income tax credits being generated in 2009. These credits do not expire.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, long-term debt, and natural gas 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 values of our 9.0 percent senior secured notes and our natural gas swap contracts are based on quoted market values.

The FASB ASC 820-10 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.

The following is a summary of the carrying values and estimated fair values of our fixed-rate long-term debt and natural gas swap contracts as of June 30, 2010 and December 31, 2009:

	June 30, 2010		**December 31, 2009**	
In thousands	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Level 1				
Long-term debt:				
9.0% senior secured notes due 2017	**$ 496,907**	**$ 512,500**	$ 496,739	$ 506,250
10.75% senior subordinated notes due 2016			41,360	38,591
7.125% senior notes due 2013			8,965	8,293
9.5% senior notes due 2014			13,151	12,157
Level 2				
Long-term debt:				
10.75% senior subordinated notes due 2016	**41,385**	**42,544**		
7.125% senior notes due 2013	**8,965**	**8,400**		
9.5% senior notes due 2014	**13,156**	**12,942**		
ABL revolver expires 2013	**65,678**	**65,678**	56,462	56,462
Derivative instruments:				
Natural gas swap contracts	**825**	**825**	257	257

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

17. SEGMENT INFORMATION

We previously reported four operating segments: (i) chlorovinyls; (ii) window and door profiles and mouldings products; (iii) outdoor building products; and (iv) aromatics. These four segments reflected the organization used by our management for purposes of allocating resources, and assessing performance. Throughout 2009, we undertook various management changes, cost reductions and restructuring strategies to improve the operating results of our building products businesses. This resulted in realigning and consolidating the previous window and door profiles and mouldings products segment and the previous outdoor building products segment in one segment, the building products segment. The building products segment is now operated by one business manager and under one operating structure and further meets the aggregation criteria of ASC topic 280.

Accordingly, beginning January 1, 2010, we report the following three reportable segments: (i) chlorovinyls; (ii) aromatics; and (iii) building products. The information for the three and six months ended June 30, 2009 has been adjusted to be presented on a comparable basis. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM and vinyl resins and compounds. The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone. Our vinyl-based building and home improvement products, including window and door profiles, mouldings, siding, pipe and pipe fittings and deck, fence and rail products are marketed under the Royal Group brand names, and are managed within the building products segment.

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 in 2009. Transactions between operating segments are valued at market-based prices. The revenues generated by these transfers are provided in the following table.

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 2009 Annual Report.

In thousands	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Three months ended June 30, 2010:					
Net sales	**$ 300,811**	**$ 191,646**	**$ 243,249**	**$**	**$ 735,706**
Intersegment revenues	**78,817**			**(78,817)**	
Long-lived asset impairment charges					
Restructuring costs	**489**		**(50)**		**439**
Operating income (loss)	**36,196**	**(7,782)**	**18,738**	**(9,258)**	**37,894**
Depreciation and amortization	**14,905**	**350**	**8,715**	**1,251**	**25,221**
Three months ended June 30, 2009:					
Net sales	$ 232,045	$ 75,953	$ 216,345	$	$ 524,343
Intersegment revenues	60,426			(60,426)	
Long-lived asset impairment charges	478		15,712		16,190
Restructuring costs	1,432		2,383		3,815
Operating income (loss)	24,376	7,888	(7,603)	(19,531)	5,130
Depreciation and amortization	14,520	1,124	9,742	3,350	28,736

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

17. SEGMENT INFORMATION (Continued)

In thousands	Chlorovinyls	Aromatics	Building Products	Eliminations, Unallocated and Other	Total
Six months ended June 30, 2010:					
Net sales	**$ 588,522**	**$ 382,334**	**$ 396,299**	**$**	**$ 1,367,155**
Intersegment revenues	**136,257**			**(136,257)**	
Restructuring costs	**(463)**		**597**		**134**
(Gain) loss on sale of assets, net					
Operating income (loss)	**27,544**	**1,863**	**15,065**	**(17,053)**	**27,419**
Depreciation and amortization	**29,703**	**730**	**17,179**	**2,498**	**50,110**
Six months ended June 30, 2009:					
Net sales	$ 473,783	$ 127,458	$ 330,433	$	$ 931,674
Intersegment revenues	94,420			(94,420)	
Long-lived asset impairment charges	478		15,712		16,190
Restructuring costs	3,474		5,911	2,468	11,853
(Gain) loss on sale of assets, net			62		62
Operating income (loss)	44,892	8,362	(41,882)	(31,947)	(20,575)
Depreciation and amortization	30,671	2,259	19,205	7,317	59,452

Chlorovinyls previously reported intersegment revenues for a) the three months ended June 30, 2010 and 2009 of $93,849 and $71,398 respectively and b) the six months ended June 30, 2010 and 2009 of $160,607 and $111,179, respectively. These amounts erroneously included revenues to units within the chlorovinyls segment. These intrasegment revenues have been eliminated in the restated amounts shown in the table above.

18. SUPPLEMENTAL GUARANTOR INFORMATION

Our payment obligations under the indenture for our 9.0 percent senior secured notes are guaranteed by Georgia Gulf Lake Charles, LLC, Georgia Gulf Chemicals & Vinyls, LLC, Royal Mouldings Limited, Royal Plastics Group (USA) Limited, Rome Delaware Corporation, Plastic Trends, Inc., Royal Group Sales (USA) Limited, Royal Outdoor Products, Inc., Royal Window and Door Profiles Plant 13 Inc., and Royal Window and Door Profiles Plant 14 Inc. 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 its wholly and majority owned subsidiaries. Investments in subsidiaries in the following tables reflect investments in wholly owned entities within Georgia Gulf Corporation. Investment in wholly owned subsidiaries with a stockholders' deficit have historically been erroneously presented in the investment in subsidiary line item and are now presented on the other non-current liabilities line item in the following tables. Historical information in the following tables have been restated to conform to this current presentation. The following condensed consolidating balance sheet information, statements of operations information and statements of cash flows information 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.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

June 30, 2010

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 23,912	$ 11,251	$	$ 35,163
Receivables, net		458,326	116,967	(258,524)	316,769
Inventories		201,252	94,053		295,305
Prepaid expenses	409	18,699	6,073		25,181
Income tax receivables		24,221	312		24,533
Deferred income taxes		21,111			21,111
Total current assets	409	747,521	228,656	(258,524)	718,062
Property, plant and equipment, net	181	428,578	229,279		658,038
Long-term receivables affiliates	429,969			(429,969)	
Goodwill		97,571	105,316		202,887
Intangibles, net		12,379	2,320		14,699
Deferred income taxes			1,513		1,513
Other assets, net	20,155	68,273	10,136		98,564
Non-current assets held-for-sale		14,150			14,150
Investment in subsidiaries	945,292			(945,292)	
Total assets	$ 1,396,006	$ 1,368,472	$ 577,220	$ (1,633,785)	$ 1,707,913
Current portion of long-term debt	$ 10,700	$	$ 24,978	$	$ 35,678
Accounts payable	230,100	157,355	61,792	(258,524)	190,723
Interest payable	25,792		73		25,865
Income taxes payable		38	1,186		1,224
Accrued compensation	577	12,494	5,717		18,788
Liability for unrecognized income tax benefits and other tax reserves		3,200	5,432		8,632
Other accrued liabilities	419	20,021	25,660		46,100
Total current liabilities	267,588	193,108	124,838	(258,524)	327,010
Long-term debt	606,305	17	105,545		711,867
Long-term payables affiliates			429,969	(429,969)	
Liability for unrecognized income tax benefits		8,325	36,513		44,838
Deferred income taxes	9,261	180,420			189,681
Other non-current liabilities	113,702	41,276	1,699	(121,310)	35,367
Total liabilities	996,856	423,146	698,564	(809,803)	1,308,763

Total stockholders' equity (deficit)		**399,150**		**945,326**		**(121,344)**		**(823,982)**	**399,150**
Total liabilities and stockholders' equity	**$**	**1,396,006**	**$**	**1,368,472**	**$**	**577,220**	**$**	**(1,633,785)**	**$ 1,707,913**

Previously reported investment in subsidiaries for the guarantor subsidiaries and eliminations were $2,075 and $(831,089), respectively and total stockholders' equity for the guarantor subsidiaries and eliminations were $952,433 and $(831,089), respectively. These amounts were reported erroneously due to not reflecting the $14,000 elimination of an intra-guarantor investment in subsidiary. These errors have been corrected and the restated amounts are included in the table above.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

December 31, 2009

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 24,881	$ 13,916	$	$ 38,797
Receivables, net	150,321	411,690	59,620	(412,690)	208,941
Inventories		176,891	74,506		251,397
Prepaid expenses	604	18,790	4,608		24,002
Income tax receivables		28,846	1,460		30,306
Deferred income taxes		13,177			13,177
Total current assets	150,925	674,275	154,110	(412,690)	566,620
Property, plant and equipment, net	196	448,492	238,882		687,570
Long-term receivables affiliates	436,247			(436,247)	
Goodwill		97,572	106,237		203,809
Intangibles, net		12,885	2,338		15,223
Other assets, net	21,330	80,041	15,123		116,494
Non-current assets held-for-sale		14,210	714		14,924
Investment in subsidiaries	969,180	41		(969,221)	
Total assets	$ 1,577,878	$ 1,327,516	$ 517,404	$ (1,818,158)	$ 1,604,640
Current portion of long-term debt	$ 27,769	$	$ 462	$	$ 28,231
Accounts payable	407,356	100,147	30,016	(412,690)	124,829
Interest payable	2,786		58		2,844
Income taxes payable			1,161		1,161
Accrued compensation	586	8,844	6,639		16,069
Liability for unrecognized income tax benefits and other tax reserves		3,055	6,474		9,529
Other accrued liabilities	434	17,208	25,594		43,236
Total current liabilities	438,931	129,254	70,404	(412,690)	225,899
Long-term debt	604,338	41	106,395		710,774
Long-term payables affiliates			436,247	(436,247)	
Liability for unrecognized income tax benefits		8,211	40,260		48,471
Deferred income taxes	13,310	177,126	(1,526)		188,910
Other non-current liabilities	127,749	43,629	2,038	(136,380)	37,036
Total liabilities	1,184,328	358,261	653,818	(985,317)	1,211,090
Total stockholders' equity (deficit)	393,550	969,255	(136,414)	(832,841)	393,550
Total liabilities and stockholders' equity (deficit)	$ 1,577,878	$ 1,327,516	$ 517,404	$ (1,818,158)	$ 1,604,640

Previously reported investment in subsidiaries for guarantor subsidiaries and eliminations were $608, and $(845,112), respectively and total stockholders' equity (deficit) for the guarantor subsidiaries and eliminations were $981,526, and $(845,112), respectively. These amounts were reported erroneously due to not reflecting the $14,000 elimination of an intra-guarantor investment in subsidiary. These errors have been corrected and the restated amounts are included in the table above.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Three Months Ended June 30, 2010

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 4,222	$ 604,959	$ 186,422	$ (59,897)	$ 735,706
Operating costs and expenses:					
Cost of sales		563,005	153,085	(55,676)	660,414
Selling, general and administrative expenses	6,912	20,251	14,017	(4,221)	36,959
Restructuring costs		42	397		439
Total operating costs and expenses	6,912	583,298	167,499	(59,897)	697,812
Operating (loss) income	(2,690)	21,661	18,923		37,894
Other income (expense):					
Interest (income) expense, net	(18,446)	5,048	(4,027)		(17,425)
Loss on debt modification and extinguishment, net					
Foreign exchange loss	(81)		(348)		(429)
Equity in income of subsidiaries	(8,993)	1,723		7,270	
Intercompany interest income (expense)	1,218		(1,218)		
(Loss) income before income taxes	(28,992)	28,432	13,330	7,270	20,040
(Benefit) provision for income taxes	(50,681)	52,932	(3,900)		(1,649)
Net income (loss)	$ 21,689	$ (24,500)	$ 17,230	$ 7,270	$ 21,689

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Three Months Ended June 30, 2009

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 3,806	$ 411,093	$ 151,239	$ (41,795)	$ 524,343
Operating costs and expenses:					
Cost of sales	11	357,717	128,732	(37,499)	448,961
Selling, general and administrative expenses	14,800	22,305	17,438	(4,296)	50,247
Long-lived asset impairment charges		7,166	9,024		16,190
Restructuring costs		230	3,585		3,815
(Gain) Loss on sale of assets, net		(2)	2		
Total operating costs and expenses	14,811	387,416	158,781	(41,795)	519,213
Operating (loss) income	(11,005)	23,677	(7,542)		5,130
Other income (expense):					
Gain on the substantial modification of debt					
Interest expense (income), net	(42,538)	6,328	(5,137)		(41,347)
Foreign exchange gain (loss)	15	43	(1,013)		(955)
Equity in income of subsidiaries	1,242	(3,436)		2,194	
Intercompany interest income (expense)	1,602		(1,602)		
(Loss) income from continuing operations before income taxes	(50,684)	26,612	(15,294)	2,194	(37,172)
Provision (benefit) for income taxes	(53,350)	17,865	(4,353)		(39,838)
Net income (loss)	$ 2,666	$ 8,747	$ (10,941)	$ 2,194	$ 2,666

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Six Months Ended June 30, 2010

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 8,096	$ 1,157,306	$ 304,311	$ (102,558)	$ 1,367,155
Operating costs and expenses:					
Cost of sales		1,105,494	253,753	(94,462)	1,264,785
Selling, general and administrative expenses	13,982	39,522	29,409	(8,096)	74,817
Restructuring costs		586	(452)		134
Total operating costs and expenses	13,982	1,145,602	282,710	(102,558)	1,339,736
Operating (loss) income	(5,886)	11,704	21,601		27,419
Other income (expense):					
Interest expense, net	(40,724)	13,320	(7,856)		(35,260)
Loss on debt modification and extinguishment, net					
Foreign exchange loss	(69)		(365)		(434)
Equity in income of subsidiaries	(11,606)	1,440		10,166	
Intercompany interest income (expense)	2,250		(2,250)		
(Loss) income before income taxes	(56,035)	26,464	11,130	10,166	(8,275)
(Benefit) provision for income taxes	(58,693)	51,029	(3,269)		(10,933)
Net income (loss)	$ 2,658	$ (24,565)	$ 14,399	$ 10,166	$ 2,658

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Six Months Ended June 30, 2009

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 7,647	$ 764,807	$ 227,470	$ (68,250)	$ 931,674
Operating costs and expenses:					
Cost of sales	9	690,804	209,998	(59,528)	841,283
Selling, general and administrative expenses	20,384	40,962	30,237	(8,722)	82,861
Long-lived asset impairment charges		7,166	9,024		16,190
Restructuring costs	2,468	324	9,061		11,853
(Gain) Loss on sale of assets		(2)	64		62
Total operating costs and expenses	22,861	739,254	258,384	(68,250)	952,249
Operating income (loss)	(15,214)	25,553	(30,914)		(20,575)
Other income (expense):					
Gain (loss) on substantial modification of debt	121,700		(667)		121,033
Interest expense, net	(79,961)	11,900	(8,458)		(76,519)
Foreign exchange (loss) gain	(17)	43	(959)		(933)
Equity in income of subsidiaries	(16,694)	(9,334)		26,028	
Intercompany interest expense	4,007		(4,007)		
Income (loss) from continuing operations before income taxes	13,821	28,162	(45,005)	26,028	23,006
(Benefit) provision for income taxes	(37,326)	12,423	(3,238)		(28,141)
Net income (loss)	$ 51,147	$ 15,739	$ (41,767)	$ 26,028	$ 51,147

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Six Months Ended June 30, 2010

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 15,384	$ 13,808	$ (23,269)	$	$ 5,923
Cash from investing activities:					
Capital expenditures		(14,751)	(6,031)		(20,782)
Proceeds from sale of property, plant and equipment, and assets held-for sale			1,549		1,549
Net cash used in investing activities		(14,751)	(4,482)		(19,233)
Cash from financing activities:					
Repayments on ABL Revolver	(282,640)		(20,861)		(303,501)
Borrowings on ABL Revolver	267,343		46,229		313,572
Repayment of long-term debt		(25)			(25)
Fees paid to amend or issue debt facilities	(3,415)		85		(3,330)
Tax benefits from employee share based exercises	3,328				3,328
Net cash (used in) provided by financing activities	(15,384)	(25)	25,453		10,044
Effect of exchange rate changes on cash			(368)		(368)
Net change in cash and cash equivalents		(968)	(2,666)		(3,634)
Cash and cash equivalents at beginning of period		24,880	13,917		38,797
Cash and cash equivalents at end of period	$	$ 23,912	$ 11,251	$	$ 35,163

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

18. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows Information

Six Months Ended June 30, 2009

(Unaudited)

In thousands	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 43,558	$ (8,324)	$ (55,263)	$	$ (20,029)
Cash from investing activities:					
Proceeds from insurance recoveries		1,781	199		1,980
Capital expenditures		(16,850)	(1,535)		(18,385)
Proceeds from sale of property, plant and equipment and assets held for sale			878		878
Net cash used in investing activities		(15,069)	(458)		(15,527)
Cash from financing activities:					
Repayments on revolving line of credit			(4,363)		(4,363)
Borrowings on revolving line of credit	201		102,312		102,513
Long-term debt payments	(18,792)	(26)			(18,818)
Purchase and retirement of common stock	(25)				(25)
Fees paid to amend debt	(24,942)		(4,719)		(29,661)
Net cash (used in) provided by financing activities	(43,558)	(26)	93,230		49,646
Effect of exchange rate changes on cash			235		235
Net change in cash and cash equivalents		(23,419)	37,744		14,325
Cash and cash equivalents at beginning of period		49,724	40,251		89,975
Cash and cash equivalents at end of period	$	$ 26,305	$ 77,995	$	$ 104,300

Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

19. RESTATEMENT

Georgia Gulf Corporation (the "Company," "we," "us," or "our") is filing this Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2010 (the "Amendment"), originally filed with the Securities and Exchange Commission (the "SEC") on August 16, 2010 (the "Original Quarterly Report"), to restate our unaudited Condensed Consolidated Balance Sheet as of June 30, 2010, our unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2010, our unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2009, and certain footnote disclosures thereto. In addition, we have made herein immaterial adjustments to certain intercompany balances in the footnotes to our unaudited Condensed Consolidated financial statements that eliminate in consolidation.

During 2009, the Company undertook a number of financial restructuring activities, including: 1) amendments to our senior secured credit facility; 2) a debt for equity exchange pursuant to which we issued equity in exchange for a portion of our then-outstanding notes; and 3) a subsequent repayment and replacement of our senior secured credit facility and accounts receivable securitization facility using the proceeds from a new, asset based revolving credit facility and the issuance of $500.0 million of 9.0% senior secured notes due 2017 (collectively, "the 2009 financial restructuring activities"). In connection with the 2009 financial restructuring activities, we recognized Cancellation of Debt Income ("CODI") for tax purposes. The principal effect of the CODI was a reduction in various tax attributes, including a reduction in the tax basis of our assets and our net operating losses. The rules and regulations of the Internal Revenue Code of 1986, as amended (the "IRC"), that apply to our 2009 financial restructuring activities are complex. Due to the complex nature of these transactions and the related tax implications, we engaged a firm of third-party tax professionals to assist us in determining the U.S. federal income tax consequences of these transactions.

In addition, in 2010, we engaged a different third-party firm of tax professionals to assist us with the preparation of our 2009 U.S. federal income tax return. During the preparation of that tax return we, with the support of our tax advisors, identified certain issues that caused us to re-evaluate the application of the relevant provisions of the IRC relating to the 2009 financial restructuring activities. Consequently, we determined that a manual input error to a spreadsheet used in the tax calculations relating to the tax impact of our 2009 financial restructuring activities had been made and that certain applications of the relevant provisions of the IRC were incorrect. As a result, the reduction in various tax attributes resulting from the CODI we recognized in 2009 was understated. This error caused our provision for income taxes to be understated by $36.4 million and our net income to be overstated by $36.4 million, each for the year ended December 31, 2009. This adjustment did not, however, result in any additional tax liability payable by us to tax authorities in respect of 2009 or earlier periods.

We also determined that, beginning in 2007 and continuing through March 31, 2010, there were misapplications of Financial Accounting Standards Board, ("FASB") Accounting Standards Codification Topic 740, *Accounting for Income Taxes* ("ASC Topic 740"), related to uncertain tax positions. Those misapplications primarily included: 1) the use of an incorrect statute of limitations period for an uncertain tax position, the accrual for which should have been reversed prior to December 31, 2009; 2) the incorporation of the impact of our reserve for uncertain tax positions in our assessment of our valuation allowance for deferred tax assets in Canada as of December 31, 2007; and 3) other general misapplications of accounting for uncertain tax positions.

The incorrect statute of limitations period caused our long-term liability for unrecognized income tax benefits to be overstated as of December 31, 2009 by $12.6 million, with a corresponding understatement

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

19. RESTATEMENT (Continued)

of our income tax benefit of $5.6 million and $5.8 million for the three and six months ended June 30, 2009, respectively. The other misapplications of ASC Topic 740 that occurred beginning upon adoption on January 1, 2007 related to uncertain tax positions in connection with our acquisition of Royal Group and resulted in a net overstatement of our long-term liability for unrecognized income tax benefits of approximately $5.0 million as of December 31, 2009.

The results of the above are summarized in the tables below.

Consequently, in August 2010, the Company announced that it had taken, and was continuing to take, certain steps (collectively, the "Remediation Steps") in order to address a material weakness in internal control over financial reporting in the area of accounting for income taxes as disclosed in the Original Quarterly Report. Those Remediation steps include: (i) requiring the involvement of two third-party subject matter experts for material and complex tax transactions, such as the 2009 financial restructuring activities; (ii) expanding the scope of work performed by third-party tax professionals and increasing the level of review and validation of that work performed by management in the preparation of our provision for income taxes; and (iii) developing and implementing additional procedures to increase the level of review, evaluation and validation of underlying supporting data of our provision for income taxes and reconciliations of tax accounts and uncertain tax positions on a quarterly basis.

The Company has applied certain of the Remediation Steps to, among other things, the process of finalizing its 2009 Tax Return and the preparation of its financial statements for the quarter ended September 30, 2010, a process which included the review of a complex analysis related to stock and partnership tax basis in certain of our subsidiaries and investments, which analysis is used in calculating the amount of CODI recognized for tax purposes. During the process of reviewing that analysis, we, with the support of our third-party tax advisors, re-evaluated that portion of the calculation related to paid-up capital distributions in 2006 relating to a foreign affiliate (the "Affiliate") of Royal Group, Inc. ("Royal"), one of our subsidiaries. That re-evaluation led us to determine that an error in the calculation had been made, which error resulted in the Company moving from having a net unrealized built-in gain (as defined in the IRC), to having a net unrealized built-in loss (as defined in the IRC) which, in turn, resulted in a reduction of our net operating losses for income tax purposes of $54 million. This error and the resulting reduction of net operating losses for income tax purposes caused our unaudited, condensed consolidated financial statements presented in our Original Quarterly Report to be misstated as follows: (i) our deferred tax assets were overstated on our consolidated balance sheet by $19.0 million as of each of June 30, 2010 and December 31, 2009, and (ii) our accumulated deficit was overstated by $19.0 million as of each of June 30, 2010 and December 31, 2009.

In addition, due to the implementation of certain of the Remediation Steps, we have determined that the tax basis of the Affiliate is greater than the book basis, and therefore, we should not have tax effected our cumulative translation adjustment in other comprehensive income for the Affiliate. This error caused our condensed consolidated financial statements presented in our Original Quarterly Report to be misstated as follows: (i) our long-term deferred income tax liability is overstated by $2.1 million as of June 30, 2010 and $1.9 million as of December 31, 2009; (ii) our accumulated other comprehensive loss, net of tax, is overstated by $2.1 million as of June 30, 2010 and $1.9 million as of December 31, 2009; and (iii) our other comprehensive income, net of tax, is understated by $1.9 million and $0.2 million for the three and six months ended June 30, 2010, respectively, and is overstated by $3.5 million and $2.4 million for the three and six months ended June 30, 2009, respectively.

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

19. RESTATEMENT (Continued)

In connection with the implementation of certain of the Remediation Steps, we also determined that in 2009 there was a misapplication of ASC Topic 740, primarily related to the CODI arising from our 2009 financial restructuring activities that resulted in the incorrect recording of a deferred tax liability in connection with the tax attribute reduction related to the tax basis in the Affiliate. This misapplication caused our deferred tax liabilities to be overstated by $35.6 million on our condensed consolidated balance sheet in our Original Quarterly Report as of each of June 30, 2010 and December 31, 2009 and our liability for unrecognized tax benefits to be understated by $1.7 million as of June 30, 2010 and December 31, 2009.

The results of the above are summarized in the tables below.

The following tables present the condensed consolidated balance sheet, statements of operations and statements of cash flows accounts reported herein that were impacted by the adjustments to our consolidated financial statements, when compared to our Original Quarterly Report (all amounts are in thousands, except per share amounts):

	As of June 30, 2010					
	As Originially Reported	Amendment No. 1 Adjustment	As Restated August 16, 2010	Amendment No. 2 Adjustment	Cumulative Adjustments	As Restated
Consolidated balance sheet accounts impacted by restatement:						
Liability for unrecognized income tax benefits	$ 43,163		$ 43,163	$ 1,675	$ 1,675	$ 44,838
Deferred income taxes (long-term)	$ 208,436		$ 208,436	$ (18,755)	$ (18,755)	$ 189,681
Total liabilities	$ 1,325,843		$ 1,325,843	$ (17,080)	$ (17,080)	$ 1,308,763
Accumulated deficit	$ (86,774)		$ (86,774)	$ 14,940	$ 14,940	$ (71,834)
Accumulated other comprehensive loss, net of tax	$ (7,521)		$ (7,521)	$ 2,140	$ 2,140	$ (5,381)
Total stockholders' equity (deficit)	$ 382,070		$ 382,070	$ 17,080	$ 17,080	$ 399,150
Total liabilities and stockholders' equity	$ 1,707,913		$ 1,707,913			$ 1,707,913

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Georgia Gulf Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

19. RESTATEMENT (Continued)

	As of December 31, 2009 As Originally Reported	Amendment No. 1 Adjustment	As Restated August 16, 2010	Amendment No. 2 Adjustment	Cumulative Adjustments	As Restated
Consolidated balance sheet accounts impacted by restatement:						
Prepaid expenses	$ 24,296	$ (294)	$ 24,002		$ (294)	$ 24,002
Deferred income taxes (current)	$ 14,108	$ (931)	$ 13,177		$ (931)	$ 13,177
Total current assets	$ 567,845	$ (1,225)	$ 566,620		$ (1,225)	$ 566,620
Total assets	$ 1,605,865	$ (1,225)	$ 1,604,640		$ (1,225)	$ 1,604,640
Liability for unrecognized income tax benefits	$ 64,371	$ (17,575)	$ 46,796	$ 1,675	$ (15,900)	$ 48,471
Deferred income taxes (long-term)	$ 174,457	$ 32,971	$ 207,428	$ (18,518)	$ 14,453	$ 188,910
Total liabilities	$ 1,212,537	$ 15,396	$ 1,227,933	$ (16,843)	$ (1,447)	$ 1,211,090
Accumulated deficit	$ (72,713)	$ (16,718)	$ (89,431)	$ 14,940	$ (1,778)	$ (74,491)
Accumulated other comprehensive loss, net of tax	$ (6,314)	$ 97	$ (6,217)	$ 1,903	$ 2,000	$ (4,314)
Total stockholders' equity	$ 393,328	$ (16,621)	$ 376,707	$ 16,843	$ 222	$ 393,550
Total liabilities and stockholders' equity	$ 1,605,865	$ (1,225)	$ 1,604,640		$ (1,225)	$ 1,604,640

Statement of Operations accounts impacted	For the six months ended June 30, 2009 As Originally Reported	Amendment No. 1 Adjustment	As Restated
Provision (benefit) for income taxes	$ (22,327)	$ (5,814)	$ (28,141)
Net income (loss)	$ 45,333	$ 5,814	$ 51,147
Earnings (loss) per share Basic	$ 32.50	$ 4.16	$ 36.66
Earnings (loss) per share Diluted	$ 32.38	$ 4.16	$ 36.54
Statement of Cash flows impact			
Net income (loss)	$ 45,333	$ 5,814	$ 51,147
Other non-cash items	$ 2,377	$ (5,814)	$ (3,437)

Statement of Operations accounts impacted	For the three months ended June 30, 2009 As Originally Reported	Amendment No. 1 Adjustment	As Restated
Provision (benefit) for income taxes	$ (34,221)	$ (5,617)	$ (39,838)
Net income (loss)	$ (2,951)	$ 5,617	$ 2,666
Earnings (loss) per share Basic	$ (2.13)	$ 4.04	$ 1.91
Earnings (loss) per share Diluted	$ (2.13)	$ 4.03	$ 1.90

For additional information regarding the overall impact of the restatements on all of our historical financial statements, see Note 22 of the Notes to Consolidated Financial Statements in Amendment No. 2 to our Annual Report on Form 10-K/A for the year ended December 31, 2009. In addition, see Notes 17 Segment Information and Note 18 Supplemental Guarantor Information for the restatement of disclosure errors discovered during the preparation of this Amendment No. 2 that management considers immaterial.

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

Overview

Our financial condition and results of operations as of and for the periods ended June 30, 2010 and 2009 and the year ended, December 31, 2009, have been restated. All information and disclosures contained in this management's discussion and analysis of financial condition and results of operations has been updated to reflect the effects of such restatement. For a more detailed description of the restatement, see Note 19 of the Notes to the accompanying unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

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 three reportable segments through which we conduct our operating activities: (i) chlorovinyls; (ii) aromatics; and (iii) building products.

Results of Operations

The following table sets forth our condensed consolidated statement of operations data for the three and six months ended June 30, 2010 and 2009, and the percentage of net sales of each line item for the three and six months presented.

	Three months ended				Six months ended			
Dollars in Millions	**June 30, 2010**		**June 30, 2009**		**June 30, 2010**		**June 30, 2009**	
Net sales	**$ 735.7**	**100%**	$ 524.3	100%	**$ 1,367.2**	**100%**	$ 931.7	100%
Cost of sales	**660.4**	**89.8%**	449.0	85.6%	**1,264.8**	**92.5%**	841.3	90.3%
Gross margin	**75.3**	**10.2%**	75.3	14.4%	**102.4**	**7.5%**	90.4	9.7%
Selling, general and administrative expense	**37.0**	**5.0%**	50.2	9.6%	**74.8**	**5.5%**	82.9	8.9%
Long-lived asset impairment charges		**%**	16.2	3.1%		**%**	16.2	1.7%
Restructuring costs	**0.4**	**0.0%**	3.8	0.7%	**0.1**	**0.0%**	11.9	1.3%
Operating income (loss)	**37.9**	**5.2%**	5.1	1.0%	**27.5**	**2.0%**	(20.6)	(2.2)%
Gain on substantial modification of debt		**%**		%		**%**	121.0	13.0%
Net interest expense	**(17.4)**	**(2.4)%**	(41.3)	(7.9)%	**(35.3)**	**(2.6)%**	(76.5)	(8.2)%
Foreign exchange loss	**(0.4)**	**(0.0)%**	(1.0)	(0.2)%	**(0.4)**	**(0.0)%**	(0.9)	(0.1)%
Benefit from income taxes	**1.6**	**0.2%**	39.9	7.6%	**10.9**	**0.8%**	28.1	3.0%
Net income (loss)	**$ 21.7**	**3.0%**	$ 2.7	0.5%	**$ 2.7**	**0.2%**	$ 51.1	5.5%

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The following table sets forth certain financial data by reportable segment for the three and six months ended June 30, 2010 and 2009, and the percentage of total net sales by segment for each sales item and operating income (loss) by segment.

	Three months ended				Six months ended			
Dollars in Millions	**June 30, 2010**		**June 30, 2009**		**June 30, 2010**		**June 30, 2009**	
Net sales								
Chlorovinyls products	**$ 300.8**	**40.9%**	$ 232.0	44.3%	**$ 588.5**	**43.0%**	$ 473.8	50.8%
Building products	**243.2**	**33.1%**	216.3	41.2%	**396.4**	**29.0%**	330.5	35.5%
Aromatics products	**191.7**	**26.0%**	76.0	14.5%	**382.3**	**28.0%**	127.4	13.7%
Total net sales	**$ 735.7**	**100.0%**	$ 524.3	100.0%	**$ 1,367.2**	**100.0%**	$ 931.7	100.0%
Operating income (loss)								
Chlorovinyls products	**$ 36.2**		$ 24.4		**$ 27.5**		$ 44.9	
Building products	**18.8**		(7.7)		**15.1**		(41.9)	
Aromatics products	**(7.8)**		7.9		**1.9**		8.3	
Unallocated corporate	**(9.3)**		(19.5)		**(17.1)**		(31.9)	
Total operating income (loss)	**$ 37.9**		$ 5.1		**$ 27.4**		$ (20.6)	

Three Months Ended June 30, 2010 Compared With Three Months Ended June 30, 2009

Net Sales. For the three months ended June 30, 2010, net sales totaled $735.7 million, an increase of 40 percent compared to $524.3 million for the same quarter last year. The net sales increase was primarily a result of an increase in our overall sales prices of 23 percent (or 20 percent on a constant currency basis) and our sales volumes of 14 percent as compared to the three months ended June 30, 2009. Our overall average sales price increase was primarily a result of increases in the sales prices of vinyl resins and our aromatics products. The sales price increases reflect higher costs for our raw materials. Our overall sales volume increase was mainly attributable to an increase in demand in North America for most of our products, which, in turn, was attributable to U.S and Canadian housing starts increasing 14 percent and 53 percent, respectively, from the first half of 2009 to the first half of this year according to reports furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in June 2010 and Canada Mortgage and Housing Corporation in July 2010.

Gross Margin. Total gross margin decreased from 14.4 percent of sales for the three months ended June 30, 2009, to 10.2 percent of sales for the three months ended June 30, 2010. This decrease in gross margin percentage was primarily due to a significant increase in raw material costs, lower caustic sales prices and a scheduled and unscheduled plant turnaround for maintenance, offset partially by an increase in vinyl resin and aromatics sales prices, increased aromatics and building products sales volumes and a favorable currency impact. Our primary feedstocks and natural gas costs in our chemical segments normally track industry prices. Chemical Market Associates, Incorporated ("CMAI") reported an increase in our feedstock prices of 67 percent for ethylene, 52 percent for chlorine, 68 percent for benzene, 64 percent for propylene and 19 percent for natural gas from the second quarter of 2009 to the second quarter of 2010. We implemented numerous cost savings initiatives during 2009 that we continue to execute with the goal of improving our gross margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $37.0 million for the three months ended June 30, 2010, a 26 percent decrease from the $50.2 million for the three months ended June 30, 2009. This decrease in selling, general and administrative expenses of $13.2 million is primarily due to the favorable impacts of: (i) a $7.5 million decrease in fees to several consultants previously engaged to assist us in reducing overall indebtedness and related interest expense and continued performance improvement, transportation management and indirect sourcing cost

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reduction and other initiatives, (ii) a $5.5 million decrease in bad debt expense, of which $3.5 million was attributable to our chlorovinyls segment and $2.0 million was attributable to our building products segment and (iii) a decrease in the discount on sale of interests in our trade receivables of $2.7 million in our unallocated corporate overhead due to the December 2009 termination of our asset securitization program. This was offset by the unfavorable impacts of: (i) a $2.7 million increase in incentive compensation and (ii) a $1.7 million unfavorable currency impact on our costs in Canada in our building products segment.

Long-lived Asset Impairment Charges. 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"). In accordance with generally accepted accounting principles, we wrote down the plants' property, plant and equipment, resulting in a $16.2 million impairment charge in the three months ended June 30, 2009. There was no impairment charge during the three months ended June 30, 2010.

Restructuring Costs. For the three months ended June 30, 2010, we incurred $0.4 million of severance and other exit costs. For the three months ended June 30, 2009, our severance and other exit costs totaled $3.8 million, and consisted of expenses associated with the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan.

Interest Expense, net. Interest expense, net decreased to $17.4 million for the three months ended June 30, 2010 from $41.3 million for the three months ended June 30, 2009. This interest expense decrease of $23.9 million was primarily attributable to lower overall debt balances during the second quarter of 2010 compared to the same quarter last year. The lower overall debt balance was due primarily to the exchange of approximately $736.0 million of our debt for equity on July 27, 2009. This reduction in debt effectively decreased our annual cash interest expense by $69.7 million.

Benefit from Income Taxes. The benefit from income taxes was $1.6 million for the three months ended June 30, 2010 compared with the benefit from income taxes of $39.9 million for the three months ended June 30, 2009. The decrease in the benefit from income taxes primarily resulted from a $57.2 million increase in pre-tax income and from the release of a portion of the valuation allowance previously recorded in Canada. Our effective income tax rates for the three months ended June 30, 2010 and 2009 were negative 8.2 percent and 107.2 percent, respectively. The difference in the tax rate as compared to the U.S. statutory federal income tax rate in 2010 was primarily due to a tax benefit from the resolution of certain uncertain tax positions in Canada and the lapsing of the statute of limitations on certain other uncertain tax positions in Canada, offset by an asset valuation allowance in Canada. The difference in the tax 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 the timely repayment of the Mississippi Industrial Development Bond described below, and the valuation allowance in Canada. 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 would create state income tax credits. The bond was fully repaid in May 2009 resulting in significant state income tax credits being generated in 2009. These credits do not expire.

Chlorovinyls Segment

Net Sales. For the three months ended June 30, 2010, net sales totaled $300.8 million, an increase of 30 percent compared to $232.0 million for the same quarter last year. Our overall average sales price increased 28 percent as compared to the three months ended June 30, 2009, while our overall sales volume was up slightly. Our overall sales price increased primarily due to a vinyl resins sales price increase of 46 percent, partially offset by a decrease in the price of caustic soda of 26 percent. The vinyl resins sales price increase reflects higher prices for the feedstocks ethylene and chlorine. CMAI reported that caustic soda industry sales prices had decreased 66 percent during the second quarter of 2009 due to an increase in global supply from new chlor-alkali capacity additions in Asia during 2009, and the significant global economic downturn during 2009, effectively removing large segments of the demand for caustic through shutdowns and rate reductions by end users. Our overall chlorovinyls sales volume increased as a result of the increase in demand in North America for vinyl resin of 16 percent, caustic soda of 36 percent and vinyl compounds of 21 percent, offset partially by a decrease in exports of 25 percent. According to American Chemistry Council Plastics Industry Producers Statistics Group ("PIPS") in June 2010, North American vinyl resin industry sales volume increased 1 percent as a result an increase in exports of 53 percent, offset by a decrease in domestic sales volume of 10 percent.

Operating Income. Operating income increased by $11.8 million from $24.4 million for the three months ended June 30, 2009 to $36.2 million for the three months ended June 30, 2010. This increase in operating income was due to an increase in vinyl resins and vinyl compound sales prices, increased North America vinyl resins and vinyl compounds sales volumes, higher production rates and also the impact of several cost saving initiatives implemented during 2009 which continue to be realized in 2010. This operating income increase was partially offset by an increase in raw material costs and lower caustic sales prices. Our overall feedstocks and natural gas costs in the second quarter of 2010 increased 41 percent compared to the second quarter of 2009. CMAI reported industry price increases for our primary feedstock of 68 percent for ethylene and 52 percent for chlorine as compared to the second quarter of 2009. In addition, during the three months ended June 30, 2010, we had one unscheduled plant turnaround for maintenance. Our chlorovinyls operating rate increased from about 79 percent for the second quarter of 2009 to about 88 percent for the second quarter of 2010.

Building Products Segment

Net Sales. Net sales totaled $243.2 million for the three months ended June 30, 2010, an increase of 12 percent (or 5 percent on a constant currency basis) compared to $216.3 million for the same quarter last year. The net sales increase was supported by improved volumes of 4 percent as demand in the Canadian housing and construction markets remained strong and we further benefited from a favorable currency impact on sales in Canada. In the U.S., volumes declined 9 percent from 2009 as we were negatively impacted by the loss of a seasonal program with a large retail customer. According to PIPS industry data for our products, North America extruded vinyl resin volumes declined 19 percent during the same time period. For the second quarter of 2010 our building products segment geographical sales continued to show a higher Canadian weighting of 61 percent compared to the U.S. sales of 38 percent as a result of the stronger demand in Canada and the currency benefit.

Operating Income (Loss). Operating income increased by $26.5 million from an operating loss of $7.7 million for the three months ended June 30, 2009 to income of $18.8 million for the three months ended June 30, 2010. The second quarter of 2009 includes an asset impairment charge of $15.7 million and a restructuring charge of $2.4 million while the second quarter of 2010 includes $0.1 million of net restructuring income. In addition, this increase in operating income was due to increased sales volumes, a favorable currency impact and benefits from numerous cost saving initiatives implemented during 2009 which continue to be realized in 2010. This increase in sales volume was due primarily to increased demand in the North American housing and construction markets which was most evident in Canada. In May 2009, we implemented a plan to reduce our cost structure with the permanent closure of two window and door profile fabrication plants and moved the production requirements of our customers to our other manufacturing locations, which contributed to the improved gross margin realized by the building products segment for the three months ended June 30, 2010 as compared to the same quarter last year.

Aromatics Segment

Net Sales. Net sales totaled $191.7 million for the three months ended June 30, 2010, an increase of 153 percent compared to $76.0 million for the second quarter of 2009. The net sales increase was primarily a result of an increase in our overall sales volumes of 64 percent and sales prices of 54 percent as compared to the three months ended June 30, 2009. Our overall aromatics sales volumes increased as a result of

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increases in the sales volumes of cumene of 42 percent, phenol of 103 percent and acetone of 193 percent. Our aromatics sales volume increase was due to an increase in domestic contract sales and opportunistic spot sales in both North America and export markets due to industry operating issues. Our overall average sales prices increased as a result of an increase in the prices of cumene of 61 percent, phenol of 45 percent and acetone of 20 percent. The sales price increases reflect higher costs for the feedstocks benzene and propylene.

Operating (Loss) Income. Operating loss increased by $15.7 million from operating income of $7.9 million for the three months ended June 30, 2009 to an operating loss of $7.8 million for the three months ended June 30, 2010. This increase in operating loss was due primarily to significant increases in our feedstock costs which more than offset increases in our sales prices and volumes for all of our aromatics products. In addition during the second quarter of 2010, we were not able to recover previously purchased raw materials costs in a decreasing sales price environment due to the time lag between the purchase of raw materials and the sale of the related finished goods. During the second quarter of 2010, CMAI reported industry prices for our feedstocks trended downward by 68 percent for benzene and 64 percent for propylene. Conversely during the second quarter of 2009, our operating income was driven by raw material and sales prices rising throughout the quarter, resulting in an inventory holding gain. We also had one scheduled plant turnaround for maintenance during the second quarter of 2010. Our aromatics sales volume increase was due to an increase in domestic contract sales and increased opportunistic spot sales in both North America and export markets due to industry operating issues.

Six Months Ended June 30, 2010 Compared With Six Months Ended June 30, 2009

Net Sales. For the six months ended June 30, 2010, net sales totaled $1,367.2 million, an increase of 47 percent compared to $931.7 million for the first six months of last year. The net sales increase was primarily a result of an increase in our overall sales volumes of 20 percent and sales prices of 19 percent on a constant currency basis. Our overall sales volume increase was mainly attributable to an increase in demand in North America for most of our products, which, in turn, was driven by U.S and Canadian housing starts increasing 14 percent and 53 percent, respectively, from the first six months of 2009 to the same period of this year according to reports furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in June 2010 and Canada Mortgage and Housing Corporation in July 2010. Our overall average sales price increase was primarily a result of increases in the prices of vinyl resins and our aromatics products and a favorable Canadian dollar currency impact. The sales price increases reflect higher cost for our raw materials.

Gross Margin. Total gross margin decreased from 9.7 percent of sales for the six months ended June 30, 2009 to 7.5 percent of sales for the six months ended June 30, 2010. This decrease in gross margin percentage was primarily due to a significant increase in raw material costs and lower caustic soda sales prices, offset partially by an increase in vinyl resin and aromatics sales prices, increased vinyl compound and building products sales volumes and a favorable Canadian currency impact. Our primary raw materials and natural gas costs in our chemical segments normally track industry prices. CMAI reported an increase of 76 percent for ethylene, 64 percent for chlorine, 115 percent for benzene, 105 percent for propylene and 16 percent for natural gas from the first six months of 2009 to the first six months of 2010. We implemented numerous cost savings initiatives during 2009 that we continue to execute on, with the goal of improved gross margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $74.8 million for the six months ended June 30, 2010, a 10 percent decrease from the $82.9 million for the six months ended June 30, 2009. This selling, general and administrative expense decrease of $8.1 million is primarily due to the favorable impacts of: (i) a $5.3 million decrease in fees paid to several consultants engaged in 2009 to assist us in reducing overall indebtedness and related interest expense and continued performance improvement, transportation management and indirect sourcing cost reduction initiatives, among other areas of the business, (ii) a $7.8 million decrease in bad debt expense, of which $4.0 million was attributable to our chlorovinyls segment and $3.8 million was attributable to our building products segment, and (iii) a decrease in the discount on sale of interests in our trade receivables of $5.6 million in our unallocated corporate overhead due to the December 2009 termination of our asset securitization program. These decreases were offset by the unfavorable impacts of: (i) a $3.9 million increase in incentive compensation. (ii) $3.9 million in unfavorable currency impact on our costs in Canada in our building products segment, (iii) a $3.8 million gain from litigation settlements in the six months ended June 30, 2009 in our chlorovinyls segment, (iv) $1.5 million of insurance proceeds received in the six months ended June 30, 2009 in our chlorovinyls segment.

Restructuring Costs. For the six months ended June 30, 2009, we incurred $9.4 million of severance and other exit costs, which are reflected in the accompanying unaudited condensed consolidated statement of operations. Also for the six months ended June 30, 2009, we incurred $2.5 million in fees paid to consultants, to assist us in performance improvement, and transportation management and indirect sourcing cost reduction initiatives among other areas of the business with the ultimate goal to improve and sustain profitability for the long-term. For the six months ended June 30, 2010, there were $0.1 million of severance and other exit costs.

Gain on substantial modification of debt. On March 16, 2009, we executed the fifth amendment to our senior secured credit facility and accounted for this amendment as an extinguishment of the Term Loan B in accordance with ASC subtopic 470-50 section 40, *Modifications and Extinguishments.* 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. There were no similar gains in the 2010 period.

Interest Expense, net. Interest expense, net decreased to $35.3 million for the six months ended June 30, 2010, from $76.5 million for the six months ended June 30, 2009. This decrease in interest expense, net of $41.3 million was primarily attributable to lower overall debt balances during the first six months of 2010 compared to the first six months of last year. The lower overall debt balance was due primarily to the exchange of approximately $736.0 million of our debt for equity on July 27, 2009. This reduction in debt effectively decreased our annual cash interest expense by $69.7 million.

Benefit from income taxes. The benefit from income taxes was $10.9 million for the six months ended June 30, 2010 compared with the benefit from income taxes of $28.1 million for the six months ended June 30, 2009. The decrease in the benefit from income taxes primarily resulted from a $31.3 million decrease in the pre-tax income and from the release of a portion of the valuation allowance previously recorded in Canada. Our effective income tax rates for the six months ended June 30, 2010 and 2009 were 132.1 percent and negative 122.3 percent, respectively. The difference in the rate as compared to the U.S. statutory federal income tax rate in 2010 was primarily due to a tax benefit from the resolution of certain uncertain tax positions in Canada and the lapsing of the statute of limitations on certain other uncertain tax positions in Canada, offset by an asset valuation allowance in Canada. 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, and the valuation allowance in Canada.

Chlorovinyls Segment

Net Sales. Net sales totaled $588.5 million for the six months ended June 30, 2010, an increase of 24 percent compared with net sales of $473.8 million for the first six months of last year. The net sales increase was primarily a result of an increase in our overall sales prices of 13 percent and sales volume of 10 percent as compared to the six months ended June 30, 2009. Our overall sales price increases were primarily due to vinyl resins sales price increases of 48 percent, partially offset by a decrease in the price of caustic soda of 56 percent. The vinyl resins sales price increase reflects higher prices for the feedstocks ethylene and chlorine. CMAI reported that caustic soda industry sales price decreased by 76 percent during the first six months of 2009 due to an increase in global supply from new chlor-alkali capacity additions in Asia during 2009 and the significant global economic downturn during 2009 effectively removing large segments of the demand for caustic through shutdowns and rate reductions by end users. Our overall chlorovinyls sales volume increase of 10 percent was primarily as a result of the increase in demand in North America for vinyl resin of 28 percent and vinyl compounds of 23 percent partially offset by a decrease in exports of 25 percent. North American vinyl resin industry sales volume increased 9 percent as a result of an increase in exports of 55 percent offset by a decrease in domestic sales volume of 3 percent, according to PIPS in June 2010.

Operating Income. Operating income decreased by $17.4 million from $44.9 million for the six months ended June 30, 2009 to $27.5 million for the six months ended June 30, 2010. This decrease in operating income was due to a significant increase in raw material costs and lower caustic sales prices. This operating income decrease was partially offset by an increase in vinyl resins sales prices, increased North American vinyl resins and vinyl compounds sales volumes and also several cost saving initiatives implemented during 2009 which continue to be realized upon in 2010. Our overall raw materials and natural gas costs in the first six months of 2010 increased 31 percent compared to the first six months of 2009. CMAI reported that industry prices of our primary feedstocks, ethylene and chlorine, increased 76 percent, and 64 percent, respectively from the 2009 period. In addition, during the six months ended June 30, 2010, we had three scheduled and unscheduled plant turnarounds for maintenance compared to one during the six months ended June 30, 2009. Our chlorovinyls operating rate increased from about 70 percent for the first six months of 2009 to about 81 percent for the first six months of 2010.

Building Products Segment

Net Sales. Net sales totaled $396.4 million for the six months ended June 30, 2010, an increase of 20 percent (or 10 percent on a constant currency basis) compared to $330.5 million for the first six months of last year. The net sales increase was supported by improved volumes of 12 percent as demand in the Canadian housing and construction markets remained strong and we further benefited from a favorable currency impact on sales in Canada. In the U.S., volumes declined from 2009 as we were negatively impacted by the loss of a seasonal program with a large retail customer. According to PIPS industry data for our products, North American extruded vinyl resin sales declined 10 percent during the same time frame. For the first six months of 2010, our building products segment geographical sales continued to show a higher Canadian weighting of 61 percent compared to the U.S. of 39 percent as a result of the stronger demand in Canada and the currency benefit.

Operating Income (Loss). Operating income increased by $57.0 million from an operating loss of $41.9 million for the six months ended June 30, 2009 to operating income of $15.1 million for the six months ended June 30, 2010. This increase in operating income was due to an increase in sales volumes, a favorable currency impact, and benefits from numerous cost saving initiatives implemented during 2009 which continue to be realized in 2010. In addition, the first six months of 2009 includes an asset impairment charge of $15.7 million and restructuring charge of $5.9 million, while the first six months of 2010 includes $0.6 million of restructuring expense. The building products sales volume increase was primarily due to increased demand in the North American housing and construction markets which was most evident in Canada, due in part to a relatively mild winter in Canada. In May 2009, we implemented a plan to reduce our cost structure with the permanent closure of two window and door profile fabrication plants and moved the production requirements of our customers to our other manufacturing locations, which contributed to the improved gross margin realized by the building products segment for the six months ended June 30, 2010, as compared to the same period last year.

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Aromatics Segment

Net Sales. Net sales were $382.3 million for the six months ended June 30, 2010, an increase of 200 percent compared to $127.4 million for the first six months of 2009. The net sales increase was primarily a result of an increase in our overall sales prices of 88 percent and sales volume of 59 percent as compared to the six months ended June 30, 2009. Our overall average sales prices increased as a result of an increase in the prices of cumene of 103 percent, phenol of 68 percent and acetone of 61 percent. The sales prices increases reflect higher costs for the feedstocks benzene and propylene. Our overall aromatics sales volumes increased as a result of increases in the sales volumes of cumene of 47 percent, phenol of 85 percent and acetone of 111 percent. Our aromatics sales volume increases were due to an increase in opportunistic spot sales in both North America and export markets due to industry operating issues.

Operating Income. Operating income decreased by $6.4 million from $8.3 million for the six months ended June 30, 2009 to $1.9 million for the six months ended June 30, 2010. This decrease in operating income was due primarily to significant increases in our raw materials costs which more than offset increases in our sales prices and volumes for all of our aromatics products. In addition, our operating income improvement last year was driven by raw material prices rising throughout the first six months of 2009 resulting in an inventory holding gain. We also incurred one scheduled plant turnaround for maintenance during the first six months of 2010. Overall raw material costs increased 124 percent from the first six months of 2009 to the first six months of 2010 primarily as a result of increases in benzene and propylene costs. Our aromatics sales volume increase was due to an increase in domestic contract sales and opportunistic spot sales in both the North American and export markets due to industry operating issues.

Liquidity and Capital Resources

Operating Activities. For the six months ended June 30, 2010, we had $5.9 million of cash provided by operating activities as compared with $20.0 million of cash used for the six months ended June 30, 2009. The significant source of cash in the first six months of 2010 was an increase in accounts payable of $70.7 million. Significant uses of cash in the first six months of 2010 were an increase in accounts receivable of $103.7 million and an increase in inventories of $44.8 million. The major source of cash for the first six months of 2009 was a decrease in inventories of $34.8 million. Major uses of cash for the first six months of 2009 were a decrease in the asset securitization program of $23.2 million and an increase in prepaid expenses of $22.7 million primarily due to raw material prepayments. Net working capital at June 30, 2010 was a surplus of $391.0 million versus a surplus of $340.7 million at December 31, 2009. Significant changes in working capital for the first six months of 2010 included increases in accounts receivable, inventories, accounts payable and current portion of long-term debt.

Investing Activities. Net cash used in investing activities was $19.2 million and $15.5 million for the six months ended June 30, 2010 and 2009, respectively. During the six months ended June 30, 2010, we had capital expenditures of $20.8 million. During the six months ended June 30, 2009, we had capital expenditures of $18.4 million.

Financing Activities. Cash provided by financing activities was $10.0 million for the six months ended June 30, 2010 compared with $49.6 million for the six months ended June 30, 2009. During the six months ended June 30, 2010, we drew down a net $10.1 million under our ABL Revolver. During the six months ended June 30, 2009, we drew down a net $98.2 million under our revolving credit facility and paid fees related to amendments to our senior secured credit facility and our asset securitization facility of $29.7 million.

On June 30, 2010, our balance sheet debt consisted of $65.7 million of borrowings under our ABL Revolver, $9.0 million of unsecured 7.125 percent senior notes due 2013, $13.2 million of unsecured 9.5 percent senior notes due 2014, $41.4 million of unsecured 10.75 percent senior subordinated notes due 2016, $496.9 million of 9.0 percent senior secured notes due 2017, $105.6 million of lease financing

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obligations and $15.9 million in other debt. At June 30, 2010, under our ABL Revolver, we had a maximum borrowing capacity of $300.0 million, and net of qualifying accounts receivable and inventory, outstanding letters of credit of $21.0 million, current borrowings of $65.7 million, and a fixed $15.0 million availability reserve, we had remaining availability of $198.3 million. Over the next twelve months, we expect to repay $35.7 million under our ABL Revolver. Therefore, we have classified this debt as current in our accompanying unaudited condensed consolidated balance sheet as of June 30, 2010.

Management believes based on current and projected levels of operations and conditions in our markets and cash flow from operations, together with our cash and cash equivalents on hand of $35.2 million and the availability to borrow an additional $198.3 million under our ABL Revolver as of June 30, 2010, the Company has adequate funding for the foreseeable future to make required payments of principal and interest on its debt and fund its working capital and capital expenditure requirements. Additionally, based on our current and projected levels of operations and financial conditions we believe we will be able to continue for the foreseeable future to meet the restrictive covenants and comply with the financial ratio requirements of the ABL Revolver and the Company's indenture related to the 9.0 percent senior secured notes. As of June 30, 2010, we were in compliance with all required debt covenants. To the extent our cash flow and liquidity exceeds the levels necessary for us to make our required debt payments, fund our working capital and capital expenditure requirements and comply with the ABL Revolver and the indenture for the 9.0 percent senior secured notes, we may use that excess liquidity to further grow our business through investments or acquisitions and/or to further reduce our debt through optional prepayments or redemptions of our outstanding debt securities.

On December 22, 2009, we refinanced our senior secured credit facility and our $175 million asset securitization agreement. At the time of the refinancing our senior secured credit facility consisted of a $300 million revolving credit facility and a $347.7 million Term Loan B. We replaced the senior secured credit facility and asset securitization facility with the four-year term senior secured ABL Revolver and the issuance of $500.0 million in principal amount of 9.0 percent senior secured notes.

The ABL Revolver provides for a maximum of $300 million of revolving credit through December 2013, subject to borrowing base availability, including sub-limits for letters of credit and swing line loans. The borrowing base is equal to specified percentages of our eligible accounts receivable and inventories, less a fixed $15 million availability reserve and other reserves reasonably determined by the co-collateral agents. Borrowings under the ABL Revolver are secured by substantially all of our assets.

Borrowings under the ABL Revolver bear interest, and borrowings under the senior secured credit facility also bear interest, at a rate per annum of the prime rate plus an applicable pricing margin (as defined in the ABL Revolver) or the LIBOR plus the applicable pricing margin. The weighted average interest rate under the ABL Revolver was 5.0 percent and 6.0 percent as of June 30, 2010 and December 31, 2009, respectively. In addition to paying interest on outstanding principal under the ABL Revolver, we are required to pay a commitment fee in respect of the unutilized commitments and we must also pay customary letter of credit fees For certain additional information retaining to the ABL Revolver, see Note 9 of the notes to the accompanying unaudited condensed consolidated financial statements.

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Contractual Obligations. Our aggregate future payments under contractual obligations by category as of June 30, 2010, were as follows:

(In millions)	Total	2010	2011	2012	2013	2014	2015 and thereafter
Contractual obligations:							
Long-term debt principal	$ 648	$	$	$ 18	$ 75	$ 13	$ 542
Long-term debt interest	346	29	56	55	55	51	100
Lease financing obligations	49	4	7	7	7	7	17
Operating lease obligations	72	11	16	14	9	7	15
Purchase obligations	1,682	277	470	385	282	268	0
Uncertain income tax positions	1	1					
Other	11						11
Total	$ 2,809	$ 322	$ 549	$ 479	$ 428	$ 346	$ 685

Long-Term Debt. Long-term debt includes principal and interest payments based upon our interest rates as of June 30, 2010. Long-term debt obligations are listed based on when they are contractually due.

Lease Financing Obligations. We lease land and buildings for certain of our Canadian manufacturing facilities under leases with varying maturities through the year 2017.

Operating Lease Obligations. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2017. We did not have significant capital lease obligations as of June 30, 2010.

Purchase Obligations. Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. We have certain long-term raw material supply contracts and energy purchase agreements with various terms extending through 2014. These commitments are designed to assure sources of supply for our normal requirements. Amounts are based upon contractual raw material volumes and market rates as of June 30, 2010.

Uncertain Income Tax Positions. We have recognized a liability for our unrecognized income tax benefits of approximately $51.6 million as June 30, 2010. We have included in the table above any liability for our unrecognized income tax benefits related to audits and other tax matters that we are likely to pay within a twelve month period. The ultimate resolution and timing of payment for remaining matters remains uncertain and are therefore excluded from the above table.

Outlook

We continue to assume a slight recovery in U.S. and Canadian housings starts in 2010 compared to 2009 and conditions have remained favorable for PVC exports. Natural gas costs have been below our expectations. Aromatics has seen strong volume in the first half of 2010, but we expect more moderate volumes for the second half of 2010 and dropping propylene prices that will moderate the expectations from this segment. Ethylene prices are expected to stay in a range close to current levels; and PVC will continue to be challenged by soft volumes and margins.

Forward-Looking Statements

This Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the beliefs of management as well as assumptions made by the information currently available to us. When used in this Form 10-Q, the words "anticipate," "believe," "plan," "estimate," "expect," and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These statements relate to,

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among other things, our outlook for future periods, supply and demand, pricing trends and market forces within the chemical industry, cost reduction strategies and their results, planned capital expenditures, long-term objectives of management and other statements of expectations concerning matters that are not historical facts. Predictions of future results contain a measure of uncertainty. Actual results could differ materially due to various factors. Factors that could change forward-looking statements are, among others:

- changes in demand for our products or increases in overall industry capacity that could affect production volumes and/or pricing;
- the impacts of the current, and any potential future economic uncertainties in the housing and construction markets;
- continued compliance with the covenants in our ABL Revolver and in the indenture related to our senior secured notes;
- our high degree of leverage and significant debt service obligations;
- availability and pricing of raw materials;
- changes in the general economy;
- our ability to penetrate new geographic markets and introduce new products;
- changes and/or cyclicality in the industries to which our products are sold;
- risks associated with any potential failures of our joint venture partners to fulfill their obligations;
- risks associated with plant closures, consolidations and other cost-cutting actions;
- changes in foreign currency exchange rates;
- technological changes affecting production;
- difficulty in plant operations and product transportation;
- governmental and environmental regulations;
- complications resulting from our multiple ERP systems;
- the timing and ability to remediate our material weakness; and

other unforeseen circumstances.

A number of these factors are discussed in this Form 10-Q and in our other periodic filings with the Securities and Exchange Commission ("SEC"), including Amendment No. 2 to our Annual Report on Form 10-K/A for the year ended December 31, 2009.

Critical Accounting Policies

During the six months ended June 30, 2010, we did not have any material changes to our critical accounting policies listed in Part II. Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in Amendment No. 2 to our Annual Report on Form 10-K/A for the year ended December 31, 2009.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of Georgia Gulf management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, due to the

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existence of a material weakness in internal control over financial reporting in the area of accounting for income taxes, the company's disclosure controls and procedures were not effective as of June 30, 2010.

For certain additional information regarding the restatements of certain of the company's historical financial results and the material weakness identified by management, see Note 19 of the accompanying Notes to unaudited condensed Consolidated Financial Statements, and "Item 9A. Controls and Procedures" in the company's Amendment No. 2 to its annual report on Form 10-K/A for the year ended December 31, 2009.

Changes in Internal Control. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as the circumstances that led to the restatements had not yet been identified by management. However, as a result of the identification of the issues that led to the restatements, and the related reassessments of our internal control over financial reporting in August 2010 and November 2010, there have subsequently been changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Specifically, the following have been, are being or are planned to be implemented:

- hire additional qualified personnel in our Tax Department;
- require the involvement of two third-party subject matter experts for material and complex tax transactions, such as the financial restructuring activities we undertook in 2009;
- expand the scope of work performed by third-party tax professionals and an increase in the level of review and validation of that work performed by management in the preparation of our provision for income taxes; and
- develop and implement additional procedures to increase the level of review, evaluation and validation of underlying supporting data of our provision for income taxes, reconciliations of tax accounts and uncertain tax positions on a quarterly basis.

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PART II. OTHER INFORMATION

Item 6. EXHIBITS

Exhibits

3.1	Certificate of Incorporation of Georgia Gulf Corporation (incorporated by reference to Exhibit 99.1 to the company's Form 8-K filed on May 24, 2010)
3.2	Amended and Restated Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock of Georgia Gulf Corporation (incorporated by reference to Exhibit 3.1 to the company's Form 8-K filed on April 26, 2010)
4.1	Rights Agreement, dated as of April 26, 2010, by and between Georgia Gulf Corporation and Computershare Trust Company, N.A., as rights agent (incorporated by reference to Exhibit 4.1 to the company's Registration Statement on Form 8-A filed on April 26, 2010)
31	Rule 13a-14(a)/15d-14(a) Certifications.*
32	Section 1350 Certifications.*

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GEORGIA GULF CORPORATION
(Registrant)

Date: November 19, 2010	/s/ PAUL D. CARRICO
	Paul D. Carrico *President and Chief Executive Officer* *(Principal Executive Officer)*
Date: November 19, 2010	/s/ GREGORY C. THOMPSON
	Gregory C. Thompson *Chief Financial Officer* *(Principal Financial and Accounting Officer)*