GEORGIA GULF CORP /DE/
Form 10-K/A
November 22, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from to

Commission file number 1-9753

GEORGIA GULF CORPORATION

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: **(770) 395-4500**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. ý

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

Large accelerated filer o Accelerated filer o Non-accelerated filer ý Smaller reporting company o

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

Aggregate market value of the common stock held by non-affiliates of the registrant, computed using the closing price on the New York Stock Exchange for the registrant's common stock on June 30, 2009 was $22,162,928.

Indicate the number of shares outstanding of the registrant's common stock as of the latest practicable date.

Class	**Outstanding at November 17, 2010**
Common Stock, $0.01 par value	33,962,291 shares

DOCUMENTS INCORPORATED BY REFERENCE

(To the Extent Indicated Herein)

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Explanatory Note

I. Amendment No. 1

On August 16, 2010, Georgia Gulf Corporation (the "Company", "we", "us", or "our") filed Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2009 ("Amendment No. 1"), originally filed with the Securities and Exchange Commission (the "SEC") on March 11, 2010 (the "Original Annual Report"), to restate our Consolidated Balance Sheets as of December 31, 2009 and 2008, our Consolidated Statements of Operations, Stockholders' Equity (Deficit) and Cash Flows for the years ended December 31, 2009, 2008 and 2007, and certain footnote disclosures thereto. The information described in the seven paragraphs immediately following this paragraph was disclosed in Amendment No. 1.

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 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.

In addition, we determined that in 2007 and continuing through the quarter ended March 31, 2010, there were misapplications of the Financial Accounting Standards Board's 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, 2007, 2008 and 2009 by $3.1 million, $4.7 million and $12.6 million, respectively, with an overstatement of our income tax expense by $1.0 million, $1.7 million and $6.7 million for the same periods, respectively.

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Also, in the fourth quarter of 2007, management determined that our deferred tax assets in Canada were not more likely than not to be realized and we recorded a valuation allowance against our deferred tax assets in Canada of $52.1 million. At the time we recorded this initial valuation allowance we did not take into account approximately $9.0 million of uncertain tax positions that should have been evaluated in this analysis. Consequently, the valuation allowance against the deferred tax assets was overstated by $9.0 million and income tax expense was overstated by $9.0 million for the year ended December 31, 2007.

The other misapplication of ASC Topic 740 that occurred upon adoption on January 1, 2007 related to uncertain tax positions in connection with our acquisition of Royal Group, Inc., one of our subsidiaries ("Royal"), 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, 2007, 2008 and 2009, with a corresponding understatement of goodwill by $1.2 million as of March 31, 2007 that was subsequently impaired, and an understatement of our net deferred tax liabilities of approximately $6.2 million. In addition, as a result of using the incorrect statute of limitations period described above, $0.7 million and $0.8 million of uncertain tax positions should have been reversed in 2007 and 2008, respectively, which would have resulted in a corresponding decrease in goodwill by the same amounts. In the fourth quarter of 2007 and 2008, we recorded impairment charges of $159.0 million and $176.0 million, respectively, to write our assets down to their estimated fair value. Consequently, the impairment charges for the years ended December 31, 2007 and 2008 were overstated by $0.7 million and $0.8 million, respectively.

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

II. Amendment No. 2

We are filing this Amendment No. 2 to our Original Annual Report ("Amendment No. 2") to restate our Consolidated Balance Sheets as of December 31, 2009 and 2008, our Consolidated Statements of Operations and Cash Flows for the year ended December 31, 2009, our Consolidated Statement of Stockholders' Equity (Deficit) for the years ended December 31, 2009, 2008 and 2007 and certain footnote disclosures thereto.

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 Company's quarterly report on Form 10-Q for the quarter ended June 30, 2010. Those Remediation Steps include, but are not limited to: (i) requiring the involvement of two third-party subject matter experts for material and complex tax transactions, such as the 2009 financial restructuring activities that resulted in the Company recognizing CODI for income tax purposes in 2009; (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. 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 restated consolidated financial statements presented in Amendment No. 1 to our quarterly report for the quarter ended September 30, 2009 and in Amendment No. 1 to our Original Annual Report to be misstated as follows: (i) our deferred tax assets were overstated on our consolidated balance sheet by $19.0 million as of December 31, 2009; and (ii) our income tax expense on our consolidated statement of operations was understated by $19.0 million for the year ended 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 restated consolidated financial statements presented in Amendment No. 1 to be misstated as follows: (i) our long-term deferred income tax liability was understated by $7.6 million as of January 1, 2007, overstated by $8.6 million as of December 31, 2007, overstated by $8.9 million as of December 31, 2008 and overstated by $1.9 million as of December 31, 2009; (ii) our accumulated other comprehensive loss, net of tax, was understated by $7.6 million as of January 1, 2007, our accumulated other comprehensive income was understated by $8.6 million as of December 31, 2007, our accumulated other comprehensive loss was overstated by $8.9 million as of December 31, 2008 and overstated by $1.9 million as of December 31, 2009; and (iii) our other comprehensive loss, net of tax, was overstated by $16.1 million for the year ended December 31, 2007, overstated by $0.4 million for the year ended December 31, 2008 and our other comprehensive income was overstated by $7.0 million for the year ended December 31, 2009.

In connection with the implementation of the Remediation Steps, we also determined that in 2009 there was a misapplication of ASC Topic 740 related to the CODI arising from our 2009 financial restructuring activities that resulted in the incorrect recording of deferred tax liabilities associated with the tax attribute reduction related to the tax basis in the Affiliate, and incorrect accounting for liabilities for unrecognized income tax benefits relating to our 2009 financial restructuring. This misapplication caused our restated consolidated financial statements presented in Amendment No. 1 to be misstated as follows: (i) our deferred tax liabilities were overstated by $35.6 million as of December 31, 2009; (ii) our liabilities for unrecognized income tax benefits were understated by $1.7 million as of December 31, 2009; and (iii) our income tax expense on our consolidated statements of operations was overstated by $33.9 million for the year ended December 31, 2009.

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

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III. Reconciliation to Original Annual Report

The following tables reflect the cumulative impact of the adjustments in Amendment No. 1 and Amendment No. 2 on our consolidated financial statements when compared to our Original Annual Report (amounts in thousands, except per share amounts):

	As of and for the year ended December 31, 2009					
	As Originally Reported	Amendment No. 1 Adjustments	As Restated August 16 2010	Amendment No. 2 Adjustments	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 (deficit)	$ 393,328	$ (16,621)	$ 376,707	$ 16,843	$ 222	$ 393,550
Total liabilities and stockholders' equity (deficit)	$ 1,605,865	$ (1,225)	$ 1,604,640		$ (1,225)	$ 1,604,640
Statement of operations accounts impacted by restatement:						
Provision for income taxes	$ 79,762	$ 29,670	$ 109,432	$ (14,940)	$ 14,730	$ 94,492
Income from continuing operations	$ 145,789	$ (29,670)	$ 116,119	$ 14,940	$ (14,730)	$ 131,059
Net income	$ 145,789	$ (29,670)	$ 116,119	$ 14,940	$ (14,730)	$ 131,059
Net income per share Basic	$ 9.20	$ (1.88)	$ 7.32	$ 0.95	$ (0.93)	$ 8.27
Net income per share Diluted	$ 9.19	$ (1.87)	$ 7.32	$ 0.94	$ (0.93)	$ 8.26
Statement of cash flows accounts impacted by restatement:						
Net income	$ 145,789	$ (29,670)	$ 116,119	$ 14,940	$ (14,730)	$ 131,059
Deferred income taxes	$ 97,190	$ 36,093	$ 133,283	$ (16,615)	$ 19,478	$ 116,668
Other non cash items	$ 7,479	$ (6,717)	$ 762		$ (6,717)	$ 762
Prepaid expenses and other current assets	$ (5,665)	$ 294	$ (5,371)		$ 294	$ (5,371)
Other accrued liabilities	$ (7,930)		$ (7,930)	$ 1,675	$ 1,675	$ (6,255)

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	As of and for the year ended December 31, 2008					
	As Originally Reported	Amendment No. 1 Adjustments	As Restated August 16 2010	Amendment No. 2 Adjustments	Cumulative Adjustments	As Restated
Balance sheet accounts impacted by restatement:						
Liability for unrecognized income tax benefits (long-term)	$ 34,592	$ (8,950)	$ 25,642		$ (8,950)	$ 25,642
Deferred income taxes (long-term)	$ 70,141	$ (2,655)	$ 67,486	$ (8,920)	$ (11,575)	$ 58,566
Total liabilities	$ 1,750,329	$ (11,605)	$ 1,738,724	$ (8,920)	$ (20,525)	$ 1,729,804
Accumulated deficit	$ (218,502)	$ 12,952	$ (205,550)		$ 12,952	$ (205,550)
Accumulated other comprehensive loss, net of tax	$ (27,255)	$ (1,347)	$ (28,602)	$ 8,920	$ 7,573	$ (19,682)
Total stockholders' (deficit)	$ (139,928)	$ 11,605	$ (128,323)	$ 8,920	$ 20,525	$ (119,403)
Statement of operations accounts impacted by restatement:						
Long lived Asset impairment	$ 175,958	$ (757)	$ 175,201		$ (757)	$ 175,201
Total operating costs and expenses	$ 3,056,630	$ (757)	$ 3,055,873		$ (757)	$ 3,055,873
Operating loss	$ (140,153)	$ 757	$ (139,396)		$ 757	$ (139,396)
Loss from continuing operations before income taxes	$ (277,622)	$ 757	$ (276,865)		$ 757	$ (276,865)
Benefit for income taxes	$ (19,979)	$ (1,716)	$ (21,695)		$ (1,716)	$ (21,695)
Loss from continuing operations	$ (257,643)	$ 2,473	$ (255,170)		$ 2,473	$ (255,170)
Net loss	$ (257,643)	$ 2,473	$ (255,170)		$ 2,473	$ (255,170)
Net loss per share Basic	$ (193.00)	$ 1.79	$ (191.21)		$ 1.79	$ (191.21)
Net loss per share Diluted	$ (193.00)	$ 1.79	$ (191.21)		$ 1.79	$ (191.21)
Statement of cash flow accounts impacted by restatement:						
Net loss	$ (257,643)	$ 2,473	$ (255,170)		$ 2,473	$ (255,170)
Goodwill, intangibles and other long lived asset impairment	$ 175,958	$ (757)	$ 175,201		$ (757)	$ 175,201
Other non-cash items	$ 12,433	$ (1,716)	$ 10,717		$ (1,716)	$ 10,717

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	For the year ended December 31, 2007					
	As Originally Reported	Amendment No. 1 Adjustments	As Restated August 16 2010	Amendment No. 2 Adjustments	Cumulative Adjustments	As Restated
Statement of operations accounts impacted by restatement:						
Long lived asset impairment	$ 158,960	$ (667)	$ 158,293		$ (667)	$ 158,293
Total operating costs and expenses	$ 3,240,956	$ (667)	$ 3,240,289		$ (667)	$ 3,240,289
Operating loss	$ (83,686)	$ 667	$ (83,019)		$ 667	$ (83,019)
Loss from continuing operations before income taxes	$ (211,163)	$ 667	$ (210,496)		$ 667	$ (210,496)
Provision for income taxes	$ 44,000	$ (9,812)	$ 34,188		$ (9,812)	$ 34,188
Loss from continuing operations	$ (255,163)	$ 10,479	$ (244,684)		$ 10,479	$ (244,684)
Net loss	$ (266,027)	$ 10,479	$ (255,548)		$ 10,479	$ (255,548)
Loss from continuing operations Basic	$ (193.80)	$ 7.63	$ (186.17)		$ 7.63	$ (186.17)
Loss from continuing operations Diluted	$ (193.80)	$ 7.63	$ (186.17)		$ 7.63	$ (186.17)
Net loss per share Basic	$ (201.71)	$ 7.63	$ (194.08)		$ 7.63	$ (194.08)
Net loss per share Diluted	$ (201.71)	$ 7.63	$ (194.08)		$ 7.63	$ (194.08)
Statement of cash flows impacted by restatement:						
Net loss	$ (266,027)	$ 10,479	$ (255,548)		$ 10,479	$ (255,548)
Deferred income taxes	29,695	$ (8,850)	20,845		$ (8,850)	$ 20,845
Goodwill, intangibles and other long lived asset impairment	$ 158,960	$ (667)	$ 158,293		$ (667)	$ 158,293
Other non-cash items	$ 23,456	$ (962)	$ 22,494		$ (962)	$ 22,494

This Amendment No. 2 is being filed to correct the financial information and related disclosure with respect to the errors to our 2009 provision for income taxes relating to the 2009 financial restructuring activities and our misapplication of ASC Topic 740 related to a tax basis attribute reduction resulting from the amount of CODI recognized for the 2009 financial restructuring activities. For a more detailed description of the restatements, see Note 22 to the accompanying Consolidated Financial Statements in this Amendment No. 2.

The following sections of this Amendment No. 2 have been amended from the Original Annual Report and the Amendment No. 1 thereto as a result of the restatements described above:

Part I Item 1 Business

Part II Item 6 Selected Financial Data

Part II Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II Item 8 Financial Statements and Supplementary Data

Part II Item 9A Controls and Procedures

Pursuant to the rules of the SEC, Item 15 of Part IV also has been amended to include the currently dated certifications from the Company's Principal Executive Officer and Principal Financial Officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002. The certifications of the Company's Principal Executive Officer and Principal Financial Officer are attached to this Amendment No. 2 as Exhibits 31 and 32.

Except for information included herein and any information included in Amendment No. 1 that is not superseded by information in this Amendment No. 2, the Original Annual Report continues to speak as of the date thereof (or such other date as may be referred to in the Original Annual Report). Events occurring subsequent to the filing of the Original Annual Report and disclosures necessary to reflect any subsequent events have been or will be addressed in our filings with the SEC for periods subsequent to the periods covered by the Original Annual Report.

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PART I

Item 1. BUSINESS.

General

Georgia Gulf Corporation is a leading North American manufacturer and international marketer of two integrated chemical product lines, chlorovinyls and aromatics. Our primary chlorovinyls products are chlorine, caustic soda, ethylene dichloride ("EDC"), vinyl chloride monomer ("VCM"), vinyl resins, vinyl compounds and compound additives; and our aromatics products are cumene, phenol and acetone. On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited, which was subsequently renamed Royal Group, Inc. ("Royal Group"), a leading North American manufacturer and marketer of vinyl-based building and home improvement products. Royal Group's core businesses now consist of five product lines: (i) window and door profiles; (ii) mouldings; (iii) siding; (iv) pipe and pipe fittings; and (v) deck, fence and rail products.

The Royal Group acquisition furthered our chlorovinyls forward integration strategy by providing a growth platform that leverages Georgia Gulf's vinyl resins and vinyl compounds formulation expertise, which we have refined over the last 20 years, with Royal Group's experience and innovative product development. We believe the acquisition will allow us to strengthen our competitive position through further penetration of Royal Group's markets. The following chart illustrates our chlorovinyls and building and home improvement products integration.

Recapitalization

We completed the acquisition of all of the outstanding common stock of Royal Group in 2006 for a total purchase price, including assumed debt and debt retired in conjunction with the closing, of approximately $1.5 billion. The acquisition was financed entirely with new debt, including $500.0 million in aggregate principal amount of new senior notes, $200.0 million in aggregate principal amount of new senior subordinated notes and $800.0 million principal amount of floating interest rate term debt under a new senior secured credit facility.

Demand for our building and home improvement products declined during 2008 as compared to 2007 primarily as a result of U.S. housing starts decreasing by about 33 percent according to a report furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in

January 2009. Similarly, in 2008 our chlorovinyls segment experienced decreased demand compared to 2007, primarily as a result of a continued weakness in the U.S. residential housing market.

As a result of the significant impact of the recession on the residential construction industry, we were required to obtain numerous waivers and amendments of certain restrictive covenants that required us to maintain certain financial ratios under our senior secured credit facility. In early 2009, we began to take actions to recapitalize our company.

On March 31, 2009, we commenced private exchange offers for our outstanding 7.125 percent senior notes due 2013 (the "2013 notes"), 9.5 percent senior notes due 2014 (the "2014 notes"), and 10.75 percent senior subordinated notes due 2016 (the "2016 notes" and collectively with the 2013 notes and 2014 notes, the "notes") and, in conjunction with the private exchange offers, withheld payment of $34.5 million of interest due April 15, 2009 for the 2014 and 2016 notes. After numerous extensions and amendments of the exchange offers and additional waivers and amendments under our senior secured credit facility, on July 29, 2009, we consummated our private exchange of equity for approximately $736.0 million (principal amount), or 92.0 percent, in aggregate principal amount of the notes. The $736.0 million was comprised of $91.0 million of the $100 million of 2013 notes, $486.8 million of the $500 million of 2014 notes, and $158.1 million of the $200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and approximately 1.3 million shares of common stock were issued in exchange for the tendered notes after giving effect to a 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares. In preparation and prior to this debt for equity exchange, we executed a 1-for-25 reverse stock split. In September 2009, following an amendment of our charter to increase our authorized shares of common stock to 100 million shares, approximately 30.2 million convertible preferred shares converted to an equal number of common shares. After giving effect to the debt exchange at December 31, 2009, we had outstanding $9.0 million of the 2013 notes, $13.2 million of the 2014 notes and $41.4 million of the 2016 notes. This debt for equity exchange was a troubled debt restructuring and thus an extinguishment of the notes for which we recognized a net gain of $400.8 million, or approximately $16.18 per share.

On December 22, 2009, we refinanced our senior secured credit facility and our $175.0 million asset securitization agreement. At the time of the refinancing, our senior secured credit facility was comprised of a $300.0 million revolving credit facility and a $347.7 million Term Loan B. We replaced the senior secured credit facility and asset securitization facility with a four-year term secured asset based revolving credit facility that provides for a maximum of $300 million of revolving credit (including credit in the form of letters of credit and swingline loans) through December 2013, subject to borrowing base availability and other terms and conditions (the "ABL Revolver") and the issuance of $500.0 million in principal amount of our 9.0 percent senior secured notes. The borrowing base under the ABL Revolver 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. The borrowings under the ABL Revolver are secured by substantially all of our assets.

The $500.0 million of senior secured 9.0 percent notes are due in 2017. The 9.0 percent 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.

Our new capital structure significantly reduces our interest expense to approximately $70 million to $80 million annually from approximately $130 million in recent years and substantially eliminates quarterly maintenance covenants that were part of our debt agreements under our previous capital structure. However, we cannot be certain that our annual interest expense will always fall within a range of $70 million to $80 million, as the borrowings under our ABL Revolver are subject to variable interest rates, and thus, could increase substantially over time.

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Segment Information

We operate through four reportable segments: chlorovinyls; window and door profiles and mouldings products; outdoor building products; and aromatics. These four reportable segments reflect the organization used by our management for purposes of allocating resources and assessing performance. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, EDC, VCM and vinyl resins, vinyl compounds and compound additives. Through the Royal Group acquisition, we acquired manufacturing facilities for vinyl-based building and home improvement products. Our vinyl-based building and home improvement products are primarily marketed under the Royal Group brand names, and are managed within two reportable segments, window and door profiles and mouldings; and outdoor building products, which includes the manufacturing of siding, pipe and pipe fittings and deck, fence, and rail products. The aromatics segment includes cumene and the co-products phenol, acetone and alpha methyl styrene ("AMS").

Reportable Segments	**Key Products**
Chlorovinyls	Chlorine/Caustic Soda
	EDC
	VCM
	Vinyl Resins
	Vinyl Compounds
	Compound Additives
Window and Door Profiles and Mouldings	Window and Door Profiles
	Mouldings
Outdoor Building Products	Siding
	Pipe and Pipe Fittings
	Deck, Fence and Rail
Aromatics	Cumene
	Phenol/Acetone
	AMS

For selected financial information concerning our four reportable segments and our domestic and international sales, see Note 19 of the Notes to the Consolidated Financial Statements included in Item 8.

Plant Closings and Temporary Plant Idlings

In May 2009, we announced plans to consolidate two plants in our window and door profiles and mouldings segment. As part of this plan, our window and door profiles plant in McCarran, Nevada was closed in November 2009 and one of our window and door profiles manufacturing plants in Vaughan, Ontario was closed in December 2009.

The phenol industry suffered from industry-wide supply and demand imbalance primarily as a result of capacity that was brought online in 1999 and 2000. Rather than continue running both of our phenol/acetone plants of our aromatics segment at lower capacity utilization rates, management temporarily idled the Pasadena, Texas phenol/acetone plant in the second quarter of 2002. Subsequently, we have been able to continue to meet all of our customers' needs with phenol/acetone production from our Plaquemine, Louisiana plant. We intend to restart the Pasadena, Texas phenol/acetone plant when market conditions warrant. The net book value of our idled Pasadena, Texas phenol/acetone plant was approximately $0.7 million as of December 31, 2009 and is included in property, plant and equipment on our consolidated balance sheet.

Products and Markets

Chlorovinyls

The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, EDC, VCM, vinyl resins, vinyl compounds and compound additives. We have leading market positions in our key chemical products. In North America, we are one of the largest producers of VCM, vinyl resins, and vinyl compounds. The following table shows our total annual production capacities as of December 31, 2009, in our chlorovinyls product line:

Product Line	Capacity
Vinyl Compounds	1.3 billion pounds
Vinyl Resins	2.7 billion pounds
VCM	3.0 billion pounds
Caustic Soda	500,000 tons
Chlorine	450,000 tons
Compound Additives	162 million pounds
Plasticizers	22 million pounds

Vinyl Compounds and Compound Additives. Vinyl compounds are formulated to provide specific end-use properties that allow them to be processed directly into finished products. We produce flexible and rigid compounds, which are used in many different applications, including wire and cable insulation and jacketing, electrical outlet boxes and pipe fittings, window and furniture profiles and food-grade and general-purpose bottles. We also supply chlorinated vinyl compounds, or CPVC, to the extrusion and injection molding markets, mainly for production of hot water pipe and pipe fittings.

We have four vinyl compound facilities located in Aberdeen, Gallman, Madison and Prairie, Mississippi. As a result of the Royal Group acquisition, we acquired several vinyl compound manufacturing facilities in Vaughan, Ontario and a compound additives manufacturing facility located in Bradford, Ontario. Additionally, certain Royal Group extrusion plants contain compounding facilities. Substantially all of the vinyl compounds produced by Royal Group are used internally in Royal Group's extrusion operations. The additives plant produces lubricants, stabilizers, impact modifiers and process aids used in the production of compounds, which are part of the typical compound formulations. The majority of our additives are consumed internally.

Vinyl Resins. Vinyl resins are among the most widely used plastics in the world today, and we supply numerous grades of vinyl resins to a broad number of end-use markets. During 2009, approximately 69 percent of Georgia Gulf's vinyl resins production was sold into the merchant market where our vinyl resins were used in a wide variety of flexible and rigid vinyl end-use applications. In 2009, the largest end-uses of our products were for pipe and pipe fittings, siding and window profiles. Approximately 31 percent of our vinyl resins are used internally in the manufacture of our vinyl compounds and vinyl building products.

VCM. During 2009, we used about 99 percent of our VCM production in the manufacture of vinyl resins in our PVC manufacturing operations. VCM production not used internally is sold to other vinyl resins producers in domestic and international markets.

Chlor-alkali Products. All of the chlorine we produce is used internally in the production of VCM. As a co-product of chlorine, caustic soda further diversifies our revenue base. We sell substantially all of our caustic soda domestically and overseas to customers in numerous industries, with the pulp and paper, chemical and alumina industries constituting our largest markets. Other markets for our caustic soda include soap and detergents and the water treatment industries.

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Window and Door Profiles and Mouldings

In our window and door profiles and mouldings segment, we currently operate 11 manufacturing facilities located in Canada and the U.S. In addition we operate distribution centers, some of which are co-located with manufacturing plants. The window and door profiles and mouldings segment consists of extruded vinyl window and door profiles as well as interior and exterior mouldings, in which we have leading market positions.

Window and Door Profiles. Our window and door profiles products represent the largest portion of revenues within our building and home improvement products lines. We manufacture and extrude vinyl window profiles including frames, sashes, trim and other components, as well as vinyl patio door components and fabricated patio doors, which are sold primarily to window and door fabricators. Our sales are primarily to the custom segment of the vinyl window profile market with the profile design customized to a window fabricator's specific requirements.

Mouldings. We manufacture and market extruded decorative mouldings and millwork. Our decorative trim products are used for interior mouldings, such as crown, base and chair rail. For exterior mouldings, our products are used in applications such as brick mouldings, and as components used in the fabrication of doors, windows and spas. This product line includes a series of offerings, such as bendable trim and paintable/stainable trim.

Outdoor Building Products

In our outdoor building products segment, our continuing operations include 11 manufacturing facilities, which produce siding, pipe and pipe fittings, deck, fence and rail, and fabricated aluminum products. In addition, we operate distribution centers, some of which are co-located with manufacturing plants and 21 of which are free-standing facilities.

Siding. We manufacture vinyl siding, and we also offer a wide range of complementary accessories including vinyl soffit, aluminum soffit, fascia and trim and molded vent mounts and exterior shutters. We have a broad product offering of vinyl siding styles, including a premium vinyl siding that includes rich, dark, color-fast shades as well as a siding system, which enables siding panels to withstand harsh wind conditions.

Pipe and Pipe Fittings. We manufacture pipe and pipe fittings for the municipal and electrical markets, as well as pipe for plumbing applications. Our municipal pipe and pipe fittings product lines are used in potable water applications as well as for storm and sewer applications. Our plumbing lines are used in residential and industrial applications to move storm and sanitary wastewater from the building to the municipal sewer at the property line. This product line is primarily targeted at drain, waste and vent applications. Electrical, pipe, conduit and fittings are available in a wide variety of sizes and configurations, to meet the needs of both commercial and residential applications.

Deck, Fence and Rail. We manufacture vinyl deck, fence and rail products that are used for both the do-it-yourself ("D-I-Y") and professionally installed segments of the market. Products directed at the D-I-Y segment such as D-I-Y fencing are made in pre-built sections designed for quick and easy installation, and are sold through big-box home improvement retail stores. We offer many different fence styles for the professional installer. We also offer decorative columns and rail to complement our fence products. Royal Group's deck, fence and rail product lines are positioned as a lower-maintenance alternative to conventional wood and metal products.

Aromatics

The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone. We operate the world's largest cumene plant.

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The following table shows our total annual production capacities as of December 31, 2009 in our aromatics product line:

Product Line	**Capacity**
Phenol*	660 million pounds
Acetone*	408 million pounds
Cumene	2.0 billion pounds

* Capacity includes our plant in Pasadena (160 million pounds of phenol and 100 million pounds of acetone), which has been temporarily idled.

Cumene. Cumene is used as an intermediate to make phenol and acetone. About 31 percent of our cumene was consumed internally during 2009 to produce phenol and acetone. Cumene production not used internally is sold to other phenol and acetone manufacturers in domestic and international markets, and is sold as an additive in gasoline blending.

Phenol. Our phenol is sold to a broad base of customers who are producers of a variety of phenolic resins, engineering plastics and specialty chemicals. Phenolic resins are used as adhesives for wood products such as plywood and Oriented Strand Board, or OSB. Engineering plastics are used in compact discs, digital video discs, automobiles, household appliances, electronics and protective coating applications. We also sell phenol for use in insulation, electrical parts, oil additives and chemical intermediates. In 2009, the largest sales segment of our phenol was the chemical/specialty chemical sector.

Acetone. As a co-product of phenol, acetone further diversifies our revenue base. Acetone is a chemical used primarily in the production of acrylic resins, engineering plastics and industrial solvents. We sell the majority of our acetone into the acrylic resins market, where it is used in the manufacture of various plastics and coatings used for signage, automotive parts, household appliances, paints and industrial coatings. Other uses range from solvents for automotive and industrial applications to pharmaceuticals and cosmetics.

Production, Raw Materials and Facilities

Our operations are highly vertically integrated as a result of our production of some of the key raw materials and intermediates used in the manufacture of our products. Our operational integration enhances our control over production costs and capacity utilization rates, as compared to our non-integrated competitors.

Chemical Products. In our chlorovinyls segment, we produce chlorine and its co-product caustic soda by electrolysis of salt brine. We produce VCM by reacting purchased ethylene with chlorine, which is both produced internally and purchased from third parties; our internal production of VCM slightly exceeds our internal demand requirements. We produce vinyl resins by polymerization of VCM in a batch reactor process. We formulate our vinyl compounds by blending our vinyl resins with various additives such as plasticizers, impact modifiers, stabilizers and pigments, most of which are purchased. We also have the capacity to produce EDC, an intermediate in the manufacture of VCM, for external sales. In our aromatics segment, we produce cumene utilizing benzene and refinery grade propylene ("propylene") purchased from third parties. Cumene is then oxidized to produce cumene hydroperoxide, which is split into the co-products phenol and acetone.

The significant raw materials we purchase from third parties include ethylene, benzene, natural gas, propylene, compound additives and chlorine. The majority of our purchases of ethylene and chlorine are made under long-term supply agreements, and we purchase natural gas, benzene and propylene in both the open market and under long-term contracts. We believe we have reliable sources of supply for our raw materials under normal market conditions. We cannot, however, predict the likelihood or impact of any future raw material shortages. Any shortages could have a material adverse impact on our results of operations.

Plaquemine, Louisiana Facilities. Our operations at these facilities include the production of chlorine, caustic soda, VCM, vinyl resins, phenol and acetone. We have a long-term lease on a nearby salt dome with reserves in excess of twenty years from which we supply our salt brine requirements. We use all of our chlorine production in the manufacture of VCM at this facility, and we sell substantially all of our caustic soda production externally. All of the ethylene requirements for our VCM production are supplied by pipeline. Most of our Plaquemine VCM production is consumed on-site in our vinyl resins production or shipped to our other vinyl resins facilities with the remainder sold to third parties. We manufacture a significant portion of our vinyl resins production at this facility. As part of a modernization project at this facility completed in 2007, we increased our vinyl resins production capacity by approximately 450 million pounds annually. Our cumene requirements for the production of phenol and its co-product acetone are shipped from our Pasadena, Texas facility by dedicated barges.

Our 250-megawatt cogeneration facility supplies all of the electricity and steam needs at our Plaquemine facilities. We also own an on-site air separation unit operated by a third party that provides all of the Plaquemine facility's nitrogen and oxygen gas requirements.

Lake Charles, Louisiana Facilities. We produce VCM at our Lake Charles, Louisiana facility and through our manufacturing joint venture, PHH Monomers, LLC, which is located in close proximity to our Lake Charles VCM facility. PHH Monomers is a joint venture with PPG Industries, Inc. that entitles us to 50 percent of the VCM production. Virtually all of the chlorine and ethylene needs of our Lake Charles VCM facility and PHH Monomers facility are supplied by pipeline. VCM from these facilities supplies our Aberdeen, Mississippi facility. On occasion, a small portion of VCM produced at the Lake Charles facilities is sold on spot sales to third parties.

Aberdeen, Mississippi Facility. We produce vinyl resins at our Aberdeen, Mississippi facility from VCM supplied by railcar from our various VCM facilities. In addition, the Aberdeen facility produces plasticizers, which are consumed internally for flexible vinyl compound production.

Vinyl Compounds and Compound Additives Facilities. We operate compound facilities in Aberdeen, Gallman, Madison and Prairie, Mississippi and Vaughan, Ontario. We also produce vinyl compounds in certain of our extrusion plants. All of these vinyl compound facilities are supplied from our vinyl resins facilities by railcar, truck or in the case of Aberdeen, pipeline. Additionally, we produce some of our compound additives at our Bradford, Ontario facility and purchase the remainder from various sources at market prices.

Pasadena, Texas Facilities. At our Pasadena, Texas facilities we have the capability to produce cumene, phenol and acetone. We produce cumene utilizing purchased benzene and propylene. Our cumene facility is integrated by pipeline with our phenol and acetone facility at Pasadena. Currently, due to the temporary idling of phenol and acetone production at Pasadena (discussed above), all of the cumene production at this facility is either shipped to the Plaquemine phenol and acetone facility or sold to third parties. We purchase propylene and benzene at market prices from various suppliers delivered by multiple transportation modes to our cumene facility. A portion of the benzene is supplied under contracts at market prices, and the propylene is provided from numerous refineries at market prices. Based on current industry capacity, we believe we have adequate access to benzene and propylene under normal conditions.

Building and Home Improvement Products. In our building and home improvement product lines, we produce vinyl window and door profiles, mouldings, siding, pipe and pipe fittings, and deck, fence and rail products. The principal raw material we use in production is vinyl resin, which is blended with other compound additives to form vinyl compounds, which are then extruded or injection molded. We believe internal production of vinyl resins, compounds and most compound additives by our chlorovinyls segment assures quality and facilitates efficient production of our vinyl-based products. Additives assist in processing vinyl resins efficiently and can be used to make the resulting product flexible or rigid, to add color or texture or other desired properties. For example, UV inhibitors may be added to protect an exterior product from sun damage, which could cause fading.

Extrusion is a process by which vinyl compounds are heated until they melt and then forced through a uniquely shaped opening, referred to as a die, to form various shapes and thickness. For example, when producing decking, a slip resistant design may be embossed onto the planks. Variations in extrusion are used to give products other desired qualities. For example, in producing mouldings and some deck products, we use cellular extrusion, which involves the process of encapsulating air bubbles in the vinyl extrusion, which reduces weight and cost. As the extruded product leaves the die, it is immediately cooled resulting in resolidification of the vinyl into a product matching the die pattern. Cooling is accomplished by using water and/or air.

We also produce some pipe fittings through injection molding. These products are produced by heating vinyl compounds until they melt and then injecting them under pressure into a hollow mold to create three dimensional parts.

Facilities. We operate numerous manufacturing facilities in Canada and the U.S. to produce our building and home improvement products. Vinyl resins and vinyl compounds as well as compound additives from the plants operated by our chlorovinyls segment are supplied to our facilities by truck or rail. We also purchase additional additives from various sources at market prices. The other principal cost to produce these products is electricity to power our facilities.

Operation of numerous manufacturing facilities located strategically near customers, such as is the case in our window and door profiles division, facilitates marketing and customer support and also minimizes transportation costs. Transportation costs limit sales of pipe from our facilities. Because our pipe plants are located in Ontario and British Columbia, sales of our pipe are concentrated within the northeastern and northwestern portions of Canada and the U.S. Our building and home improvement products are delivered primarily by truck.

Seasonality

Operating income for all four of our reportable segments is affected by the seasonality of the construction industry, which experiences its highest level of activity during the spring and summer months. Therefore, our second and third quarter operating results are typically the strongest. Our first and fourth quarter operating results usually reflect a decrease in construction activity due to colder weather and holidays.

Inventory Practices and Product Returns

In our chlorovinyls business, by the nature of our products, we do not maintain significant inventories and product returns are insignificant.

As is typical for the industry, in our home improvement and building products business, we maintain stocks of inventories in most of our product lines. We generally build additional inventory in advance of the peak construction season to assure product availability.

Generally, our home improvement and building products may be returned only if defective. However, in certain circumstances, we may allow the return of products as a customer accommodation, such as in the case of a change in product lines.

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Sales and Marketing

No single customer accounted for more than 6 percent of our consolidated revenues for the years ended December 31, 2009, 2008, and 2007. In addition to our domestic sales, we export some of our products.

Chemical Products. Our sales and marketing program is aimed at supporting our existing customers and expanding and diversifying our customer base. In our chemicals business, we have a dedicated sales force organized by product line and region. In addition, we use distributors to market products to smaller customers. We have a product development and technical service staff that primarily supports our vinyl resins and vinyl compounds businesses. This staff works closely with customers to qualify existing Georgia Gulf products for use by our customers.

Building and Home Improvement Products. In our building products business, sales and marketing activities vary by product line and distribution channel. Our window and door profiles are primarily sold by our dedicated sales force and supported by marketing support activities that may include brochure development for window fabricators, technical advisory and design services for fabricators and advertising directed at installers suggesting that they look for windows fabricated with Royal Group profiles. Our mouldings products are distributed primarily by our dedicated sales force to independent dealers, fabricators, distributors and home centers, who resell the products directly to builders, installers or homeowners. The majority of our vinyl siding and accessories sales are in North America, where products are distributed through independent building product distributors, who are solicited primarily by Royal Group's dedicated sales force. In Canada, vinyl siding and accessories are distributed through company-owned as well as independent building product distributors. These distributors generally sell to professional building product installers in North America. Sales of pipe and pipe fittings are generally sold through municipal and electrical distributors. Our sales and technical staff work with end use customers to provide technical information to promote the use of our PVC pipe and fitting products. The majority of pipe and pipe fitting sales occur in Canada, where products are sold nationally through pipe distributors to contractors. In the United States, we sell our pipe fittings nationally, but sell our pipe only in the Northeast and Northwest due to close proximity to Canadian manufacturing plants and higher costs associated with shipping to other regions. Deck, fence and rail products are sold through retail home improvement stores, and are also sold to professionals through distributors. The sales force for these products is primarily company employees. Royal Group engages in advertising programs primarily directed at trade professionals that are intended to develop awareness and interest in its products. In addition, Royal Group displays its products at a series of national and regional trade shows.

Competition

We experience competition from numerous manufacturers in our chlorovinyls, aromatics and building and home improvement products businesses. We compete on a variety of factors including price, product quality, delivery and technical service.

In our chemicals business, we face competition from numerous manufacturers of chemicals and vinyl resins and compounds. In our building and home improvement products business, we face competition for each of our products from other manufacturers of vinyl products as well as numerous manufacturers of traditional building materials. We believe that our vinyl building and home improvement products are preferred by builders and homeowners because of their durability and ease of installation and maintenance as compared to traditional building materials. In the window and door profile market, we face competition from manufacturers of wood, aluminum and fiberglass products. In the siding market, we face competition from manufacturers of cement, brick, wood, stucco, stone, concrete and aluminum products. We face competition from manufacturers of concrete and metal products in the pipe and pipe fittings market. Similarly, we face competition from manufacturers of composite materials, wood and metal products in the deck, fence and rail markets. In addition, competition for certain price sensitive products from countries such as China is increasing.

In all businesses, we believe that we are well-positioned to compete as a result of integrated product lines and the operational efficiency of our plants and, in the case of our chemical plants, the proximity of our facilities near major water and/or rail transportation terminals. We also believe that for many of our extruded products, our ability to produce our dies internally is a competitive advantage over producers who must rely on third parties. For example, we believe our ability to produce our own dies generally results in our responding more quickly and efficiently to the customer. Finally, we believe the breadth of our extruded building and home improvement product lines to be a source of competitive advantage.

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 United States Environmental Protection Agency ("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 and the matters discussed in Item 3 "Legal Proceedings," we have the following potential environmental issues.

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

There are several serious environmental issues concerning the VCM facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains 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 we acquired known as the Calcasieu Estuary. It is likely that this estuary will be listed as a Superfund site and will be the subject of a natural resource damage recovery claim. It is estimated that there are about 200 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 quite costly. Also, Superfund statutes may impose joint and several liabilities 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.

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CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition (November 1999), we may make a claim for indemnification at any time. For environmental matters that were then unknown, we must generally have made such claims for indemnification before November 12, 2009. No such material claims were made.

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 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. As part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore maintained a $2.2 million accrual in non-current liabilities at December 31, 2009.

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

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

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

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

Employees

As of December 31, 2009 and 2008, we had 3,489 and 4,463, respectively, full-time employees. The decrease in number of employees represents part of management's continuing cost reduction strategy. We employ approximately 444 employees under collective bargaining agreements that expire at various times from 2010 through 2014. We believe our relationships with our employees are good.

Available Information

We make available free of charge on our website at www.ggc.com our annual report on Form 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission ("SEC").

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PART II

Item 6. SELECTED FINANCIAL DATA.

Five-Year Selected Financial Data

(In thousands, except per share data, percentages and employees)	Year Ended December 31, 2009* (Restated**)	2008* (Restated**)	2007* (Restated**)	2006*	2005
Results of Operations:					
Net sales	**$ 1,990,091**	$ 2,916,477	$ 3,157,270	$ 2,427,843	$ 2,273,719
Cost of sales	**1,778,998**	2,717,409	2,851,426	2,152,571	2,049,510
Selling, general and administrative expenses	**182,937**	168,572	225,607	119,151	61,444
Long-lived asset impairment charges	**21,804**	175,201	158,293		
Restructuring costs	**6,858**	21,973	3,659		
Losses (gains) on sale of assets	**62**	(27,282)	1,304		
Operating (loss) income	**(568)**	(139,396)	(83,019)	156,121	162,765
Interest expense	**(131,102)**	(134,513)	(134,568)	(51,648)	(20,527)
Loss on debt modification and extinguishment, net	**(42,797)**				
Gain on debt exchange	**400,835**				
Foreign exchange (loss) gain	**(1,400)**	(4,264)	6,286	(21,543)	
Interest income	**583**	1,308	805	369	120
Income (loss) from continuing operations before taxes	**225,551**	(276,865)	(210,496)	83,299	142,358
Provision (benefit) for income taxes (1)	**94,492**	(21,695)	34,188	31,497	46,855
Income (loss) from continuing operations	**131,059**	(255,170)	(244,684)	51,802	95,503
Loss from discontinued operations, net of tax			(10,864)	(3,263)	
Net income (loss)	**$ 131,059**	$ (255,170)	$ (255,548)	$ 48,539	$ 95,503
Basic earnings (loss) per share:					
(Loss) income from continuing operations	**$ 8.27**	$ (191.21)	$ (186.17)	$ 29.73	$ 62.34
Loss from discontinued operations			(7.91)	(2.39)	
Net income (loss)	**$ 8.27**	$ (191.21)	$ (194.08)	$ 27.34	$ 62.34
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	**$ 8.26**	$ (191.21)	$ (186.17)	$ 29.67	$ 61.85
Loss from discontinued operations			(7.91)	(2.37)	
Net income (loss)	**$ 8.26**	$ (191.21)	$ (194.08)	$ 27.30	$ 61.85
Dividends per common share		6.00	8.00	8.00	8.00
Financial Highlights:					
Net working capital	**$ 340,721**	$ 225,187	$ 200,745	$ 202,955	$ 62,330
Property, plant and equipment, net	**687,570**	760,760	967,188	1,023,004	401,412
Total assets	**1,604,640**	1,610,401	2,201,664	2,458,227	1,000,953
Total debt	**739,005**	1,394,150	1,382,008	1,498,134	278,639
Asset securitization (2)		111,000	147,000	128,000	141,000
Net cash provided by operating activities	**723**	41,392	128,557	250,577	71,145
Net cash provided by investing activities	**(26,025)**	24,569	21,589	(1,080,917)	(30,682)
Net cash provided by financing activities	**(29,099)**	15,402	(150,906)	825,022	(47,253)
Depreciation and amortization	**117,690**	143,718	150,210	85,019	63,101
Capital expenditures	**30,085**	62,545	83,670	90,770	32,044
Maintenance expenditures	**104,472**	109,130	111,187	80,464	79,584
Other Selected Data:					
Adjusted EBITDA (3)	**$ 161,515**	$ 163,052	$ 230,532	$ 219,597	$ 224,469
Weighted average shares outstanding basic	**14,903**	1,378	1,374	1,364	1,355

Weighted average shares outstanding diluted	**14,908**	1,378	1,374	1,375	1,368
Common shares outstanding	**33,718**	1,379	1,376	1,376	1,370
Return on sales	**5.8%**	(8.7)%	(8.1)%	2.0%	4.2%
Employees	**3,489**	4,463	5,249	6,654	1,123

* Includes Royal Group financial data as of December 31, 2009, 2008 and 2007 and from October 3, 2006, the date of the acquisition. The years ended December 31, 2007 and 2006 include additional cost of sales of $2.0 million and $18.0 million, respectively, as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in accordance with accounting standards related to business combinations.

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Our financial results as of and for the years ended December 31, 2009, 2008 and 2007 have been restated. For a more detailed description of the restatements, see Note 22 of the Notes to the accompanying Consolidated Financial Statements in Item 8.

(1)

Provision for income taxes for 2007 includes the effect of a $43.4 million valuation allowance on deferred tax assets in Canada.

(2)

As of December 31, 2008, $111.0 million of accounts receivable had been sold through the asset securitization facility. As of December 31, 2009, the asset securitization facility was replaced with the ABL Revolver.

(3)

We have included above the non-GAAP measure Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation, and amortization, restructuring and goodwill, intangibles, and other long-lived asset impairment and (gains) losses on significant asset disposals, discontinued operations and other. We use Adjusted EBITDA to measure the company's profitability excluding certain items. Adjusted EBITDA is commonly used by investors as a main component of valuation analysis of cyclical companies. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to operating income as a measure of performance or to cash provided by operating activities as a measure of liquidity. In addition, our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. Below we have provided a reconciliation of the non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.

	Year Ended December 31,				
(In thousands)	**2009**	**2008**	**2007**	**2006**	**2005**
Operating (loss) income	**$ (568)**	$ (139,396)	$ (83,019)	$ 156,121	$ 162,765
Depreciation and amortization expense	**117,690**	143,718	150,210	85,019	63,101
Long lived asset impairment charges	**21,804**	175,201	158,293		
Restructuring costs	**6,858**	21,973	3,659		
Losses (gains) on sale of assets	**62**	(27,282)	1,304		
Foreign exchange loss on forward contracts				(20,800)	
Other (a)	**15,669**	(11,162)	85	(743)	(1,397)
Adjusted EBITDA	**$ 161,515**	$ 163,052	$ 230,532	$ 219,597	$ 224,469

(a)

Other for the year ended December 31, 2009 includes $13.9 million of equity compensation related to the 2009 equity and performance plan, $13.1 million of operational and financial restructuring consulting fees offset by $9.6 million of loan cost amortization. Other for the year ended December 31, 2008 includes $6.4 million of loan cost amortization and $4.3 million foreign exchange loss.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our financial condition and results of operations as of and for the years ended December 31, 2009, 2008 and 2007 have been restated. All information and disclosures contained in this management's discussion and analysis of financial condition and results of operations have been updated to reflect the effects of such restatements. For a more detailed description of the restatements, see Note 22 of the Notes to the accompanying Consolidated Financial Statements in this Amendment No. 2 to our 2009 Annual Report on Form 10-K/A.

We are a leading North American manufacturer and an international marketer of chlorovinyl and aromatics chemicals and also manufacture and market vinyl-based building and home improvement products. Our chlorovinyl and aromatic chemicals products are sold for further processing into a wide variety of end-use applications, including plastic pipe and pipe fittings, siding and window frames, bonding agents for wood products, high-quality plastics, acrylic sheeting and coatings for wire and cable. Our vinyl-based building and home improvement products, marketed under the Royal Group brands, primarily include window and door profiles, mouldings, siding, pipe and pipe fittings and deck, fence and rail products.

Vinyl-Based Building and Home Improvement Products Business Overview

Our vinyl-based building and home improvement products are used primarily in new residential and industrial construction, municipality infrastructure and residential remodeling. Our sales revenue by geographic area for our building and home improvement products for 2009 was about 44 percent in the U.S. and the remainder in Canada. All of our building and home improvement products are ultimately sold to external customers.

Demand for our building and home improvement products declined during 2009 as compared to 2008 primarily as a result of U.S. housing starts decreasing by about 37 percent according to a report furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in January 2010. Housing starts in Canada were down 30 percent from 2008 to 2009 with an average annualized rate in 2009 of about 0.1 million units. The weakness in the U.S. and Canadian residential housing industry was the primary cause of the industry sales decrease for siding of 12 percent, mouldings of 10 percent and rigid pipe of 6 percent, according to American Chemistry Council Plastics Industry Producers Statistics Group ("PIPS").

Chemical Business Overview

Our chemical business consists of two integrated chemical product lines, chlorovinyls and aromatics. Our primary chlorovinyls products include chlorine, caustic soda, VCM, vinyl resins and vinyl compounds. For the year ended December 31, 2009, we consumed all of our chlorine production in making VCM, we consumed 5 percent of our caustic soda production, we consumed 99 percent of our VCM production in manufacturing vinyl resins, we consumed 31 percent of our vinyl resins in the manufacture of vinyl compounds and we consumed about 23 percent of our vinyl compounds in the manufacture of fabricated products. The remainder of our caustic soda, VCM, vinyl resins and vinyl compounds were sold to third parties. Our primary aromatic products include cumene, phenol and acetone. For the year ended December 31, 2009, approximately 69 percent of our cumene was sold to third parties with the remainder used internally to manufacture phenol and acetone. All of our phenol and acetone was sold to third parties. Our products are used primarily by customers as raw materials to manufacture a diverse range of products, which serve numerous consumer markets for durable and non-durable goods and construction.

Our chemical business and the chemical industry in general, are cyclical in nature and are affected by domestic and, to a lesser extent, worldwide economic conditions. Cyclical price swings, driven by changes in supply and demand, can lead to significant changes in our overall profitability. The demand for our chemicals tends to reflect fluctuations in downstream markets that are affected by consumer spending for durable and non-durable goods as well as construction.

Global capacity also materially affects the prices of chemical products. Generally, in periods of high operating rates, prices rise, and margins increase and as a result new capacity is announced. Since world-scale size plants are generally the most cost-competitive, new increases in capacity tend to be on a large scale and are often undertaken by existing industry participants. Usually, as new capacity is added, prices decline until increases in demand improve operating rates and the new capacity is absorbed, or in some instances, until less efficient producers withdraw capacity from the market. As the additional supply is absorbed, operating rates rise, prices increase and the cycle repeats.

Purchased raw materials and natural gas costs account for the majority of our cost of sales and can also have a material effect on our profitability and margins. Some of our primary raw materials, including ethylene, benzene and propylene, are crude oil and natural gas derivatives and therefore follow the oil and gas industry price trends. Chemical Market Associates, Incorporated ("CMAI") reported annual U.S. industry prices for crude oil and natural gas decreased 38 percent and 56 percent, respectively, from 2008 to 2009. From 2007 to 2008, CMAI reported U.S. industry prices for crude oil and natural gas increased 38 percent and 32 percent, respectively.

Significant volatility in raw material costs tends to put pressure on product margins as sales price increases can lag behind raw material cost increases. Conversely, product margins may suffer from a sharp decline in raw material costs due to the time lag between the purchase of raw materials and the sale of the finished goods manufactured using those raw materials. As an example, CMAI reported U.S. industry prices for crude oil and natural gas decreased 69 percent and 48 percent, respectively from July 2008 to December 2008.

In 2009 our chlorovinyls segment experienced decreased domestic demand compared to 2008, primarily as a result of a continued weakness in the U.S. residential housing market. When comparing 2008 to 2009, North American industry vinyl resins sales volume decreased about 1 percent as a result of a domestic sales volume decline of 7 percent partially offset by a 33 percent increase in export sales volume. The domestic vinyl resins volume decrease resulted from declines in most end-use markets, according to PIPS. CMAI reported an industry price decrease for our feedstocks ethylene of 43 percent and natural gas of 56 percent from 2008 to 2009, while chlorine increased about 7 percent for the same time period. Vinyl resin industry sales prices decreased 10 percent from 2008 to 2009 due to decreased feedstock costs. Caustic soda industry sales prices decreased 43 percent from 2008 to 2009 due to a decrease in demand caused by the significant economic downturn effectively removing large segments of the demand for caustic through shutdowns and rate reductions by end users and an increase in global supply from new chlor-alkali capacity additions in Asia. Vinyl resin industry operating rates for 2009 and 2008 were approximately 77 percent, according to Chemical Data Inc. ("CDI").

Our aromatics segment demand decreased in 2009 compared to 2008. According to CDI, North American operating rates for phenol and acetone decreased from about 75 percent in 2008 to about 60 percent in 2009. North American cumene industry operating rates decreased from about 72 percent in 2008 to about 62 percent in 2009. CMAI reported industry prices trended upwards during 2009 for our feedstocks benzene by 179 percent and propylene of 289 percent. As a result of the increase in feedstocks costs, industry sales prices also increased during 2009 by 62 percent for phenol, 133 percent for acetone and 177 percent for cumene, according to CMAI. Consequently, most producers were able to more than recover previously purchased raw materials costs in an increasing sales price environment due to the time lag between the purchase of raw materials and the sale of the related finished goods. Conversely during the fourth quarter of 2008, the aromatics industry experienced a sharp decline in feedstock and product prices. CDI reported U.S. industry prices for benzene and propylene decreased 76 percent and 78 percent, respectively, from September 2008 to December 2008, as a result of which most producers were unable to fully recover previously purchased raw materials costs.

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Results of Operations

The following table sets forth our consolidated statement of operations data for each of the three years ended December 31, 2009, 2008 and 2007, and the percentage of net sales of each line item for the years presented.

	Year Ended December 31,								
(Dollars in millions)		**2009**			**2008**			**2007**	
Net sales	$	1,990.1	100.0%	$	2,916.5	100.0%	$	3,157.3	100.0%
Cost of sales		1,779.0	89.4		2,717.4	93.2		2,851.4	90.3
Gross margin		211.1	10.6		199.1	6.8		305.9	9.7
Selling, general and administrative expenses		182.9	9.2		168.6	5.8		225.6	7.2
Long-lived asset impairment charges		21.8	1.1		175.2	6.0		158.3	5.0
Restructuring costs		6.9	0.3		22.0	0.7		3.7	0.1
(Gains) losses on sale of assets		0.1	0.0		(27.3)	(0.9)		1.3	0.0
Operating (loss) income		(0.6)	(0.0)		(139.4)	(4.8)		(83.0)	(2.6)
Interest expense, net		130.5	6.6		133.2	4.6		133.8	4.2
Loss on debt modification and extinguishment, net		42.8	2.2						
Gain on debt exchange		(400.8)	(20.1)						
Foreign exchange loss (gain)		1.4	0.1		4.3	0.1		(6.3)	(0.2)
Provision for (benefit from) income taxes		94.5	4.7		(21.7)	(0.7)		34.2	1.1
Income (loss) from continuing operations		131.1	6.6		(255.2)	(8.8)		(244.7)	(7.8)
Loss from discontinued operations, net of tax								(10.8)	(0.3)
Net income (loss)	$	131.1	6.6%	$	(255.2)	(8.8)%	$	(255.5)	(8.1)%

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

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The following table sets forth certain financial data by reportable segment for each of the three years ended December 31, 2009, 2008 and 2007, and the percentage of total net sales or gross margin by segment for each line item.

	Year Ended December 31,								
(Dollars in millions)		**2009**			**2008**			**2007**	
Net sales									
Chlorovinyls	$	940.6	47.3%	$	1,380.0	47.3%	$	1,409.1	44.6%
Window and door profiles and mouldings products		323.7	16.3		408.9	14.0		508.0	16.1
Outdoor building products		404.5	20.3		508.8	17.5		573.3	18.2
Aromatics		321.3	16.1		618.8	21.2		666.9	21.1
Total net sales	$	1,990.1	100.0%	$	2,916.5	100.0%	$	3,157.3	100.0%
Gross margin									
Chlorovinyls	$	108.2	11.5%	$	165.5	12.0%	$	150.3	10.7%
Window and door profiles and mouldings products		28.0	8.7		23.7	5.8		68.7	13.5
Outdoor building products		53.6	13.3		41.0	8.1		72.0	12.6
Aromatics		21.3	6.6		(31.1)	(5.0)		14.8	2.2
Total gross margin	$	211.1	10.6%	$	199.1	6.8%	$	305.8	9.7%

Year Ended December 31, 2009, Compared With Year Ended December 31, 2008

Net Sales. For the year ended December 31, 2009, net sales totaled $1,990.1 million, a decrease of 32 percent compared to $2,916.5 million for the prior year. This decrease was primarily a result of decreases in our overall sales prices and volumes of 27 percent and 6 percent, respectively. Our overall average sales price decrease is largely a result of decreases in the prices of vinyl resins and all of our aromatics products and an unfavorable currency impact. The sales price decreases reflect lower costs for our raw materials and natural gas. Our overall sales volume decrease is mainly attributable to a decrease in demand in North America for vinyl-based building materials, which, in turn, is attributable to the seasonally adjusted annual U.S housing starts rate decreasing 37 percent from 2008 to 2009. Our North American sales volume decrease was partially offset by an increase in export sales.

Chlorovinyls segment net sales totaled $940.6 million for the year ended December 31, 2009, a decrease of 32 percent compared with net sales of $1,380.0 million for the prior year. Our overall average sales price decreased 32 percent primarily as a result of decreases in the prices of vinyl resins of 34 percent and caustic soda of 50 percent. The vinyl resins sales price decrease reflects lower prices for the feedstock ethylene and natural gas. The caustic soda sales price decrease reflects a decrease in demand caused by the significant economic downturn effectively removing large segments of the demand for caustic through shutdowns and rate reductions by end users and an increase in global supply from new chlor-alkali capacity additions in Asia. Our North America chlorovinyls sales volume decreased primarily as a result of the decrease in our sales volume for vinyl resins of 15 percent, vinyl compounds of 10 percent and caustic soda of 21 percent. Our North American sales volume decrease was offset by an increase in exports for vinyl resins of 80 percent and caustic soda of 59 percent. North American vinyl resin industry sales volume declined 1 percent as a result of the domestic sales volume decrease of 7 percent, primarily due to the decline in U.S. housing and construction offset by an increase in export sales volume of 33 percent.

Window and door profiles and mouldings products segment net sales totaled $323.7 million for the year ended December 31, 2009, a decrease of 21 percent (16 percent decrease on a constant currency basis) compared to $408.9 million for the prior year. Our overall sales volumes decreased 19 percent. North American industry wide vinyl resin extruded window and doors and mouldings sales volumes

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declined 4 percent in the same period, reflecting the decline in U.S. housing construction and remodeling. We experienced an unfavorable currency impact on our sales in Canada resulting from the weakening of the Canadian dollar against the U.S. dollar. During 2009, our window and door profiles and mouldings segment generated about 55 percent of its revenue in the U.S. and the remainder in Canada.

Outdoor building products segment net sales totaled $404.5 million for the year ended December 31, 2009, a decrease of 21 percent (14 percent decrease on a constant currency basis) compared to $508.8 million for the prior year. Our overall sales volumes decreased 10 percent. North American vinyl resin pipe, siding, fence and decking industry sales volumes declined about 7 percent, reflecting the decline in U.S. housing construction and remodeling. In addition, sales during 2008 included about $26.4 million related to the outdoor storage business, a business we divested in 2008. We experienced an unfavorable currency impact on our sales in Canada resulting from the weakening of the Canadian dollar against the U.S. dollar. During 2009, our outdoor building products segment generated about 35 percent of its revenue in the U.S. and the remainder in Canada.

Aromatics segment net sales were $321.3 million for the year ended December 31, 2009, a decrease of 48 percent compared to $618.8 million for the prior year. Our overall average sales prices decreased 34 percent as a result of decreases in the prices of cumene of 36 percent, phenol of 30 percent and acetone of 19 percent. The sales price decreases reflect lower costs for the feedstocks benzene and propylene. The North American phenol and acetone industry operating rate was approximately 61 percent for 2009, or down about 15 percent compared with the prior year. The North American cumene industry operating rate was approximately 62 percent during 2009, or about 10 percent lower than the prior year. During the first quarter of 2009, a competitor announced the idling of a 1 billion pound cumene plant reducing North American cumene industry capacity by about 9 percent. Our overall aromatics sales volumes decreased 21 percent as a result of a decline in phenol of 48 percent and acetone of 50 percent. The phenol and acetone sales volume decrease is due to weak demand in North America caused primarily by the decline in the U.S. housing construction and automotive markets and reduced export sales. Our cumene sales volume increase of 10 percent reflects additional spot sales opportunities realized during the year ended December 31, 2009.

Gross Margin. Total gross margin increased from 6.8 percent of sales for the year ended December 31, 2008 to 10.6 percent of sales for the year ended December 31, 2009. This $12.0 million gross margin increase and related increase in gross margin percentage is due to lower feedstock costs and natural gas costs and several cost savings initiatives partially offset by lower sales volumes and sales prices. Also during 2009, we were able to fully recover previously purchased raw materials costs in an increasing feedstock and sales price environment. Conversely during 2008, the chemical industry experienced a sharp decline in feedstock and product prices and we were not able to recover previously purchased feedstock costs due to the time lag between the purchase of raw materials and the sale of the related finished goods. Some of our primary raw materials and natural gas costs in our chemical segments normally track crude oil and natural gas industry prices. Crude oil and natural gas industry prices experienced decreases of 38 percent and 56 percent, respectively, from 2008 to 2009. We implemented several cost savings initiatives during 2008 and 2009 including the permanent closure of our 450 million pound vinyl resin manufacturing plant in Sarnia, Ontario and our 500 million pound vinyl resin manufacturing plant in Oklahoma City, Oklahoma, resulting in a number of cost reductions including a decrease in labor cost related to cost of sales of about $50.5 million during 2009 as compared to 2008.

Chlorovinyls segment gross margin decreased from 12.0 percent of sales for the year ended December 31, 2008 to 11.5 percent of sales for the year ended December 31, 2009. This $57.3 million gross margin decrease and related decrease in gross margin percentage primarily reflects a decrease in sales prices and domestic sales volume for most of our chlorovinyls products partially offset by a decrease in our raw materials and natural gas costs, an increase in export sales and cost savings initiatives implemented during 2008 and 2009. The sales price decrease reflects lower prices for our feedstock costs. In addition, the caustic soda sales price decrease reflects a decrease in demand due to the significant economic downturn and an increase in global supply from chlor-alkali capacity additions in Asia. The domestic sales volume decrease is due to weak demand in North America caused primarily by the decline in U.S. housing construction. Our overall raw materials and natural gas costs during 2009 decreased 47 percent compared to 2008. Our chlorovinyls operating rate increased from 70 percent for 2008 to 75 percent for 2009. In addition, in the first quarter of 2009 we had scheduled turnaround maintenance for our caustic chlorine plant. During 2008, we reduced our cost structure with the permanent closure of the Sarnia, Ontario and Oklahoma City, Oklahoma vinyl resin manufacturing plants, which had a combined 950 million pound annualized capacity, and moved the production requirements of our customers to our other manufacturing locations.

Window and door profiles and mouldings segment gross margin increased from 5.8 percent of sales for the year ended December 31, 2008 to 8.7 percent of sales for the year ended December 31, 2009. This $4.3 million gross margin increase and related increase in gross margin percentage primarily reflects decreases in our raw materials costs and cost savings initiatives implemented during 2008 and 2009 partially offset by decreases in sales volumes. The industry price of vinyl resins, this segment's primary raw material, decreased from 2008 to 2009. The window and door profiles and mouldings sales volume decrease is due to weak demand in North America reflecting the decline in the North American housing and construction markets. We implemented numerous cost savings initiatives during 2008 and 2009 to improve profitability, reduce indirect spending and freight costs and adjust our capacity to more closely match market demand. During 2008, we reduced 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. In May 2009, we announced the permanent closure of two additional window and door profile fabrication plants and moved the production requirements of our customers to our other manufacturing locations.

Outdoor building products segment gross margin increased from 8.1 percent of sales for the year ended December 31, 2008 to 13.3 percent of sales for the year ended December 31, 2009. This $12.6 million gross margin increase and related increase in gross margin percentage primarily reflects decreases in our raw materials costs and cost savings initiatives implemented during 2008 and 2009 partially offset by decreases in sales volumes. The industry price of vinyl resins, this segment's primary raw material, decreased from 2008 to 2009. We implemented numerous cost savings initiatives during 2008 and 2009 to improve profitability, reduce indirect spending and freight costs and adjust our capacity to more closely match market demand. During 2008, we reduced our cost structure with the permanent closure of one fabrication plant and moved the production requirements of our customers to our other manufacturing locations. In addition, we sold our outdoor storage buildings business during the first quarter of 2008, which also reduced our cost structure. The outdoor building products sales volume decrease is due to weak demand in North America reflecting the decline in the North American housing and construction markets.

Aromatics segment gross margin increased from negative 5.0 percent of sales for the year ended December 31, 2008 to 6.6 percent of sales for the year ended December 31, 2009. This $52.4 million gross margin increase and related increase in gross margin percentage from the last year is due primarily to decreases in our raw materials costs which more than offset decreases in our sales prices and volumes for most of our aromatics products. Also during 2009, we were able to fully recover previously purchased raw materials costs in an increasing feedstock and sales price environment. Conversely during the fourth quarter of 2008, we experienced a $24.8 million operating loss due to a sharp decline in feedstock and product prices and we were not able to recover previously purchased feedstock costs due to the time lag between the purchase of raw materials and their sale as finished goods. Our aromatics segment is allocated costs for certain maintenance, utilities, environmental and service costs, as well as other selling, general and administrative costs. For the years ended December 31, 2009 and 2008, there was $10.5 million and $12.9 million, respectively, of these costs allocated to our aromatics segment.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $182.9 million for the year ended December 31, 2009, an 8 percent increase from the $168.6 million for the year ended December 31, 2008. We have increased selling, general and administrative expenses about $14.4 million for stock compensation expense. This increase in stock compensation expense is primarily related to a July 27, 2009 stock grant in connection with the completion of our private exchange offers described in Note 10 of the Notes to the Consolidated Financial Statements. On the date of acceptance of notes in the exchange offers, restricted share units for 2,274,745 shares in the aggregate were granted. We have also increased our selling, general and administrative expenses primarily from a $12.6 million increase for services of restructuring advisors to assist us in reducing overall indebtedness and related interest expense, 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. In addition, we increased selling, general and administrative expenses by $4.4 million for the amortization of financing fees related to our asset securitization agreement entered into on March 17, 2009, lower cost last year of $5.2 million relating to a change in our vacation policy and accrued incentive compensation of $1.8 million. Our chlorovinyls and aromatics segments collectively increased selling, general, and administrative costs by $1.4 million, primarily as a result of a $4.0 million increase in the bad debt reserve offset partially by a gain in litigation settlements of $3.8 million. We have reduced selling, general and administrative costs in our window and door profiles and mouldings and outdoor building product segments, collectively, by $26.6 million, including a decrease in payroll related costs of $7.1million, bad debt expense of $5.5 million, advertising, commission and promotional expense of $4.3 million and depreciation and amortization of $5.1 million. Our Canadian operations selling, general, and administrative expenses reflect a favorable currency effect of $4.3 million as the Canadian dollar weakened against the U.S. dollar during the year ended December 31, 2009 compared to the same period in the prior year

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 (the "2009 Window and Door Consolidation Plan"). In accordance with general accepted accounting principles, we wrote down the plant's property, plant and equipment, resulting in a $21.8 million charge in the year ended December 31, 2009. During the fourth quarter of 2008, we recorded non-cash impairment charges of $175.2 million for the year ended December 31, 2008 to write down goodwill, other intangible assets and long-lived assets. The additional impairment during 2008 is due to the continued deteriorating U.S. housing and construction markets. An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The 2008 non-cash impairment charges by reportable segment are as follows: Window and Door Profiles and Mouldings reportable segment are $62.6 million of goodwill and $47.2 million of other intangible assets and $2.3 million of other long-lived assets. Outdoor Building Products reportable segment are $0.1 million of other intangible assets and $0.6 million of other long-lived assets and Chlorovinyls reportable segment is $1.4 million of other intangible assets and $61.1 million of other long-lived assets. The Chlorovinyls reportable segment other long-lived assets write down of $61.1 million is primarily due to ceasing all operations and permanent shut down of the Oklahoma City, Oklahoma and Sarnia, Ontario vinyl resin manufacturing plants during 2008.

Restructuring Costs. The expenses associated with the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan (each as described in Note 4 of the Notes to the Consolidated Financial Statements included in Item 8) and the 2009 Window and Door Consolidation Plan for the year ended December 31, 2009 for severance and exit costs totaled $4.4 million. Also related to these restructuring plans we expensed about $2.5 million for the services of several consultants to assist us in performance improvement, transportation management and indirect sourcing cost reduction initiatives among other areas of the business with the ultimate goal of improving and sustaining profitability for the long-term. For 2008, restructuring costs were $22.0 million primarily due to the closure and disposition costs of our outdoor storage buildings business of $5.8 million and cost related to the permanent shut down of the Oklahoma City, Oklahoma and Sarnia, Ontario vinyl resin manufacturing plants, severance and other exit

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costs of $6.3 million. See Note 4 of the Notes to the Consolidated Financial Statements for the year ended December 31, 2009 for further information on restructuring costs.

Losses (gains) on sale of assets. There were no significant asset sales during the year ended December 31, 2009. In June 2008, we sold land for net proceeds of $36.5 million, which resulted in a gain of $28.8 million. Additionally, in June 2008, we sold and leased back equipment for $10.6 million resulting in a $2.2 million currently recognized gain, a short-term deferred gain of $0.8 million and a non-current deferred gain of $7.2 million. The remainder of $3.7 million was due to a loss on the sale of other real estate.

Interest Expense, net. Interest expense, net decreased to $130.5 million for the year ended December 31, 2009, from $133.2 million for the year ended December 31, 2008. This decrease of $2.7 million was primarily attributable to lower overall debt balances and interest rates offset partially by the accretion of the fair value of the Term Loan B during 2009 as compared to the same period last year. The lower overall debt balance was due primarily to our exchanging approximately $736.0 million of our debt for equity on July 27, 2009. This reduction in debt effectively decreased our annual interest expense by $69.7 million. This decrease in interest expense was offset by the Term Loan B debt discount accretion as interest expense of $12.9 million during 2009, prior to the extinguishment of the Term Loan B on December 22, 2009 when this debt was refinanced. There was no Term Loan B debt discount accretion expense during 2008.

Loss on debt modification and extinguishment, net. 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. On December 22, 2009, we refinanced our senior secured credit facility and asset securitization agreement with a four-year term $300.0 million senior secured asset-based revolving credit facility and $500.0 million of senior secured 9.0 percent notes. The full extinguishment of our old senior secured credit facility and asset securitization agreement resulted in the write off of the Term Loan B debt discount and related financing costs of $163.8 million. Both the gain from the fifth amendment to our senior secured credit facility and loss from the refinancing of our senior secured credit facility and asset securitization were netted in the loss on debt modification and extinguishment, net in the consolidated statement of operations for the year ended December 31, 2009.

Gain on debt exchange. On July 29, 2009, we consummated our private exchange of equity for approximately $736.0 million of our outstanding notes. In accordance with ASC subtopic 470-60, *Troubled Debt Restructuring by Debtors,* this debt for equity exchange was a troubled debt restructuring and thus an extinguishment of the notes for which we recognized a net gain of $400.8 million. This gain included $731.5 million of principal debt, net of original issuance discounts, $53.7 million accrued interest, $14.1 million in deferred financing fees written off and $12.4 million of third party fees which was exchanged for the $357.9 million fair value of our common and preferred stock.

Provision for (benefit from) income taxes. The provision for income taxes from continuing operations was $94.5 million for the year ended December 31, 2009 compared with an income tax benefit from continuing operations of $21.7 million for the year ended December 31, 2008. Income from continuing operations before income taxes increased $502.4 million from 2008 to 2009 primarily due to the $400.8 million gain on the 2009 debt exchange. Our effective tax rate for continuing operations for 2009 and 2008 was 41.9 percent and 7.8 percent, respectively. The difference in the effective 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 timely repayment of the Mississippi Industrial Development Bond, offset by the reduction of tax attributes as a result of the debt for equity exchange and

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concurrent change in control of the company for tax purposes, as well as the valuation allowance in Canada. The difference in the effective tax rate as compared to the U.S. statutory federal income tax rate in 2008 was primarily due to federal and state income tax credits, the reversal of the interest accrued on the Quebec Trust matter discussed below and the valuation allowance in Canada. We are not recognizing a tax benefit for the net operating losses in Canada, as we have determined that we have not met the ASC topic 740, *Accounting for Income Taxes*, criteria to allow us to realize such benefits. See Note 16 of the Notes to the Consolidated Financial Statements for further information on income taxes.

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

Year Ended December 31, 2008, Compared With Year Ended December 31, 2007

Net Sales. For the year ended December 31, 2008, net sales totaled $2.9 billion, a decrease of about 8 percent compared to $3.2 billion in 2007. This decrease in our overall sales was primarily a result of a decrease in volumes of 17 percent offset by an increase in our overall net sales prices of 11 percent. Our overall sales volumes decrease is mainly attributable to a significant decrease in demand in North America for most of our products as North American housing starts decreased 33 percent from 2007 to 2008. In addition, our sales volumes were impacted by hurricanes Gustav and Ike in the U.S. gulf coast region during the third quarter of 2008. Our overall average sales price increase is due to higher costs for our raw materials and natural gas.

Chlorovinyls segment net sales totaled $1.38 billion for the year ended December 31, 2008, a slight decrease compared with net sales of $1.41 billion in 2007. Our overall chlorovinyls sales volumes decreased 18 percent and were mostly offset by our overall average sales prices increase of 19 percent. The sales volume decrease was primarily due to a decrease in demand for vinyl resins of 28 percent and vinyl compounds of 17 percent. Our vinyl resins sales volume decrease reflects a reduction in domestic sales as a result of a decrease in demand, a rationalization of lower margin customers, and disruptions caused by hurricanes Gustav and Ike during the third quarter of 2008, offset partially by an increase in exports. North American vinyl resin industry sales volume declined 12 percent as a result of the domestic sales volume decrease of 16 percent, reflecting the decline in U.S. housing starts, offset partially by an increase in exports of 27 percent. Our overall average sales prices increased by 19 percent, primarily as a result of increases in the prices of caustic soda of 79 percent and vinyl resins of 15 percent. The caustic soda price increase reflects the tightness of supply resulting from the weak demand for its co-product chlorine. The vinyl resins sales price increase reflects higher costs for the feedstock ethylene and natural gas.

Window and door profiles and mouldings products segment net sales totaled $408.9 million for the year ended December 31, 2008, a decrease of 20 percent (20 percent decrease on a constant currency basis) compared to $508.0 million in 2007. Our overall sales volumes decreased 20 percent. North American vinyl resin extruded window and door industry sales volumes declined about 19 percent reflecting the decline in the U.S. housing and construction markets. We experienced a minimal currency impact on our sales in Canada resulting from the change of the Canadian dollar against the U.S. dollar from 2007 to 2008. During 2008, our window and door profiles and mouldings segment generated about 57 percent of its revenue in the U. S. and the remainder in Canada.

Outdoor building products segment net sales totaled $508.8 million for the year ended December 31, 2008, a decrease of 11 percent (12 percent change on a constant currency basis) compared to $573.3 million in 2007. Our overall sales volumes decreased 19 percent. North American vinyl resin pipe, siding, fence and decking industry sales volumes declined about 20 percent reflecting the decline in U.S. housing and construction market. We experienced a minimal currency impact on our sales in Canada resulting from the change of the Canadian dollar against the U.S. dollar from 2007 to 2008. During 2008, our outdoor building products segment generated about 32 percent of its revenue in the U.S. and the remainder primarily in Canada.

Aromatics segment net sales were $618.8 million for the year ended December 31, 2008, a decrease of 7 percent compared to $666.9 million in 2007. Our overall aromatics sales volumes decreased 12 percent primarily as a result of decreases in phenol and acetone sales of 23 and 20 percent, respectively. The phenol and acetone sales volume decrease is due to weak demand in North America reflecting the decline in the U.S. housing and construction markets. In addition, our sales volumes were impacted by hurricanes Gustav and Ike in the U.S. gulf coast region during the third quarter of 2008. Our overall average sales prices increased 6 percent as a result of increases in the prices of acetone of 16 percent, phenol of 4 percent and cumene of 1 percent. The sales price increases reflect higher costs for the feedstock propylene and natural gas. The North American phenol and acetone industries' operating rates were approximately 76 percent for the year ended of 2008, or about 11 percent lower than in 2007.

Gross Margin. Total gross margin decreased from 9.7 percent of sales for the year ended December 31, 2007 to 6.8 percent of sales for the year ended December 31, 2008. This $106.8 million decrease is due to lower overall sales volumes and higher feedstock costs and was partially offset by an increase in overall sales prices and cost reduction initiatives. Some of our primary raw materials and natural gas costs in our chemical segments normally track crude oil and natural gas industry prices. Crude oil and natural gas industry prices experienced increases of 38 percent and 32 percent, respectively, from 2007 to 2008. We have implemented several cost savings initiatives during 2008 including reducing our cost structure by the permanent closure and consolidation of six manufacturing plants into other facilities. We also reduced total headcount by about 15 percent resulting in a decrease in labor cost related to cost of sales of about $37.1 million in 2008 compared to 2007. In addition, we sold our outdoor storage buildings business, which also reduced our cost structure.

Chlorovinyls segment gross margin increased from 10.7 percent of sales for the year ended December 31, 2007 to 12.0 percent of sales for the year ended December 31, 2008. This $15.2 million increase primarily reflects increases in sales prices for all of our chlorovinyls products offset partially by a decrease in overall sales volumes and increases in our raw materials and natural gas costs. Our overall raw materials and natural gas costs during 2008 increased 28 percent compared to 2007. Our chlorovinyls operating rate decreased from about 81 percent for 2007 to about 69 percent for 2008. During 2008, we reduced our cost structure with the permanent closure of the Sarnia, Ontario and Oklahoma City, Oklahoma vinyl resin manufacturing plants, which had a combined 950 million pound annualized capacity, and moved the production requirements of our customers to our other manufacturing locations.

Window and door profiles and mouldings segment gross margin decreased from 13.5 percent of sales for the year ended December 31, 2007 to 5.8 percent of sales for the year ended December 31, 2008. This $45.0 million decrease primarily reflects decreases in sales volumes and increases in our raw materials costs. The industry price of vinyl resins, this segment's primary raw material, increased about 24 percent from 2007 to 2008. During 2008, we reduced 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.

Outdoor building products segment gross margin decreased from 12.6 percent of sales for the year ended December 31, 2007 to 8.1 percent of sales for the year ended December 31, 2008. This $31.0 million decrease primarily reflects decreases in sales volumes and increases in our raw materials costs. The industry price of vinyl resins, this segment's primary raw material, increased about 24 percent from 2007 to 2008. During 2008, we reduced our cost structure with the permanent closure of one fabrication plant and moved the production requirements of our customers to our other manufacturing locations. In addition, we sold our outdoor storage buildings business, which also reduced our cost structure.

Aromatics segment gross margin decreased from 2.2 percent of sales for year ended December 31, 2007 to a negative 5.0 percent of sales for the year ended December 31, 2008. This $45.9 million decrease is due primarily to decreases in sales volumes as well as an increase in our benzene and propylene raw material costs, which were not fully offset by increases in sales prices for all of our aromatics products. Overall raw material costs increased 4 percent primarily as a result of increases in propylene and natural gas costs from 2007 to 2008. During the fourth quarter of 2008, we experienced a $24.8 million operating loss due to a sharp decline in feedstock and product prices and the time lag between the purchase of raw materials and their sale as finished goods.

Impact from Hurricanes Ike and Gustav on the year ended December 31, 2008. Hurricanes Ike and Gustav impacted the U.S. Gulf Coast region during the first two weeks of September of 2008 resulting in a significant disruption of our operations and minor property damage at our Louisiana and Texas facilities. Certain manufacturing plants were shut down in an orderly manner just prior to the hurricanes and subsequently were down or running at reduced rates as a result of the disruption to feedstock and energy supplies, and transportation networks in the region. As of September 30, 2008, all of our impacted plants returned to near normal operations. We estimate that these events negatively impacted our operating income by approximately $27.0 million during the year ended December 31, 2008 as a result of repairs and maintenance costs, unabsorbed fixed costs and lost sales resulting from the hurricanes. In addition, based on current projections of costs related to the hurricanes, we believe it is unlikely that we will be able to recover any material amount under our commercial insurance policies.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $168.6 million for the year ended December 31, 2008, a 25 percent decrease from the $225.6 million for the year ended December 31, 2007. This $57.0 million decrease reflects our continued focus on targeted cost saving initiatives. We reduced selling, general and administrative costs in our window and door profiles and mouldings and outdoor building product segments, collectively, by $38.7 million, including a decrease in payroll related costs of $12.1 million, legal and professional fees of $7.8 million, advertising, commission and promotional expense of $6.1 million, information systems related costs of $1.8 million and Canadian capital tax expense of $2.2 million. We also reduced selling, general, and administrative costs in our chlorovinyls and aromatics segments collectively by $7.1 million, primarily as a result of a decrease in our information systems related costs of $2.3 million and a reduction of $5.2 million relating to a change in our vacation policy that resulted in a reduction to our vacation accrual. In 2008, we changed our vacation policy from one where vacation earned in a given year was to be taken in the following year, to a policy where vacation earned in a given year must be used by that year end. Additionally, our share-based compensation expense decreased by $7.5 million. The decreases in selling, general and administrative expenses were offset by an increase in legal and professional fees of $3.7 million primarily related to the favorable resolution of an alleged notice of default issue during the second quarter of 2008. We experienced a minimal currency impact on our selling, general and administrative costs in Canada resulting from the change of the Canadian dollar against the U.S. dollar from 2007 to 2008.

Long-Lived Asset Impairment Charges. As a result of our annual impairment testing performed during the fourth quarter of 2008 and the property plant and equipment impairments resulting from our restructuring activity, we recorded non-cash impairment charges of $175.2 million for the year ended December 31, 2008 as compared to $158.3 million for the year ended December 31, 2007 to write down goodwill, other intangible assets and long-lived assets. The additional impairment during 2008 is due to the continued deterioration of the U.S. housing and construction markets. The 2008 non-cash impairment charges by reportable segment are as follows: Window and Door Profiles and Mouldings reportable segment are $62.6 million of goodwill and $47.2 million of other intangible assets and $2.3 million of other long-lived assets. Outdoor Building Products reportable segment are $0.1 million of other intangible assets and $0.6 million of other long-lived assets and Chlorovinyls reportable segment is $1.4 million of other intangible assets and $61.1 million of other long-lived assets. The Chlorovinyls reportable segment other long-lived assets write down of $61.1 million is primarily due to ceasing all operations and permanent shut down of the Oklahoma City, Oklahoma and Sarnia, Ontario vinyl resin manufacturing plants during 2008.

Restructuring costs. Restructuring costs were $22.0 million for the year ended December 31, 2008, as compared to $3.7 million for 2007. This $18.3 million increase is primarily due to closure and disposition costs of our outdoor storage buildings business of $5.8 million, cost related to the permanent shut down of the Oklahoma City, Oklahoma and Sarnia Ontario vinyl resin manufacturing plants of about $9.9 million and severance and other exit costs of $6.3 million. For the year ended December 31, 2007, restructuring costs were costs of $3.7 million consisting primarily of severance and other exit costs.

(Gains) losses on sale of assets. Gains on sale of assets totaled $27.3 million for the year ended December 31, 2008, as compared to a loss on sale of assets of $1.3 million for the year ended December 31, 2007. In June 2008, we sold excess land in Pasadena, Texas for $36.5 million, which resulted in a gain of $28.8 million. Additionally, in June 2008, we sold and leased back equipment for $10.6 million resulting in a $2.2 million currently recognized gain, a short-term deferred gain of $0.8 million and a non-current deferred gain of $7.2 million. The remainder of $3.7 million was due to a loss on the sale of other real estate.

Interest Expense, net. Interest expense, net decreased to $133.2 million for the year ended December 31, 2008, from $133.8 million for the year ended December 31, 2007. This minimal change was primarily attributable to lower capitalized interest on construction in progress offset by lower average debt balances and interest rates during 2008 compared to 2007.

Provision for (Benefit from) Income Taxes. The benefit from income taxes from continuing operations was $21.7 million for the year ended December 31, 2008, compared with an income tax provision for continuing operations of $34.2 million for the year ended December 31, 2007. Loss from continuing operations before income taxes increased $66.4 million from 2007 to 2008. Our effective tax rate for continuing operations for 2008 and 2007 was 7.8 percent and negative 16.2 percent, respectively. The difference in the rates was due to the routine accrual of interest on ASC topic 740, *Income Taxes*, formerly Financial Accounting Standards Board Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* ("FIN 48") liabilities, the reversal of interest accrued on the Quebec tax trust settlement, (described below), and a portion of our valuation allowance for deferred tax assets in Canada, which was realized as a result of the Quebec Trust Settlement, the impact of non-deductible goodwill, intangibles and other long-lived assets and the impact of the valuation allowance resulting from not recognizing a tax benefit for the deferred tax assets in Canada as we determined that we did not meet the ASC topic 740, *Income Taxes*, criteria to realize such benefits.

In March 2008, we reached a settlement with the provinces of Quebec and Ontario and the Canada Customs and Revenue Agency with respect to their assessments resulting from the retroactive application of tax law changes promulgated by Bill 15, which amended the Quebec Taxation Act and other legislative provisions. Royal Group, in connection with its tax advisors, established tax structures that used a Quebec Trust to minimize its overall tax liabilities in Canada. Bill 15 eliminated the ability to use the Quebec Trust structure on a retroactive basis. As of December 31, 2007, we had recorded a liability for the unrecognized tax benefit of $46.1 million related to the Quebec Trust matter. We settled this matter with all relevant jurisdictions by making cash payments totaling $20.1 million. We recognized an income tax benefit of $9.2 million related to the reversal of $5.8 million in interest accrued on this liability and the reversal of

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$3.4 million in a previously established valuation allowance for net operating loss carryforwards, the value of which was realized via this settlement. In addition, we reduced goodwill by $16.5 million as a result of the settlement of this preacquisition tax contingency.

Loss from Discontinued Operations. Subsequent to the Royal Group acquisition on October 3, 2006, we began to exit several non-core businesses. Certain businesses qualified as discontinued operations under generally accepted accounting principles. There was no activity in our discontinued operations for the year ended December 31, 2008, compared with a net loss of $10.8 million for the year ended December 31, 2007.

Liquidity and Capital Resources

Operating Activities. For the year ended December 31, 2009, cash flows provided by operating activities from continuing operations were $0.7 million compared with $41.4 million for the year ended December 31, 2008. The major use of cash flow for fiscal year 2009 was a $111.0 million repurchase of previously sold accounts receivable as a result of the termination and replacement of our asset securitization agreement as part of our December 2009 refinancing that included a new ABL Revolver and issuance of $500.0 million aggregate principal amount of 9.0 percent senior secured notes ("9.0 percent Notes"). Additionally we incurred approximately $21.8 million on restructuring and process improvement initiatives. Total working capital at December 31, 2009 was $340.7 million versus $225.2 million at December 31, 2008. The significant increase in working capital for fiscal year 2009 includes the $111.0 million increase in accounts receivable due to the above described termination of our asset securitization agreement and a decrease of $28.6 million in current debt. Further, since completing our debt for equity exchange, described below in "Financing Activities," we have steadily improved our vendor terms, as a result of which our accounts payable are returning to levels more in line with our historical averages for accounts payable.

For the year ended December 31, 2008, cash flows provided by operating activities from continuing operations were $41.4 million compared with $128.2 million for the year ended December 31, 2007. The major use of cash flow for fiscal year 2008 was a $20.1 million payment in connection with the settlement of our Quebec tax trust tax contingency. The major source of cash flow for fiscal year 2008 was a $13.7 million increase in cash provided by other current operating assets and liabilities. Total working capital at December 31, 2008 was $225.2 million versus $200.7 million at December 31, 2007, an increase of $24.5 million. The significant increase in working capital for fiscal year 2008 includes an $80.7 million increase in cash partially offset by a $32.6 million increase in our current portion of long-term debt, primarily due to the issues regarding the availability on our revolver discussed below in "Financing Activities"; and decreases in accounts payable, accrued compensation, and liability for unrecognized tax benefits of $127.4 million, $23.0 million and $52.1 million, respectively. The decrease in payables was primarily attributable to production volume decreases and shorter credit terms from certain vendors, some of whom required prepayments, as a result of certain vendors' concern over the alleged notice of default on our 7.125 percent notes that was resolved on July 15, 2008. These significant increases in working capital for fiscal year 2008 were partially offset by a decrease in inventories of $126.3 million. The majority of our inventory decrease was mainly due to lower prices in our raw materials and adjusting our levels to the decrease in current demand.

For the year ended December 31, 2007, we generated $128.2 million of cash flow from operating activities from continuing operations. The major use of cash flow for fiscal year 2007 was approximately $19.0 million paid towards involuntary employee termination benefits. The major source of cash flow in 2007 was a $40.2 million increase in cash provided by other current operating assets and liabilities. Total working capital at December 31, 2007 was $200.7 million compared to the $203.0 million at December 31, 2006.

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Investing Activities. Net cash used in investing activities was $26.0 million for the year ended December 31, 2009. Cash provided by investing activities for the years ended December 31, 2008 and 2007 was $24.6 million and $21.6 million, respectively. We incurred maintenance expense for our production facilities of $104.5 million, $109.1 million and $111.2 million during the years ended December 31, 2009, 2008, and 2007, respectively. During 2009, we used cash of $30.1 million primarily for capital expenditures at our Plaquemine, Louisiana co-generation and Lake Charles, Louisiana VCM manufacturing plants. During 2008, we received cash proceeds from sales of property, plant and equipment and assets held for sale of $79.8 million. These proceeds relate primarily to the sale of the outdoor storage business for $13.0 million, a sale of real estate in Ontario, Canada for $12.6 million, a sale of real estate in Manitoba, Canada for $4.5 million, the sale of a vacant tract of land along the Houston ship channel in Pasadena, Texas for net proceeds of $36.5 million, and the sale and lease back of equipment for $10.6 million. During 2007, we received cash proceeds from sales of property, plant and equipment; assets held for sale and discontinued operations of $105.3 million. These proceeds primarily relate to the sale of Royal Group's corporate headquarters and three manufacturing facilities located in Vaughan, Ontario. We estimate total capital expenditures for 2010 will be in the range of $45.0 million to $50.0 million.

Financing Activities. Cash used in financing activities was $29.1 million for the year ended December 31, 2009. In 2006, we completed the acquisition of all of the outstanding common stock of Royal Group for a total purchase price, including assumed debt and debt retired in conjunction with the closing, of approximately $1.5 billion. The acquisition was financed entirely with new debt, including $500.0 million in aggregate principal amount of new senior notes, $200.0 million in aggregate principal amount of new senior subordinated notes and $800.0 million principal amount of floating interest rate term debt under a new senior secured credit facility. Demand for our building and home improvement products declined during 2008 as compared to 2007 primarily as a result of U.S. housing starts decreasing by about 33 percent according to a report furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in January 2009. Similarly, in 2008 our chlorovinyls segment experienced decreased demand compared to 2007, primarily as a result of a continued weakness in the U.S. residential housing market. As a result of the significant impact of the recession on the residential construction industry, we were required to obtain numerous waivers and amendments of certain restrictive covenants that required us to maintain certain financial ratios under our senior secured credit facility. In early 2009, we began to take actions to recapitalize our company.

On March 31, 2009, we commenced private exchange offers for our outstanding 7.125 percent senior notes due 2013 (the "2013 notes"), 9.5 percent senior notes due 2014 (the "2014 notes"), and 10.75 percent senior subordinated notes due 2016 (the "2016 notes" and collectively with the 2013 notes and 2014 notes, the "notes") and, in conjunction with the private exchange offers, withheld payment of $34.5 million of interest due April 15, 2009 for the 2014 and 2016 notes. After numerous extensions and amendments of the exchange offers and additional waivers and amendments under our senior secured credit facility, on July 29, 2009, we consummated our private exchange of equity for approximately $736.0 million (principal amount), or 92.0 percent, in aggregate principal amount of the notes. The $736.0 million was comprised of $91.0 million of the $100 million of 2013 notes, $486.8 million of the $500 million of 2014 notes, and $158.1 million of the $200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and approximately 1.3 million shares of common stock were issued in exchange for the tendered notes after giving effect to a 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares. In preparation for and prior to this debt for equity exchange, we executed a 1-for-25 reverse stock split. In September 2009, following an amendment of our charter to increase the shares of our authorized common stock to 100 million shares, approximately 30.2 million convertible preferred shares converted to an equal number of common shares. After giving effect to the debt exchange at December 31, 2009, we had outstanding $9.0 million of the 2013 notes, $13.2 million of the 2014 notes and $41.4 million of the 2016 notes. This debt for equity exchange was a troubled debt restructuring and thus an extinguishment of the notes for which we recognized a net gain of $400.8 million, or approximately $16.18 per share. Cash tax

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payments in 2009 were $10 million. As a result of the enactment of the American Recovery and Reinvestment Act passed in 2009, we have the option to defer the federal taxes payable as a result of the debt exchange to 2014 and then pay those taxes ratably over five years. We expect to make this election when we file our 2009 federal tax return and therefore do not have a large current tax liability.

On December 22, 2009, we refinanced our senior secured credit facility and our $175.0 million asset securitization agreement. At the time of the refinancing our senior secured credit facility was comprised of a $300.0 million revolving credit facility and a $347.7 million Term Loan B. We replaced the senior secured credit facility and asset securitization facility 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") and the issuance of $500.0 million in principal amount of 9.0 percent senior secured notes.

This recapitalization and a $17.0 million payoff of other debt per the stated terms of that debt are the primary contributors to reducing our total debt by $655.1 million from December 31, 2008 to December 31, 2009. These debt reductions are net of a $15.0 million increase in our lease financing obligation that is due exclusively to the change in the Canadian dollar foreign exchange rate. These debt pay offs were also partly offset by refinancing our trade receivable asset securitization program with debt. The recapitalization also significantly extended the timing of our debt maturities. The ABL Revolver terminates in December 2013 and our next significant debt maturity is in 2017 when the 9.0 percent Notes are due. Further, the recapitalization reduced our cash interest costs and removed the quarterly maintenance covenants that required waivers and amendments from our lenders in the past.

Cash provided by financing activities was $15.4 million for the year ended December 31, 2008. Cash provided by financing activities in 2008 was impacted by our adjustment of our cash management activities to maximize our financial flexibility. Specifically, Lehman Commercial Paper, Inc., a subsidiary of Lehman Brothers Inc. (collectively "Lehman Brothers"), was a participant in our revolving line of credit facility, representing about 12 percent of our $375.0 million revolving line of credit facility. Due to their failure to fund revolver draws, we had about $6.6 million of our revolving line of credit that was not available to us. As a result we maintained a higher cash balance partially due to $105.8 million of net additional borrowings on our revolving line of credit that was partially offset by the repayment of $74.0 million of long-term debt. Long-term debt repayments were primarily funded by proceeds from the sale of under utilized assets. During fiscal year 2008, we increased our total debt by $33.3 million due primarily to the above noted issues with Lehman Brothers and the impact on the availability of our revolving line of credit. Had the revolving line of credit been fully available we could have decreased total debt during fiscal 2008 by $46.7 million by applying approximately $80.0 million of the $90.0 million of cash and cash equivalents on hand at December 31, 2008 towards our outstanding revolving line of credit balance.

Cash used in financing activities was $150.9 million for the year ended December 31, 2007. During fiscal year 2007, we reduced our total debt by $135.9 million, of which $11.6 million was generated from cash provided by operations, $105.3 million was provided by asset sales and $19.0 million was provided from the sale of additional interests in our trade receivables. Additionally, we entered into a lease financing obligation whereby we transferred ownership in certain real estate in exchange for proceeds of $95.9 million. We used those proceeds to reduce our term B debt. In connection with the lease financing transaction, a $17 million collateralized letter of credit was issued in favor of the buyer-lessor, with an effective term of eight years. As a result of the collateralized letter of credit, the transaction has been recorded as a financing transaction rather than as a sale, and the land and buildings and related accounts continue to be recognized in property, plant, and equipment in accordance with generally accepted accounting principles. These lease financing transactions primarily related to the lease of four Royal Group manufacturing and warehousing facilities located in Vaughan, Ontario.

On December 31, 2009, our balance sheet debt consisted of $56.5 million of borrowings under our ABL Revolver, $9.0 million of unsecured 7.125 percent senior notes due 2013, $13.2 million of unsecured

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9.5 percent senior notes due 2014, $41.4 million of unsecured 10.75 percent senior subordinated notes due 2016, $496.7 million of senior secured 9.0 percent Notes due 2017, $106.4 million of lease financing obligations and $15.9 million in other debt. At December 31, 2009, 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 $45.2 million, current borrowings of $56.5 million, and less a fixed $15.0 million availability reserve we had remaining availability of $134.5 million. Over the next twelve months, we expect to pay off $28.2 million on our ABL Revolver. Therefore, we have classified this debt as current in our consolidated balance sheet as of December 31, 2009.

The ABL Revolver provides for a maximum of $300 million of revolving credit including letters of credit through December 2013, subject to borrowing base availability. The borrowing base is determined on a monthly basis and 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. Interest on this facility is variable at a rate per annum, at our option, based on the prime rate plus the applicable pricing margin or the London Interbank Offered Rate, ("LIBOR") plus the applicable pricing margin. For the years ended December 31, 2009, 2008, and 2007, the average interest rates for the former senior credit facility were 9.09, 6.51, and 7.94 percent, respectively. As of December 31, 2009 the rate was 6.0%. The ABL Revolver is secured by substantially all of our assets and contains certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

On December 22, 2009, we also issued the $500.0 million aggregate principal amount of senior secured 9.0 percent Notes due 2017. These notes were issued at a $3.3 million discount to effectively provide a 9.125 percent interest rate. 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 December 15, 2016. During any twelve-month period prior to January 15, 2014 we may make optional redemptions of the notes up to 10 percent of the aggregate principal amount thereof at a redemption price of 103.0 percent. In addition, prior to January 15, 2013, we may make optional redemptions of up to 35 percent of the aggregate principal amount thereof at a redemption price equal to 109.0 percent of the aggregate principal amount thereof, plus accrued and unpaid interest. In addition, we may redeem some or all of the notes at anytime 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 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.

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 $38.8 million and the availability to borrow an additional $134.5 million under our ABL Revolver as of December 31, 2009, the Company has adequate funding for the foreseeable future to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements and comply with the financial ratios of the senior secured ABL Revolver and covenants under our indenture for the 9.0 percent notes. 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 our ABL Revolver and the indenture for the 9.0 percent 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.

However, if our expectations regarding our business prove incorrect, we may not be able to pursue any such business growth or debt reduction opportunities, and may not be able to meet certain restrictive covenants and maintain compliance with certain financial ratios or, possibly, not be able to make required payments under our notes or ABL Revolver. In that event, we would attempt to obtain waivers or covenant relief from our lenders. Although we have successfully negotiated covenant relief in the past, there can be

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no assurance we can do so in the future. As of December 31, 2009, we are in compliance with all required debt covenants.

Off-Balance Sheet Arrangement. We had agreements pursuant to which we sold an undivided percentage ownership interest in a defined pool of our U.S. trade receivables on a revolving basis through a wholly owned subsidiary to a third party (the "Securitization"). The funded balance has the effect of reducing accounts receivable and short-term liabilities by the same amount. As collections reduce accounts receivable included in the pool, we sold interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization in effect through March 17, 2009, and up to a maximum of $175.0 million thereafter. The balance in the interest of receivables sold at December 31, 2008 was $111.0 million.

As of December 22, 2009, the Securitization was terminated and replaced with a $300.0 million ABL Revolver (see Note 10 of the Notes to the Consolidated Financial Statements).

Contractual Obligations. Our aggregate future payments under contractual obligations by category as of December 31, 2009, were as follows:

(In millions)	Total	2010	2011	2012	2013	2014	2015 and thereafter
Contractual obligations:							
Long-term debt principal	$ 638	$	$	$ 18	$ 65	$ 13	$ 542
Long-term debt interest	416	56	56	55	55	51	143
Lease financing obligations	52	7	7	7	7	7	17
Operating lease obligations	77	20	13	12	9	10	13
Purchase obligations	3,186	884	763	536	508	479	16
Uncertain income tax positions	1	1					
Other	10						10
Total	$ 4,380	$ 968	$ 839	$ 628	$ 644	$ 560	$ 741

Long-Term Debt. Long-term debt includes principal and interest payments based upon our interest rates as of December 31, 2009. 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 December 31, 2009.

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 December 31, 2009.

Uncertain Income Tax Positions. We have recognized a liability for our unrecognized income tax benefits of approximately $58.5 million as of December 31, 2009. 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.

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Outlook

We based our 2010 operating plans on conservative macro economic assumptions regarding the main drivers of our businesses. We assume a slight recovery in U.S. and Canadian housing starts, gross domestic product ("GDP") growth in both the U.S. and Canada greater than 2 percent over 2009, a continuation of favorable conditions for PVC exports, natural gas costs that average approximately $6 per MMBTU, and stabilization in the ECU value in 2010 compared to 2009.

In addition to the macroeconomic assumptions, our operating plans give effect to the expected impact of a number of factors specifically related to GGC. Among other things, our performance will be impacted by two scheduled maintenance outages compared to just one in 2009, as well as the benefit of cost reduction efforts initiated in 2009, which should be fully realized in 2010.

Inflation

The most significant component of our cost of sales is raw materials, which include basic oil-based commodities and natural gas or derivatives thereof. The costs of raw materials and natural gas are based primarily on market forces and have not been significantly affected by inflation. Inflation has not had a material impact on our sales or income from operations.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("Codification" or "ASC") subtopic 105-10, *Generally Accepted Accounting Principles*. The Codification is now the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This statement was effective for interim and annual reporting periods ending after September 15, 2009. All existing accounting standards are superseded as described in this statement. All other accounting literature not included in the Codification is nonauthoritative. The adoption of the Codification on September 30, 2009 did not have an impact on our consolidated financial statements.

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

In June 2009, the FASB issued ASC topic 860, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*, which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in the transferred assets. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. Early adoption is prohibited. We are currently evaluating the impact of this statement on our consolidated financial statements.

In April 2009, the FASB issued ASC subtopic 820-10, *Fair Value Measurements and Disclosures,* section 65-4, *Transition Related to FASB Staff Position ("FSP") SFAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying*

Transactions That Are Not Orderly. This ASC subtopic emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This ASC subtopic was effective for the second quarter of 2009 and did not have a material impact on our consolidated financial statements. On August 28, 2009 the FASB issued Accounting Standards Update ("ASU") 2009-05, *Measuring Liabilities at Fair Value,* (previously exposed for comments as proposed FSP 157-f) to provide guidance on measuring the fair value of liabilities under ASC 820. This ASU clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. The ASU also provides guidance in the absence of a Level 1 measurement. The ASU was effective for the first interim or annual reporting period beginning after the ASU's issuance. The adoption of this ASU did not have a material impact on our consolidated financial statements. In January 2010, the FASB issued ASU 2010-6, *Improving Disclosures about Fair Value Measurements.* This ASU discusses the level of disaggregation required for each class of assets and liabilities and for fair value measurements that fall within Level 2 or 3 of the fair value hierarchy. This ASU is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures concerning purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. See Note 18, "Fair Value of Financial Instruments" of the Notes to the Consolidated Financial Statements in Item 8, for disclosures related to this statement.

In April 2009, the FASB issued ASC subtopic 825-10, *Financial Instruments,* section 65-1, *Transition Related to FSP SFAS 107-1 and Accounting Principles Bulletin ("APB") No. 28-1, Interim Disclosures About Fair Value of Financial Instruments.* This ASC subtopic states that an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107. Fair value information disclosed in the notes must be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. An entity also must disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and describe changes in method(s) and significant assumptions, if any, during the period. These new disclosures became effective for interim and annual periods ending after June 15, 2009. See Note 18, "Fair Value of Financial Instruments" of the Notes to the Consolidated Financial Statements in Item 8 for disclosures related to this statement.

In December 2008, the FASB issued ASC subtopic 715-20, *Compensation Retirement Benefits,* section 65-2, *Transition Related to FSP SFAS 132(R)-1, Employer's Disclosure about Postretirement Benefit Plan Assets*, which amends ASC subtopic 715-20 to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new ASC subtopic requires new disclosures for us for the year ending December 31, 2009. The new disclosures are reflected in Note 15, "Employee Retirement Plans" of the Notes to the Consolidated Financial Statements in Item 8.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective, or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. We have evaluated the accounting

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policies used in the preparation of the accompanying consolidated financial statements and related notes and believe those policies to be reasonable and appropriate. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for a complete listing of our accounting policies. We believe the following to be our most critical accounting policies applied in the preparation of our financial statements.

Allowance for Doubtful Accounts. In our determination of the allowance for doubtful accounts and consistent with our accounting policy, we estimate the amount of accounts receivable that we believe are unlikely to be collected and we record an expense for that amount. Estimating this amount requires us to analyze the financial strength of our customers by analyzing leverage and coverage ratios, as well as Dun and Bradstreet ratings. In our analysis, we combine the use of historical collection experience, our accounts receivable aged trial balance and specific collectability analysis. By its nature, such an estimate is highly subjective, and it is possible that the amount of accounts receivable that we are unable to collect may be different than the amount initially estimated. Our allowance for doubtful accounts on December 31, 2009 and 2008 was $16.5 million and $12.3 million, respectively. No individual customer accounted for greater than 10 percent of our trade accounts receivable as of December 31, 2009 and 2008. To the extent the actual collectability of our accounts receivable differs from our estimated allowance by 10 percent, our net income would be higher or lower by approximately $1.2 million, on an after-tax basis, depending on whether the actual collectability was better or worse than the estimated allowance.

Environmental and Legal Accruals. In our determination of the estimates relating to ongoing environmental costs and legal proceedings (see Note 11 of the Notes to Consolidated Financial Statements), we consult with our advisors (consultants, engineers and attorneys). Such consultation provides us with the information on which we base our judgments on these matters and under which we accrue an expense when it has been determined that it is probable that a liability has been incurred and the amount is reasonably estimable. While we believe that the amounts recorded in the accompanying consolidated financial statements related to these contingencies are based on the best estimates and judgments available to us, the actual outcomes could differ from our estimates. To the extent that actual outcomes differ from our estimates by 10 percent, our net income would be higher or lower by approximately $0.5 million, on an after-tax basis, depending on whether the actual outcomes were better or worse than the estimates.

Valuation of Goodwill and Other Intangible Assets. Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in purchase accounting for business combinations. Other identifiable intangible assets are intangible assets such as customer lists, trade names and technology that are identified during acquisitions. Our carrying value of our goodwill and indefinite lived intangible assets are tested for impairment annually on October 1 and are tested for impairment between annual impairment tests if an event occurs or circumstances change that would indicate the carrying amounts may be impaired. Indicators include, but are not limited to significant declines in the markets and industries which buy our products, changes in the estimated future cash flows of our reporting units, changes in capital markets and changes in our market capitalization. Impairment testing for goodwill and indefinite lived intangible assets is a two-step test performed at a reporting unit level. Our reporting units subject to such testing are window and door profiles; mouldings; deck, fence and rail products and compounds (vinyl and additives). The initial step requires the carrying value of each reporting unit to be compared with its estimated fair value. The second step to evaluate a reporting unit for impairment is only required if the carrying value of the reporting unit exceeds the estimated fair value in the initial step. We use a discounted cash flow analysis and market approaches to determine the estimated fair value of a reporting unit, which requires judgment and assumptions including estimated future cash flows and discount rates. Our weighting of the discounted cash flow and market approaches vary by reporting unit based on factors specific to those reporting units. Our weighting of the two approaches was equal in 2009. An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. Actual impairment charges incurred could

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vary significantly from amounts that we estimate if different assumptions or methods are used in the estimate for fair value of the reporting units.

Inherent in our fair value determinations are certain judgments and estimates relating to future cash flows, including interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans with regard to our operations. A change in such assumptions may cause a change in the results of the analyses performed. In addition, to the extent significant changes occur in market conditions, overall economic conditions or our strategic operational plan; it is possible that goodwill not currently impaired may become impaired in the future. Based on the results of our evaluation in connection with our goodwill impairment test as of October 1, 2009, we did not record an impairment charge to goodwill in 2009. We experienced a significant decline in our market capitalization from October 1, 2009 to December 31, 2009, which we determined was not primarily due to company-specific factors, but rather, due to macroeconomic conditions, including rising unemployment levels, turmoil in the credit markets, and deteriorating consumer confidence. However, given the decrease in market capitalization at December 31, 2009, we reconsidered our cash flow projections utilized in our impairment test as of October 1, 2009, including an assessment of our actual results for the fourth quarter of 2009 as compared to our projections for such period, and also assessed whether the discount rates used in our October 1, 2009 impairment test remained appropriate as of December 31, 2009. We further evaluated our reporting units with significant goodwill using a 100 basis point increase in our discount rates above those that were supported by our valuation work on the basis that a change in such assumptions may cause a change in the results of the analyses performed; however, it did not. See Note 9 of the Notes to Consolidated Financial Statements for further details of the 2009 goodwill and other intangible asset impairment test. We recorded a non-cash impairment charge to write down goodwill and other intangible assets by $112.1 million and $149.4 million in 2008 and 2007, respectively, primarily as a result of the deteriorating North America housing and construction markets.

Valuation of Long-Lived Assets. Our long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in accordance with ASC topic 360 *Property, Plant, and Equipment.* Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and assumptions for operational performance of our businesses. The assumptions used to estimate our future undiscounted cash flows are predominately identified from our financial forecasts. The actual impairment charge incurred could vary significantly from amounts that we estimate. Additionally, future events could cause us to conclude that impairment indicators exist and that associated long-lived assets of our businesses are impaired.

During 2009 we continued the consolidation of our Window and Door profiles plants resulting in impairments of $21.6 million. During 2008 we assessed our Oklahoma City, Oklahoma and Sarnia, Ontario resin plants for impairment, and recorded impairment charges of $15.5 million and $42.3 million, respectively. The Oklahoma City, Oklahoma plant ceased operations in March 2008 and the Sarnia plant closed in December 2008. We noted no significant further impairment of these assets in 2009 or 2007.

Pension Liabilities. Accounting for employee retirement plans involves estimating the cost of benefits that are to be provided in the future and attempting to match, for each employee, that estimated cost to the period worked. To accomplish this, we make assumptions about discount rates, expected long-term rates of return on plan assets, salary increases, employee turnover and mortality rates, among others. We reevaluate all assumptions annually with our independent actuaries taking into consideration existing as well as forecasted economic conditions, and our policy and strategy with regard to the plans. We believe our estimates, the most significant of which are stated below, to be reasonable.

The discount rate reflects the rate at which pension benefit obligations could be effectively settled. We determined our discount rate by matching the expected cash flows of our pension obligations to a yield curve generated from a broad portfolio of high-quality fixed rate debt instruments. The discount rate assumption used for determining annual pension expense for our U.S. pension plans in 2009 was 6.7 percent. At December 31, 2009, this rate was 6.0 percent for determining 2010 annual pension expense for our U.S. pension plans. A 25 basis point increase or decrease in this discount rate would decrease or increase our annual pre-tax pension expense by $0.1 million for our U.S. pension plans. In addition to the expense, a 25 basis point increase in our discount rate would decrease our year-end benefit obligations by $3.8 million, whereas a 25 basis point decrease would increase our year-end benefit obligations by $4.0 million for our U.S. pension plans.

The expected long-term rate of return on plan assets assumption is based on historical and projected rates of return for current and planned asset classes in the plan's investment portfolio. Our weighted average asset allocation as of December 31, 2009, is 58.5 percent equity securities, 21.7 percent debt securities, 1.6 percent real estate and 18.2 percent other. Assumed projected rates of return for each of the plan's projected asset classes were selected by us after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. The expected long-term rate of return assumption used for determining annual pension expense for 2009 was 8.75 percent for our U.S. pension plans. At December 31, 2009, this rate was 8.75 percent for determining 2010 annual pension expense for our U.S. pension plans. A 25 basis point increase or decrease in the long-term rate of return on plan assets assumption would decrease or increase our annual pre-tax pension expense by $0.2 million for our U.S. pension plans. A 25 basis point increase or decrease in the expected long-term rate of return assumption for our foreign pension plans is not material.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At December 31, 2009 and 2008, we had a net deferred tax liability balance of $175.7 million and $36.1 million, respectively.

In evaluating the ability to realize our deferred tax assets we rely principally on forecasted taxable income using historical and projected future operating results and the reversal of existing temporary differences. At December 31, 2009 and 2008, we had deferred tax assets for state tax credit carryforwards of $16.1 million and $4.6 million, respectively, which carry forward indefinitely. We believe we will achieve taxable income in the related jurisdictions in order to realize the deferred tax assets for state tax credit carryforwards. In addition, at December 31, 2009 we had deferred tax assets for net operating loss carryforwards in the U.S. and Canada of $47.1 million and $46.9 million, respectively, of which we have a $24.3 million valuation allowance to record these deferred tax assets related to net operating losses at their estimated realizable values.

In 2009 and 2008, we recorded a $7.3 million and $55.5 million valuation allowance, respectively, on certain deferred tax assets in Canada that, in the judgment of management, are not more likely than not to be realized. In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income and tax-planning strategies available to the company in making this assessment. In order to fully realize the deferred tax assets, we will need to generate future taxable income before the expiration of the deferred tax assets governed by the tax code. Based on the level of historical cumulative losses, management believes that it is more likely than not that the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2009. As a result of the debt exchange completed in July 2009, we experienced a change in control as defined by the Internal Revenue Code. Because of this change in control, we will be unable to realize some of the benefit from the U.S. federal net operating loss arising before the acquisition of the Royal Group. Therefore, we no longer carry those net operating losses as a deferred tax asset. The change in control also limits our ability to realize certain expenses in the future and we have recorded deferred tax liabilities to reflect this.

Effective January 1, 2007, we adopted ASC topic 740, *Income Taxes*, formerly Financial Accounting Standards Board Interpretation ("FIN") 48 , *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109,* which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement 109, *Accounting for Income Taxes.* The ASC standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under the ASC standard, we recognize the financial statement effects of a tax position when it is more likely than not, based upon the technical merits, that the position will be sustained upon examination. Conversely, we derecognize a previously recognized tax position in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination. A tax position that meets the more likely than not recognition threshold will initially and subsequently be measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority. We also recognize interest expense by applying a rate of interest to the difference between the tax position recognized in accordance with the ASC standard and the amount previously taken or expected to be taken in a tax return. We classify interest expense and related penalties, if any, with respect to our uncertain tax positions in the provision for income taxes.

In addition, we have accrued a reserve for non-income tax contingencies of $8.7 million and $7.4 million, at December 31, 2009 and 2008, respectively. The increase in the reserve is related primarily to the changes in the Canadian dollar exchange rates and the accrued interest related to these matters. We accrue for non-income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The non-income tax contingency reserves are adjusted for, among other things, changes in facts and circumstances, receipt of tax assessments, expiration of statutes of limitations, interest and settlements and additional uncertainties.

Stock-Based Compensation. We account for share-based payments in accordance with ASC topic 718, *Compensation Stock Compensation* ("ASC 718"). All share-based payments to employees and non-employee directors, including grants of stock options, restricted and deferred stock units, restricted stock and employee stock purchase rights are required to be recognized in our financial statements based on their respective grant date fair values. Under ASC 718, the fair value of each share-based payment award is estimated on the date of grant using an option-pricing model that meets certain requirements. We currently use the Black-Scholes option-pricing model to estimate the fair value of our share-based payment awards. The Black-Scholes model meets the requirements of ASC 718; however, the fair values generated by the model may not be indicative of the actual fair values of our awards as it does not consider certain factors important to our awards, such as continued employment, periodic vesting requirements and limited transferability. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards to employees or we assume unvested equity awards in connection with acquisitions. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We use the historical volatility for our stock, as we believe that historical volatility is more representative than implied volatility. The expected life of the awards is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our historical dividend yield and expectation of future dividend payouts. The fair value of our restricted and deferred stock units and restricted stock are based on the fair market value of our stock on the date of grant. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense recognized in our financial statements is based on awards that are ultimately expected to vest. We evaluate the assumptions used to value our awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

Environmental

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 USEPA and comparable state 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. Our Canadian operations are subject to similar laws and regulations.

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

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Georgia Gulf Corporation
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Georgia Gulf Corporation and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15 (not included herein). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Georgia Gulf Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 22 to the consolidated financial statements, the accompanying consolidated financial statements have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2010 (November 19, 2010) as to the effects of the material weakness indentified in our report) expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
March 11, 2010 (November 19, 2010 as to the effects of the restatements discussed in Note 22)

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Georgia Gulf Corporation and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share data)

	December 31, 2009 (Restated)	December 31, 2008 (Restated)
Assets		
Cash and cash equivalents	$ 38,797	$ 89,975
Receivables, net of allowance for doubtful accounts of $16,453 in 2009 and $12,307 in 2008	208,941	117,287
Inventories	251,397	240,199
Prepaid expenses	24,002	21,360
Income tax receivables	30,306	2,264
Deferred income taxes	13,177	22,505
Total current assets	566,620	493,590
Property, plant and equipment, net	687,570	760,760
Goodwill	203,809	189,003
Intangible assets, net of accumulated amortization of $10,996 in 2009 and $9,988 in 2008	15,223	15,905
Other assets, net	116,494	150,643
Non-current assets held for sale	14,924	500
Total assets	$ 1,604,640	$ 1,610,401
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	$ 28,231	$ 56,843
Accounts payable	124,829	105,052
Interest payable	2,844	16,115
Income taxes payable	1,161	3,476
Accrued compensation	16,069	9,890
Liability for unrecognized income tax benefits and other tax reserves	9,529	27,334
Other accrued liabilities	43,236	49,693
Total current liabilities	225,899	268,403
Long-term debt	710,774	1,337,307
Liability for unrecognized income tax benefits	48,471	25,642
Deferred income taxes	188,910	58,566
Other non-current liabilities	37,036	39,886
Total liabilities	1,211,090	1,729,804
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock $0.01 par value; 75,000,000 shares authorized; no shares issued		
Common stock $0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 33,718,367 in 2009 and 1,379,273 in 2008	337	14
Additional paid-in capital	472,018	105,815
Accumulated deficit	(74,491)	(205,550)
Accumulated other comprehensive loss, net of tax	(4,314)	(19,682)

Total stockholders' equity (deficit)	**393,550**	(119,403)
Total liabilities and stockholders' equity (deficit)	**$ 1,604,640**	$ 1,610,401

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Operations

(In thousands, except share data)

	Year Ended December 31, 2009 (Restated)	2008 (Restated)	2007 (Restated)
Net sales	**$ 1,990,091**	$ 2,916,477	$ 3,157,270
Operating costs and expenses:			
Cost of sales	**1,778,998**	2,717,409	2,851,426
Selling, general and administrative expenses	**182,937**	168,572	225,607
Long-lived asset impairment charges	**21,804**	175,201	158,293
Restructuring costs	**6,858**	21,973	3,659
Losses (gains) on sale of assets	**62**	(27,282)	1,304
Total operating costs and expenses	**1,990,659**	3,055,873	3,240,289
Operating loss	**(568)**	(139,396)	(83,019)
Other (expense) income:			
Interest expense	**(131,102)**	(134,513)	(134,568)
Loss on debt modification and extinguishment, net	**(42,797)**		
Gain on debt exchange	**400,835**		
Foreign exchange (loss) gain	**(1,400)**	(4,264)	6,286
Interest income	**583**	1,308	805
Income (loss) from continuing operations before income taxes	**225,551**	(276,865)	(210,496)
Provision (benefit) for income taxes	**94,492**	(21,695)	34,188
Income (loss) from continuing operations	**131,059**	(255,170)	(244,684)
Loss from discontinued operations, net of tax of $1,524 in 2007			(10,864)
Net income (loss)	**$ 131,059**	$ (255,170)	$ (255,548)
Earning (loss) per share:			
Basic:			
Income (loss) from continuing operations	**$ 8.27**	$ (191.21)	$ (186.17)
(Loss) from discontinued operations			(7.91)
Net income (loss)	**$ 8.27**	$ (191.21)	$ (194.08)
Diluted:			
Income (loss) from continuing operations	**$ 8.26**	$ (191.21)	$ (186.17)
(Loss) from discontinued operations			(7.91)
Net income (loss)	**$ 8.26**	$ (191.21)	$ (194.08)
Weighted average common shares basic	**14,903**	1,378	1,374
Weighted average common shares diluted	**14,908**	1,378	1,374

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings Accumulated (deficit)	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity (deficit)
	Shares	Amount				
Balance, January 1, 2007 (Restated)	1,376	$ 14	$ 94,376	$ 324,007	$ (32,430)	$ 385,967
Comprehensive loss:						
Net loss (Restated)				(255,548)		(255,548)
Adjustment to initially apply FIN No. 48				(2,151)		(2,151)
Pension liability adjustment including effect of SFAS No. 158, net of taxes of $4,288					6,964	6,964
Foreign currency translation adjustments, net of taxes of $23,357 (Restated)					84,593	84,593
Unrealized loss on derivatives, net of tax of $1,201					(1,945)	(1,945)
Total comprehensive loss (Restated)						(168,087)
Employee stock purchase and stock compensation plans, net of forfeitures	2		10,856			10,856
Retirement of common stock associated with stock compensation plans	(2)		(685)			(685)
Tax benefit (deficiency) from stock purchase and stock compensation plans			(979)			(979)
Dividends				(11,099)		(11,099)
Balance, December 31, 2007 (Restated)	1,376	$ 14	103,568	55,209	57,182	215,973
Comprehensive loss:						
Net loss (Restated)				(255,170)		(255,170)
Pension liability adjustment including effect of SFAS No. 158, net of taxes of $16,519					(23,113)	(23,113)
Foreign currency translation adjustments, net of taxes of $30,907 (Restated)					(54,760)	(54,760)
Unrealized gain on derivatives, net of tax of $609					1,009	1,009
Total comprehensive loss (Restated)						(332,034)
Employee stock purchase and stock compensation plans, net of forfeitures	4	1	3,301			3,302
Retirement of common stock associated with stock compensation plans	(1)		(110)			(110)
Tax benefit (deficiency) from stock purchase and stock compensation plans			(945)			(945)
Dividends				(5,589)		(5,589)
Balance, December 31, 2008 (Restated)	1,379	$ 14	105,815	(205,550)	(19,682)	(119,403)
Net income (Restated)				**131,059**		**131,059**
Pension liability adjustment including effect of SFAS No. 158, net of taxes of $419					**(4,469)**	**(4,469)**
Foreign currency translation adjustments, net of taxes of $22,388 (Restated)					**18,016**	**18,016**
Unrealized gain on derivatives, net of tax of $1,105					**1,821**	**1,821**
Total comprehensive income (Restated)						**146,427**
Preferred stock issued and converted to common stock	**31,582**	**316**	**357,237**			**357,553**
Employee stock purchase and stock compensation plans, net of forfeitures	**1,154**	**12**	**17,650**			**17,662**
Retirement of common stock associated with stock compensation plans	**(397)**	**(4)**	**(7,153)**			**(7,157)**

Tax benefit (deficiency) from stock purchase and stock compensation plans			**(1,532)**			**(1,532)**
Balance, December 31, 2009 (Restated)	**33,718**	**$ 337**	**$ 472,018**	**$ (74,491)**	**$ (4,314)**	**$ 393,550**

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2009 (Restated)	2008 (Restated)	2007 (Restated)
Operating activities:			
Net income (loss)	**$ 131,059**	$ (255,170)	$ (255,548)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**117,690**	143,718	150,210
Loss on debt modification and extinguishment, net	**42,797**		
Gain on debt exchange	**(400,835)**		
Loan fair value gain amortization	**12,944**		
Foreign exchange (gain) loss	**(938)**	7,108	(10,357)
Deferred income taxes	**116,668**	(23,435)	20,845
Tax deficiency related to stock plans	**(1,630)**	(945)	(1,142)
Goodwill, intangibles and other long-lived asset impairment charges	**21,866**	175,201	158,293
Stock based compensation	**17,663**	3,302	10,856
Losses (gains) on sale of assets	**218**	(27,282)	1,304
Other non-cash items	**762**	10,717	22,494
Change in operating assets and liabilities:			
Receivables	**2,362**	117,591	43,038
Securitization of trade receivables	**(111,000)**	(36,000)	19,000
Inventories	**1,112**	97,704	541
Prepaid expenses and other current assets	**(5,371)**	(2,472)	11,381
Accounts payable	**5,462**	(117,437)	8,628
Interest payable	**40,397**	(1,637)	(3,494)
Accrued income taxes	**(2,493)**	8,603	6,728
Accrued compensation	**5,261**	(20,996)	(7,238)
Other accrued liabilities	**(6,255)**	(31,627)	(38,358)
Other	**12,984**	(5,551)	(9,022)
Net cash provided by operating activities from continuing operations	**723**	41,392	128,159
Net cash provided by operating activities from discontinued operations			398
Net cash provided by operating activities	**723**	41,392	128,557
Investing activities:			
Proceeds from insurance recoveries related to property, plant and equipment	**1,980**	7,308	
Capital expenditures	**(30,085)**	(62,545)	(83,670)
Proceeds from sale of assets	**2,080**	79,806	105,259
Net cash (used in) provided by investing activities	**(26,025)**	24,569	21,589
Financing activities:			
Borrowings on revolving line of credit	**254,301**	1,005,904	1,042,708
Repayments on revolving line of credit	**(389,523)**	(898,186)	(1,049,949)
Borrowings on ABL revolver	**56,462**		
Long-term debt payments	**(367,402)**	(74,004)	(224,505)
Long-term debt proceeds	**496,739**		95,865
Fees paid to amend or issue debt facilities	**(79,749)**	(9,823)	(3,241)
Tax benefits from employee share-based exercises	**98**		
Stock compensation plan activity	**(25)**	(110)	(685)
Dividends		(8,379)	(11,099)
Net cash (used in) provided by financing activities	**(29,099)**	15,402	(150,906)
Effect of exchange rate changes on cash and cash equivalents	**3,223**	(615)	346

Net change in cash and cash equivalents		**(51,178)**		80,748		(414)
Cash and cash equivalents at beginning of year		**89,975**		9,227		9,641
Cash and cash equivalents at end of year	**$**	**38,797**	$	89,975	$	9,227

See accompanying notes to consolidated financial statements.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

Principles of Consolidation. The consolidated financial statements include the accounts of Georgia Gulf Corporation and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations. We are a leading North American manufacturer and an international marketer of chlorovinyl and aromatics chemicals and also manufacture and market vinyl-based building and home improvement products. Our chlorovinyl and aromatic chemicals products are sold for further processing into a wide variety of end-use applications, including plastic pipe and pipe fittings, siding and window frames, bonding agents for wood products, high-quality plastics, acrylic sheeting and coatings for wire and cable. Our vinyl-based building and home improvement products, marketed under the Royal Group brands, primarily include window and door profiles, mouldings, siding, pipe and pipe fittings and deck, fence and rail products.

Use of Estimates. Management is required to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes prepared in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Foreign Currency Translation and Transactions. Our subsidiaries that operate outside the United States use their local currency as the functional currency. The functional currency is translated into U.S. dollars for balance sheet accounts using the month end exchange rates in effect as of the balance sheet date and average exchange rate for revenues and expenses for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within accumulated other comprehensive income (loss), net of tax where applicable. Gains or losses resulting from transactions denominated in foreign currencies are reported in the same financial statement captions as the underlying transactions in the consolidated statements of operations. We recorded a loss of $1.1 million, $2.3 million and $5.4 million, in fiscal years 2009, 2008 and 2007, respectively, within operating (loss) income in the consolidated statement of operations. The year over year fluctuation in transaction related gains or (losses) is due to both the volume of foreign currency denominated transactions and the volatility in the underlying exchange rates.

Cash and Cash Equivalents. Marketable securities that are highly liquid with an original maturity of three months or less are considered to be the equivalent of cash for purposes of financial statement presentation.

Accounts Receivable and Allowance for Doubtful Accounts. We grant credit to customers under credit terms that are customary in the industry and based on the creditworthiness of the customer and generally do not require collateral. We also provide allowances for cash discounts and doubtful accounts based on contract terms, historical collection experience, periodic evaluations of the aging of the accounts receivable and specific collectibility analysis.

Revenue Recognition. We recognize revenue in accordance with generally accepted accounting principles as outlined in the Financial Accounting Standards Board's ("FASB"), Accounting Standard Codification ("ASC" or "Codification") topic 605, "*Revenue Recognition*," which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonably assured; and (iv) product delivery has

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

occurred. We primarily recognize revenue as products are shipped based on free on board ("FOB") terms when title passes to customers, and the customer takes ownership and assumes risk of loss.

Sales Incentives. We offer sales incentives, primarily in the form of volume rebates, slotting fees and advertising allowances to our customers, which are classified as a reduction of net sales and are calculated based on contractual terms of customer contracts. We accrue for these sales incentives based on contract terms and historical experience.

Shipping Costs. All amounts billed to a customer in a sale transaction related to shipping are classified as revenue. Shipping fees billed to customers and included in sales and cost of goods sold were $62.0 million in 2009, $74.0 million in 2008, and $90.3 million in 2007.

Advertising Costs. Advertising costs and promotion expenses generally relate to our vinyl-based building and home improvement products marketed under the Royal Group brand names and are charged to earnings during the period in which they are incurred. Advertising and promotion expenses are included in selling, general and administrative expenses and were $5.7 million, $8.3 million and $11.7 million, in 2009, 2008 and 2007, respectively.

Inventories. Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method for the majority of inventory and the weighted average cost method for the remainder. Costs include raw materials, direct labor and manufacturing overhead. Market is based on current replacement cost for raw materials and supplies and on net realizable value for finished goods.

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred, and major renewals and improvements are capitalized. Interest expense attributable to funds used in financing the construction of major plant and equipment is capitalized. Interest expense capitalized during 2009, 2008 and 2007 was $1.0 million, $0.4 million, and $5.7 million, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense totaled approximately $98.5 million, $128.2 million and $134.8 million, for the years ended December 31, 2009, 2008, and 2007, respectively. The net book value of our idled Pasadena, Texas phenol/acetone plant was approximately $0.7 million as of December 31, 2009, and is included in property, plant and equipment on our consolidated balance sheet. The estimated useful lives of our assets are as follows:

Buildings	27-30 years
Land improvements	15 years
Machinery and equipment	3-15 years
Dies and moulds	4-6 years
Office furniture and equipment	3-10 years
Computer equipment and software	3-5 years

Asset Retirement Obligation. We account for asset retirement obligations in accordance with ASC topic 410 sub-topic 20, *Asset Retirement Obligation*, which requires the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, we capitalize the cost by increasing the carrying value of the related long-lived asset. The liability is accreted to its future value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

settlement of the liability, a gain or loss is recorded. We had $2.3 million and $2.2 million of asset retirement obligations recorded in other non-current liabilities in the consolidated balance sheets as of December 31, 2009 and 2008, respectively.

Other Assets. Other assets primarily consist of advances for long-term raw materials purchase contracts (see Note 11), our investment in joint ventures (see Notes 8 and 12) and unamortized debt issuance costs (see Note 8). Advances for long-term raw materials purchase contracts are being amortized as additional raw materials costs over the life of the related contracts in proportion to raw materials delivery or related contract terms. Debt issuance costs are being amortized to interest expense using the effective interest rate and straight-line methods over the term of the related debt instruments.

Goodwill and Other Intangible Assets. We account for our goodwill and other intangible assets in accordance with ASC topic 350, *Intangibles Goodwill and Other.* Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in purchase accounting for business combinations. Our other identifiable intangible assets include customer lists, trade names and purchased technology. We test the carrying value of our goodwill and other intangible assets with indefinite lives for impairment on an annual basis on October 1. The carrying value will be tested for impairment between annual impairment tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Indicators include, but are not limited to, significant declines in the markets and industries that buy our products, changes in the estimated future cash flows of our reporting units, changes in capital markets and changes in our market capitalization. Impairment testing for goodwill and indefinite lived intangible assets is a two-step test performed at a reporting unit level. Our reporting units subject to such testing are window and door profiles; mouldings; deck, fence and rail products and compounds (vinyl and additives). An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives. See Note 9 for a summary of goodwill and other intangible assets by reportable segment.

Long-Lived Assets. Our long-lived assets, such as property, plant, and equipment, and intangible assets with definite lives are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated fair value of the asset based on undiscounted cash flows. If the carrying amount of an asset exceeds estimated fair value of the asset, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset based on discounted cash flows. Assets to be disposed of would be recorded at the lower of the carrying amount or fair value less costs to sell and no longer depreciated.

Pension Plans and Other Postretirement Benefit Plans. We have defined contribution pension plans covering substantially all of our employees. In addition, we have two defined benefit pension plans and had one postretirement benefit plan. For the defined benefit pension plans, the benefits are based on years of service and the employee's compensation. Our postretirement benefit plan was terminated and paid out in the second quarter of 2009. Our policy on funding the defined benefit plans is to contribute an amount within the range of the minimum required and the maximum tax-deductible contribution.

Accounting for employee retirement plans involves estimating the cost of benefits that are to be provided in the future and attempting to match, for each employee, that estimated cost to the period

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

worked. To accomplish this, we make assumptions about discount rates, expected long-term rates of return on plan assets, salary increases and employee turnover and mortality, among others. We reevaluate all assumptions annually with our independent actuaries taking into consideration existing as well as forecasted economic conditions, and our policy and strategy with regard to the plans. As of December 31, 2009, we had frozen any further benefits associated with the defined contribution and defined benefit plans.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We adopted ASC topic 740, *Accounting for Income Taxes*, formerly Financial Accounting Standards Board Interpretation ("FIN") 48, effective January 1, 2007. ASC topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. See Note 16, for further explanation of our adoption of ASC topic 740.

Self-Insurance Accruals. We are self-insured up to certain limits for costs associated with workers' compensation and employee group medical coverage. Liabilities for insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of estimates of incurred, but not reported claims. These accruals are included in other current liabilities in the accompanying consolidated balance sheets. We also use information provided by independent consultants to assist in the determination of estimated accruals. In estimating these costs, we consider historical loss experience and make judgments about the expected levels of costs per claim.

Warranty Costs. We provide warranties for certain building and home improvement products against defects in material, performance and workmanship. We accrue for warranty claims at the time of sale based on historical warranty claims experience. Our warranty liabilities are included in other accrued liabilities in the consolidated balance sheets. Activity in our warranty liabilities for the years ended December 31, 2009, 2008 and 2007 is as follows:

In thousands	**2009**	**2008**	**2007**
January 1,	**$ 7,498**	$ 12,160	$ 7,664
Warranty provisions	**3,005**	2,189	6,728
Estimated fair value of warranty liability assumed in Royal Group acquisition			5,224
Foreign currency translation	**896**	(1,659)	874
Warranty claims paid	**(4,031)**	(5,192)	(8,330)
December 31,	**$ 7,368**	$ 7,498	$ 12,160

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

The adjustment in the year ended December 31, 2007 to the estimated fair value of warranty liabilities assumed in the Royal Group acquisition on October 3, 2006 reflects an adjustment to the preliminary purchase price allocation.

Derivative Financial Instruments. Derivatives that are not hedges must be adjusted to fair value through earnings in accordance with ASC topic 815, *Derivatives and Hedging*. If the derivative is a hedge, depending on the nature of the hedge, changes in its fair value are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. We engage in activities that expose us to market risks, including the effects of changes in interest rates, foreign currency and changes in commodity prices. Financial exposures are managed as an integral part of our risk management program, which seeks to reduce the potentially adverse effect that the volatility of the interest rate, foreign currency, and commodity markets may have on operating results. We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. Long-term supply agreements that meet the appropriate criteria are accounted for under the normal purchase provisions within ASC topic 815.

We formally document all hedging instruments and hedging transactions, as well as our risk management objective and strategy for undertaking hedged transactions. This process includes linking all derivatives that are designated as fair value and cash flow hedges to specific assets or liabilities on the consolidated balance sheet or to forecasted transactions. We also formally assess, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged transactions. When it is determined that a derivative is not highly effective or the derivative expires or is sold, terminated, exercised, or discontinued because it is unlikely that a forecasted transaction will occur, we discontinue the use of hedge accounting for that specific hedge instrument.

Litigation. In the normal course of business, we are involved in legal proceedings. We accrue a liability for such matters when it is probable that a material liability has been incurred and the amount can be reasonably estimated. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

Environmental Expenditures. Environmental expenditures related to current operations or future revenues are expensed or capitalized consistent with our capitalization policy. Expenditures that relate to an existing condition caused by past operations and that do not contribute to future revenues are expensed in the period incurred. Liabilities are recognized when material environmental assessments or cleanups are probable and the costs can be reasonably estimated.

Accumulated Other Comprehensive loss. Accumulated other comprehensive loss includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, unrealized gains and losses on derivative financial instruments designated as cash flow hedges, and adjustments to pension liabilities as required by ASC

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

topic 715. Amounts recorded in accumulated other comprehensive loss, net of tax, on the consolidated statements of stockholders' equity as of December 31, 2009 and 2008 are as follows:

	December 31,	
In thousands	**2009**	**2008**
Unrealized gain (loss) on derivative contracts	**$ 160**	$ (1,661)
Pension liability adjustment including affect of ASC topic 715	**(23,377)**	(18,908)
Currency translation adjustment	**18,903**	887
Total accumulated other comprehensive loss	**$ (4,314)**	$ (19,682)

Stock-Based Compensation. Stock based compensation is accounted for in accordance with ASC topic 718, *Compensation-Stock Compensation,* using the modified prospective method of adoption. ASC topic 718 requires all share- based payments to employees, including grants of employee stock options, restricted stock, restricted stock units and non-employee director deferred shares and restricted stock units to be recognized in the financial statements based on their fair values at the grant date.

ASC topic 718 required the elimination of unearned compensation (contra- equity account) related to earlier awards against the appropriate equity accounts, additional paid-in capital, in our circumstance. ASC topic 718 requires tax benefits relating to excess share-based compensation deductions to be prospectively presented in the statements of cash flows as a financing activity cash inflow.

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

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

In computing diluted earnings per share for the year ended December 31, 2009, options to purchase common stock of 0.2 million shares were not included due to their anti-dilutive effect. In computing diluted loss per share for the years ended December 31, 2008 and 2007, all common stock equivalents were excluded as a result of their anti-dilutive effect.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

Computations of basic and diluted earnings (loss) per share are presented in the following table:

Basic and Diluted Earnings (Loss) Per Share Two-class Method

In thousands, except per share data	Year ended December 31, 2009	2008 (a)	2007 (a)
Basic Earnings (loss) per share			
Undistributed income (loss)	**$ 131,059**	$ (263,550)	$ (266,647)
Restricted stock ownership	**6%**	%	%
Restricted stock interest on undistributed income	**$ 7,869**	$	$
Weighted average restricted shares Basic	**952**	16	12
Total restricted stockholders' basic earnings per share	**$ 8.27**	$	$
Undistributed income (loss)	**$ 131,059**	$ (263,550)	$ (266,647)
Common stock ownership	**94%**	100%	100%
Common stockholders' interest in undistributed income (loss)	**$ 123,190**	$ (263,550)	$ (266,647)
Weighted average common shares Basic	**14,903**	1,378	1,374
Total common stockholders' basic earnings (loss) per share	**$ 8.27**	$ (191.21)	$ (194.08)
Total basic earnings (loss) per share	**$ 8.27**	$ (191.21)	$ (194.08)
Total basic loss per share from discontinued operations			(7.91)
Total basic earnings (loss) per share from continuing operations	**$ 8.27**	$ (191.21)	$ (186.17)
Diluted earnings (loss) per share			
Undistributed income (loss)	**$ 131,059**	$ (263,550)	$ (266,647)
Deduct: Undistributed earnings restricted stock	**$ 7,869**		
Common stockholders' interest in undistributed income (loss) used in diluted earnings per share	**$ 123,190**	$ (263,550)	$ (266,647)
Weighted average common shares Basic	**14,903**	1,378	1,374
Stock options	**5**		
Weighted average common shares Diluted	**14,908**	1,378	1,374

Total diluted earnings (loss) per share	**$**	**8.26**	$	(191.21)	$	(194.08)
Total diluted earnings (loss) per share	**$**	**8.26**	$	(191.21)	$	(194.08)
Total diluted loss per share from discontinued operations						(7.91)
Total diluted earnings (loss) per share from continuing operations	**$**	**8.26**	$	(191.21)	$	(186.17)

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

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (Continued)

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 consolidated balance sheets and consolidated statements of stockholders' equity (deficit), 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 the debt for equity exchange, we issued approximately 1.3 million common shares and approximately 30.2 million convertible preferred shares to our bond holders that tendered their notes. These newly issued common shares are included in the above year ended December 31, 2009 earnings per share on a weighted average basis from the date of issuance. On September 17, 2009, the convertible preferred shares were converted to common shares. These newly issued preferred shares that converted to common shares were eligible to participate in any dividends that we issue and thus were treated as common share equivalents from the period issued until the date they formally converted to common shares in the calculations above.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued ASC subtopic 105-10, *Generally Accepted Accounting Principles*. The Codification is now the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This statement was effective for interim and annual reporting periods ending after September 15, 2009. All existing accounting standards are superseded as described in this statement. All other accounting literature not included in the Codification is nonauthoritative. The adoption of the Codification on September 30, 2009 did not have an impact on our consolidated financial statements.

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

In June 2009, the FASB issued ASC topic 860, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*, which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in the transferred assets. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. Early adoption is prohibited. We are currently evaluating the impact of this statement on our consolidated financial statements.

In April 2009, the FASB issued ASC subtopic 820-10, *Fair Value Measurements and Disclosures,* section 65-4, *Transition Related to FASB Staff Position ("FSP") SFAS 157-4, Determining Fair Value When the*

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

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

In April 2009, the FASB issued ASC subtopic 825-10, *Financial Instruments,* section 65-1, *Transition Related to FSP SFAS 107-1 and Accounting Principles Bulletin ("APB") No. 28-1, Interim Disclosures About Fair Value of Financial Instruments.* This ASC subtopic states that an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107. Fair value information disclosed in the notes must be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. An entity also must disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and describe changes in method(s) and significant assumptions, if any, during the period. These new disclosures became effective for interim and annual periods ending after June 15, 2009. See Note 18, for disclosures related to this statement.

In December 2008, the FASB issued ASC subtopic 715-20, *Compensation Retirement Benefits,* section 65-2, *Transition Related to FSP SFAS 132(R)-1, Employer's Disclosure about Postretirement Benefit Plan Assets*, which amends ASC subtopic 715-20 to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new ASC subtopic requires new disclosures for us for the year ending December 31, 2009. The new disclosures are reflected in Note 15.

3. DISCONTINUED OPERATIONS, AND ASSETS HELD-FOR-SALE

Discontinued Operations Outdoor Building Products Segment. As part of our strategic plan for the acquired Royal Group businesses, we exited certain non-core businesses included in our outdoor building

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. DISCONTINUED OPERATIONS, AND ASSETS HELD-FOR-SALE (Continued)

products segment. The results of all discontinued operations in our outdoor building products segment for the year ended December 31, 2007 were as follows:

(In thousands)	December 31, 2007
Net sales	$ 19,039
Operating (loss) from discontinued operations	(12,388)
Benefit from income taxes	1,524
Total loss from discontinued operations	$ (10,864)

Assets Held-For-Sale. As part of our cost reduction initiatives strategic plan, we also continue to sell certain non-core assets and businesses. Assets held for sale include U.S. and Canadian real estate totaling $14.9 million at December 31, 2009 and U.S. real estate totaling $0.5 million at December 31, 2008. In March 2008, we executed a contingent sale agreement and received net proceeds of $12.6 million for certain Canadian real estate. The contingency was based on the buyer satisfying certain property zoning conditions. The contingency was resolved in June 2008. This transaction resulted in a $3.3 million loss recorded in March 2008. In June 2008, we sold property for $3.2 million and received $1.2 million in cash and a short-term note for $2.0 million. Both gains and losses resulting from each transaction are included in (gains) losses on sale of assets in the accompanying condensed consolidated statement of operations for the year ended December 31, 2008. See Note 4.

Divestitures. In March 2008, we sold the assets and operations of our outdoor storage buildings business that were previously a part of our outdoor building products segment. The outdoor storage buildings business was sold for $13.0 million and resulted in a loss of approximately $4.6 million. We sold the land and building from our Winnipeg, Manitoba Window and Door Profiles plant for $4.5 million, resulting in a recognized gain of $0.3 million in March 2008. In June 2008, we sold land for net proceeds of $36.5 million, which resulted in a gain of $28.8 million. Additionally, in June 2008, we sold and leased back equipment for $10.6 million resulting in a $2.2 million currently recognized gain, a short-term deferred gain of $0.8 million and a non-current deferred gain of $7.2 million. The deferred gain will be recognized ratably over the term of the equipment leases. In addition we sold the Oklahoma City, Oklahoma polyvinyl chloride ("PVC" or "vinyl resin") plant in December 2008 for $1.3 million. See Note 4.

4. RESTRUCTURING ACTIVITIES

In March 2008, we initiated plans to permanently shut down the Oklahoma City, Oklahoma 500 million pound PVC plant, the "Oklahoma City Restructuring Plan" which was a part of the Chlorovinyls segment. The plant ceased operations in March 2008. We wrote down the plant's property, plant and equipment in accordance with ASC subtopic 360-10, *Property, Plant and Equipment*, resulting in a $15.5 million impairment charge and incurred additional termination benefits and closing costs of $2.0 million that were expensed as incurred, in accordance with ASC 420-10, *Exit or Disposal Cost Obligations*. No significant costs related to the Oklahoma City Restructuring Plan were incurred in the year ended December 31, 2009, and we do not expect there to be any future costs associated with the Oklahoma City Restructuring Plan.

Additionally, the restructuring costs for the year ended December 31, 2009 and 2008 include our divestiture and closure of our outdoor storage buildings business assets and operations. The outdoor

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

storage building business was sold for $13.0 million and resulted in a loss of approximately $4.6 million ("Outdoor Storage Plan"). During the third quarter of 2009 we reached a favorable settlement on a legal claim which resulted in the reversal of a litigation accrual of $3.1 million and a credit of restructuring costs for the same amount for the year ended December 31, 2009. The amount is noted as a reduction in the additions column in the table below.

In the fourth quarter of 2008, we initiated a restructuring plan (the "Fourth Quarter 2008 Restructuring Plan") that included the permanent shut down of our 450 million pound PVC manufacturing facility in Sarnia, Ontario, the exit of a recycled PVC compound manufacturing facility in Woodbridge, Ontario, the consolidation of various manufacturing facilities, and elimination of certain duplicative activities in our operations. In connection with the Fourth Quarter 2008 Restructuring Plan, we incurred costs related to termination benefits, including severance, pension and postretirement benefits, operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with ASC 420-10 and related accounting standards. We expect to pay these termination benefits and other qualified restructuring activity costs through December 2010 as employees are being paid on a salary continuance basis rather than a lump sum. In addition, plant remediation or environmental costs associated with the closing of these facilities are expected to be paid through June 2010. Any costs incurred associated with the Fourth Quarter 2008 Restructuring Plan that will benefit future periods, such as relocation costs, will be expensed in the periods incurred. Total restructuring expenses incurred for the year ended December 31, 2009 includes a $4.0 million credit adjustment for the wind up of the Canadian pension plan (see Note 15). The amount is noted as a reduction in the additions column in the table below. Additionally, future costs for the Fourth Quarter 2008 Restructuring Plan are estimated to be approximately $0.3 million, consisting of future severance and non-workforce related costs. We incurred severance and non-workforce related costs for the year ended December 31, 2007 associated with a 2007 restructuring plan, which is included in the table below.

In May 2009, we initiated plans to further consolidate plants in our window and door profiles and mouldings products segment ("2009 Window and Door Consolidation Plan"). As a result we incurred restructuring costs, including impairment of the plants' fixed assets for the year ended December 31, 2009. For the year ended December 31, 2009, we incurred $21.6 million of impairment charges for real estate and other fixed assets associated with the consolidation of these plants. The details of restructuring and impairment expenses incurred for the year ended December 31, 2009 are noted in the tables below. Additional future costs for the 2009 Window and Door Consolidation Plan are estimated to be approximately $1.1 million, consisting primarily of future non-workforce related costs.

The expenses associated with the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan for the year ended December 31, 2009 for severance and other exit costs was $4.4 million and are included in restructuring costs in the consolidated statement of operations. A summary of our restructuring activities recognized as a result of the Fourth Quarter 2008

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan, by reportable segment for the years ended December 31, 2008 and 2009 is as follows:

(In thousands)	Balance at December 31, 2007	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at December 31, 2008
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$	$ 3,468	$ (256)	$ 34	$ 3,246
Exit costs		4,902	(751)	34	4,185
Other		1,184			1,184
Window and door profiles and mouldings products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	2,328	1,600	(2,096)	(360)	1,472
Exit costs	690	(83)	(568)	(38)	1
Other		1,459			1,459
Outdoor building products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	370	1,457	(548)	4	1,283
Other		508			508
Outdoor Storage Plan:					
Involuntary termination benefits		1,574	(847)	(204)	523
Exit costs		4,814	(2,854)	(181)	1,779
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits		1,090	(1,131)	41	
Total	$ 3,388	$ 21,973	$ (9,051)	$ (670)	$ 15,640

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Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

(In thousands)	Balance at December 31, 2008	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at December 31, 2009
Chlorovinyls					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	$ 3,246	$ (3,566)(a)	$ (2,900)	$ 4,250	**$ 1,030**
Exit costs	4,185	3,525	(5,477)	(257)(b)	**1,976**
Other	1,184			(1,184)	
Window and door profiles and mouldings products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	1,472	1,529	(2,269)	492	**1,224**
Exit costs	1	22	(23)		
Other	1,459			(1,459)	
2009 Window and Door Consolidation Plan:					
Involuntary termination benefits		1,124	(390)	145	**879**
Exit costs		576	(397)		**179**
Outdoor building products					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits	1,283	2,093	(2,279)	97	**1,194**
Exit costs		23	(23)		
Other	508			(508)	
Outdoor Storage Plan:					
Involuntary termination benefits	523	138	(315)	(183)	**163**
Exit costs	1,779	(1,244)	(1,943)	1,408	
Corporate					
Fourth Quarter 2008 Restructuring Plan:					
Involuntary termination benefits		171	(123)		**48**
Total	$ 15,640	$ 4,391	$ (16,139)	$ 2,801	**$ 6,693**

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

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

In the first quarter of 2009, we engaged the services of several consultants to assist us in performance improvement, transportation management and indirect sourcing cost reduction initiatives among other areas of the business, with the ultimate goal to restructure our businesses and improve and sustain profitability for the long-term. For the year ended December 31, 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

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Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

restructuring costs in the consolidated statements of operations. Restructuring reserves are included in other accrued liabilities in the consolidated balance sheets.

A summary of impairment of tangible long-lived assets incurred in connection with our restructuring activities 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 years ended December 31, 2008 and 2009 is as follows:

(In thousands)	Year Ended December 31, 2009	Year Ended December 31, 2008
Chlorovinyls		
Impairment of Long-Lived Assets	**$ 201**	$ 44,310
Window and door profiles and mouldings products		
Impairment of Long-Lived Assets	**21,603**	2,246
Outdoor building products		
Impairment of Long-Lived Assets		634
Other, including unallocated corporate		
Impairment of Long-Lived Assets		(187)
Total	**$ 21,804**	$ 47,003

The total impairment of tangible long-lived assets for the years ended December 31, 2009 and 2008 is included in long-lived asset impairment charges in the consolidated statement of operations. For the year ended December 31, 2007, there were no similar charges.

5. ACCOUNTS RECEIVABLE SECURITIZATION

We had an agreement pursuant to which we sold an undivided percentage ownership interest in a certain defined pool of our U.S. trade receivables on a revolving basis through a wholly owned subsidiary to two third parties (the "Securitization"). This wholly owned subsidiary was funded through advances on sold trade receivables and collections of these trade receivables and its activities were exclusively related to the Securitization. As collections reduced accounts receivable included in the pool, we sold ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. At December 31, 2008 and 2007 the unpaid balance of accounts receivable in the defined pool was approximately $158.2 million and $244.2 million, respectively and the balance of receivables sold was $111.0 million and $147.0 million, respectively.

Our Securitization was accounted for as a sale in accordance with the provisions of ASC topic 860, *Transfers and Servicing,* and therefore, the receivables sold are not included in the debt and related accounts receivable accounts on our consolidated balance sheets. We continued to provide an allowance for doubtful accounts related to these receivables based on our historical experience and aging of the accounts receivable. At December 31, 2008 and 2007, we had a subordinated interest of approximately $47.2 million and $97.2 million, respectively, in the defined pool of receivables, which represented the excess of receivables sold over the amount funded to us. The fair value of the retained interest approximated the carrying amount because of the short period of time it takes for the portfolio to be liquidated. From December 31, 2007 to December 31, 2008, we reduced the balance of receivables sold from $147.0 million to $111.0 million, which resulted in a net decrease of cash flow of $36.0 million.

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Notes to Consolidated Financial Statements (Continued)

5. ACCOUNTS RECEIVABLE SECURITIZATION (Continued)

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 "New Securitization"). This wholly owned subsidiary was funded through advances on sold trade receivables and collections of these trade receivables and its activities are exclusively related to the New Securitization. Under the New Securitization agreement we could sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. As collections reduce accounts receivable included in the pool, we 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 New Securitization. In conjunction with the sales of receivables, we recorded losses of $6.6 million, $7.1 million and $8.2 million for fiscal years 2009, 2008 and 2007, respectively, which are included as selling, general and administrative expenses in the accompanying consolidated statements of operations. The losses were determined by applying a discount factor, as prescribed under the relevant Securitization, to the monthly balance in the ownership interests sold.

As of December 22, 2009 the Asset 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 10). As a result of the termination and replacement of our trade receivables securitization facility 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.

6. INVENTORIES

The major classes of inventories were as follows:

	December 31,	
(In thousands)	**2009**	**2008**
Raw materials, work-in-progress, and supplies	**$ 97,351**	$ 94,618
Finished goods	**154,046**	145,581
Inventories	**$ 251,397**	$ 240,199

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

(In thousands)	**December 31, 2009**	**December 31, 2008**
Machinery and equipment	**$ 1,346,740**	$ 1,328,701
Land and land improvements	**86,013**	86,167
Buildings	**195,602**	197,481
Construction-in-progress	**25,629**	33,036
Property, plant and equipment, at cost	**1,653,984**	1,645,385
Accumulated depreciation	**966,414**	884,625
Property, plant and equipment, net	**$ 687,570**	$ 760,760

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

8. OTHER ASSETS, NET

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

(In thousands)	December 31, 2009	December 31, 2008
Advances for long-term purchase contracts	**$ 67,257**	$ 85,310
Investment in joint ventures	**12,804**	16,104
Deferred financing costs, net	**25,654**	42,167
Long-term receivables	**3,714**	3,640
Other	**7,065**	3,422
Total other assets, net	**$ 116,494**	$ 150,643

During 2009, in connection with refinancing our capital structure, we (i) on July 27, 2009, effected a debt for equity exchange and (ii) on December 22, 2009 we (A) issued $500.0 million aggregate principal amount of senior secured 9.0 percent notes, (B) entered into the ABL Revolver, (C) terminated our senior secured credit facility, and (D) terminated our asset securitization program (see Note 10, "Long-Term Debt"). We incurred $79.7 million of related financing fees of which $24.4 million were deferred and included in other assets, net at December 31, 2009 and the remaining amount was expensed in the year ended December 31, 2009 in connection with the respective refinancings referred to above. Debt issuance cost amortized as interest expense during 2009, 2008 and 2007 was $9.6 million, $6.9 million and $5.8 million, respectively.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill Impairment Charges. There were no goodwill impairment charges in 2009. Goodwill impairment charges totaled $62.6 million and $125.1 million in 2008 and 2007, respectively. We performed our annual impairment testing for goodwill and other intangible assets in accordance with ASC topic 350 sub-topic 020 *Goodwill*. We evaluate goodwill and other intangible assets for impairment using the two-step process prescribed by ASC topic 350. The first step is to identify potential impairment by comparing the fair value of the reporting unit to the book value, including goodwill. If the fair value of the reporting unit exceeds the book value, goodwill is not considered impaired. If the book value exceeds the fair value, the second step of the process is performed to measure the amount of impairment. Our goodwill evaluations utilized discounted cash flow analyses and market multiple analyses in estimating fair value. Our weighting of the discounted cash flow and market approaches varies by each reporting unit based on factors specific to each reporting unit. Our weighting of the two approaches ranges from 50% to 100% of discounted cash flows and nil to 50% of the market approach. Inherent in our fair value determinations are certain judgments and estimates relating to future cash flows, including interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans with regard to our operations. From October 1, 2009 (our annual testing date) to December 31, 2009, our stock price and resulting market capitalization significantly declined. We do not believe this decline in market capitalization is permanent and we have evaluated the factors contributing to such decline and have considered such in our impairment testing. Our evaluation of the market capitalization decline included reconsidering our cash flow projections and discount rates utilized in our October 1, 2009 impairment test and evaluating whether they remained appropriate as of December 31, 2009. We further evaluated our reporting units with significant goodwill using a 100 basis point increase in our discount rates above those that were supported by our valuation work on the basis that a change in such assumptions may cause a

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

change in the results of the analyses performed; however, it did not. Similar overall analyses were performed in 2008 and 2007. In addition, to the extent significant changes occur in market conditions, overall economic conditions or our strategic operational plan; it is possible that goodwill not currently impaired may become impaired in the future.

Goodwill. The following table provides the detail of the changes made to goodwill by reportable segment during the years ended December 31, 2009, 2008 and 2007.

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Outdoor Building Products	Total
Gross goodwill at January 1, 2007	$ 221,357	$ 135,756	$ 20,011	$ 377,124
Foreign currency translation adjustment	23,990	(1)	3,334	27,323
Adjustment to preliminary purchase allocation of Royal Group	860	3,428	(1,383)	2,905
Gross goodwill at December 31, 2007	246,207	139,183	21,962	407,352
Accumulated impairment losses at January 1, 2007				
Impairment charges	(55,487)	(49,763)	(19,820)	(125,070)
Accumulated impairment losses at December 31, 2007	(55,487)	(49,763)	(19,820)	(125,070)
Net goodwill at December 31, 2007	$ 190,720	$ 89,420	$ 2,142	$ 282,282
Gross goodwill at December 31, 2007	$ 246,207	$ 139,183	$ 21,962	$ 407,352
Settlement of pre-acquisition tax contingency and other		(15,045)	(262)	(15,307)
Foreign currency translation adjustment	(21,569)	6,429	(209)	(15,349)
Gross goodwill at December 31, 2008	224,638	130,567	21,491	376,696
Accumulated impairment losses at December 31, 2007	(55,487)	(49,763)	(19,820)	(125,070)
Impairment charges		(62,623)		(62,623)
Accumulated impairment losses at December 31, 2008	(55,487)	(112,386)	(19,820)	(187,693)
Net goodwill at December 31, 2008	$ 169,151	$ 18,181	$ 1,671	$ 189,003
Gross goodwill at December 31, 2008	**$ 224,638**	**$ 130,567**	**$ 21,491**	**$ 376,696**
Foreign currency translation adjustment	**14,806**			**14,806**
Gross goodwill at December 31, 2009	**239,444**	**130,567**	**21,491**	**391,502**
Accumulated impairment losses at December 31, 2009	**(55,487)**	**(112,386)**	**(19,820)**	**(187,693)**
Net goodwill at December 31, 2009	**$ 183,957**	**$ 18,181**	**$ 1,671**	**$ 203,809**

Indefinite lived intangible assets. At December 31, 2009 and 2008, we held trade names. Our indefinite lived intangible asset evaluations utilized discounted cash flows analyses in estimating fair value.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The following table provides the detail of the changes made to indefinite-lived intangible assets by reporting segment during years ended December 31, 2009 and 2008.

Indefinite-lived intangible assets-trade names

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Outdoor Building Products	Total
Balance at December 31, 2007	$ 1,135	$ 9,646	$ 459	$ 11,240
Impairment charges	(608)	(5,023)	(93)	(5,724)
Foreign currency translation adjustment	(224)	(1,089)	(46)	(1,359)
Balance at December 31, 2008	$ 303	$ 3,534	$ 320	$ 4,157
Foreign currency translation adjustment	50	283		333
Balance at December 31, 2009	$ 353	$ 3,817	$ 320	$ 4,490

Finite-lived intangible assets. At December 31, 2009 and 2008, we also had customer relationship and technology intangibles. Impairment charges in 2008 and 2007 were determined utilizing discounted cash flow analyses. There were no similar charges in 2009. The following table provides the detail of the changes made to finite-lived intangible assets by reportable segment during years ended December 31, 2009 and 2008.

Finite-lived intangible assets

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	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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Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Total
Gross carrying amounts at December 31, 2007:			
Customer relationships	$ 1,000	$ 34,523	$ 35,523
Technology		31,000	31,000
Total	1,000	65,523	66,523
Impairment charges for the year-ended December 31, 2008:			
Customer relationships	(801)	(23,101)	(23,902)
Technology		(19,133)	(19,133)
Total	(801)	(42,234)	(43,035)
Gross carrying amounts at December 31, 2008:			
Customer relationships	199	11,422	11,621
Technology		11,867	11,867
Total	199	23,289	23,488
Accumulated amortization at December 31, 2008:			
Customer relationships	(124)	(4,530)	(4,654)
Technology		(5,334)	(5,334)
Total	(124)	(9,864)	(9,988)
Foreign currency translation adjustment and other at December 31, 2008:			
Customer relationships	(75)	(1,677)	(1,752)
Technology			
Total	(75)	(1,677)	(1,752)
Net carrying amounts at December 31, 2008:			
Customer relationships		5,215	5,215
Technology		6,533	6,533
Total	$	$ 11,748	$ 11,748

The average estimated useful life for the customer relationships and technology are 18 years and 12 years, respectively. Amortization expense for the finite-lived intangible assets was $1.0 million, $3.8 million and $5.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. Total finite-lived intangible asset estimated annual amortization expense for the next five fiscal years is approximately $1.0 million per year.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	December 31, 2009	December 31, 2008
Senior secured credit facility:		
Revolving credit facility expires 2011	**$**	$ 125,762
Term loan B due 2013		350,350
Senior secured ABL revolving credit facility due 2013	**56,462**	
9.0% senior secured notes due 2017	**496,739**	
7.125% senior notes due 2013	**8,965**	100,000
9.5% senior notes due 2014	**13,151**	497,240
10.75% senior subordinated notes due 2016	**41,360**	197,407
Lease financing obligation	**106,436**	91,473
Other	**15,892**	31,918
Total debt	**$ 739,005**	$ 1,394,150
Less current portion	**(28,231)**	(56,843)
Long-term debt	**$ 710,774**	$ 1,337,307

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 asset securitization facility with a four-year term senior secured asset-based revolving credit agreement (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. The borrowings under the ABL Revolver are secured by substantially all of our assets.

Borrowings under the ABL Revolver bear, and borrowings under the senior secured credit facility also bore interest at a rate per annum on either the prime rate plus the applicable pricing margin or the London Interbank Offered Rate, (LIBOR) plus the applicable pricing margin. For the years ended December 31, 2009, 2008, and 2007, the average interest rates for the former senior credit facility were 9.09, 6.51, and 7.94 percent, respectively. As of December 31, 2009, the interest rate under the ABL Revolver was 6.0 percent. 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 on LIBOR loans and agency fees.

The ABL Revolver requires that if excess availability is less than $45 million, we comply with a minimum fixed charge coverage ratio test of 1.10 to 1.00. At December 31, 2009 excess availability was $134.5 million. 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;

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

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 December 31, 2009, we had $56.5 million in outstanding principal borrowed under the ABL Revolver and had outstanding letters of credit totaling $45.2 million. Over the next twelve months, we expect to pay off $28.2 million of borrowings under our ABL Revolver. Therefore, we have classified this debt as current in our consolidated balance sheet as of December 31, 2009. For the year ended December 31, 2009 borrowings and repayments on our revolving credit facility have previously been presented on a gross basis in our consolidated statement of cash flows. Such borrowings and repayments on our revolving credit facilities for the years ended December 31, 2008 and 2007 have been presented on a gross basis in the accompanying consolidated statement of cash flows to conform to the presentation for the year end December 31, 2009.

On December 22, 2009, we also issued $500.0 million principal amount of senior secured 9.0 percent notes due in 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 of such principal amount, plus any accrued and unpaid interest. In addition, we may redeem some or all of the notes at anytime 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 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.

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 $38.8 million and the availability to borrow an additional $134.5 million under our senior secured ABL Revolver as of December 31, 2009, will be adequate for the foreseeable future to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements, meet the restrictive covenants and comply with the financial ratios of the senior secured ABL Revolver and the indenture related to the senior secured 9.0 percent notes. As of December 31, 2009, we are in compliance with all required debt covenants.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

Under our old senior secured credit facility and our asset securitization agreement, we were subject to certain restrictive covenants, the most significant of which required us to maintain certain financial ratios and limit our ability to pay dividends, make investments, incur debt, grant liens, sell our assets and engage in certain other activities. In September 2008, we began executing a series of amendments (the fourth through eighth amendments) to our senior secured credit facility to allow us more flexibility to improve our capital structure. Commencing in March 2009, these amendments also permitted us to withhold about $38.0 million in aggregate interest on our 7.125 percent, 9.5 percent and 10.75 percent notes, which constituted defaults under the related indentures, in connection with the debt exchange detailed below. During this time, we also obtained forbearances from certain of the note holders with respect to the withheld interest payments and the related defaults.

The Fifth Amendment to the senior secured credit facility was accounted for as an extinguishment of the Term Loan B in accordance with ASC subtopic 50 section 40, *Debt Modifications and Extinguishments*. As required by ASC subtopic 50 section 40, due to the fact that the Fifth and Fourth Amendment were within the same consecutive twelve month period, the evaluation compared the present value of future cash flows under the terms of the Fifth Amendment to the present value of the remaining cash flows under the terms of the Term Loan B agreement prior to the Fourth Amendment. We determined that the net present value of the Term Loan B future cash flows under the terms of the Fifth Amendment was more than 10 percent different from the present value of the remaining cash flows under the terms of the Term Loan B agreement prior to the Fourth Amendment. Due to the substantial difference, we determined an extinguishment of debt had occurred with the Fifth Amendment. Accordingly, we recorded the amended Term Loan B at its estimated fair value of $207.1 million at the date of extinguishment. The difference between the fair value of the amended Term Loan B and the carrying value of the original Term Loan B less the related financing cost at the date of debt extinguishment of $121.0 million was recorded as a gain and is included in loss on debt modification and extinguishment, net in the consolidated statement of operations for the year ended December 31, 2009. The difference between the fair value and the carrying value of the Term Loan B on the date of the modification was $142.3 million and was recorded as a debt discount against the principal amount of the Term Loan B. The $142.3 million Term Loan B debt discount was being accreted ratably as interest expense over the remaining term of the Term Loan B. The December 22, 2009 full extinguishment of the senior secured credit facility resulted in a loss of $163.8 million including the write off of the unamortized debt discount of $129.4 million and the related deferred financing fees, and is included in loss on modification and extinguishment of debt, net in the consolidated statement of operations for the year ended December 31, 2009.

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

The daily bid price from March 17, 2009 to April 23, 2009 ranged from 41.8 percent to 61.0 percent of par. We weighted our estimate to the latter part of the thirty trading days after March 17, 2009 as we believed it took some time for the market to understand the extent of the Fifth Amendment and adjust the pricing accordingly. The average bid price during the twenty to twenty-five trading days and twenty-five to thirty trading days subsequent to the Fifth Amendment was 59.0 percent and 60.7 percent of par, respectively. The average pricing of then recent publicly available new debt issuances for companies with comparable credit ratings was estimated to be approximately 61.0 percent of par. A 100 basis point

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

difference relative to the outstanding par of our Term Loan B at the time of the substantial modification was approximately $3.5 million.

On March 31, 2009, we commenced private exchange offers for our outstanding 7.125 percent senior notes due 2013 (the "2013 notes"), 9.5 percent senior notes due 2014 (the "2014 notes"), and 10.75 percent senior subordinated notes due 2016 (the "2016 notes" and collectively with the 2013 notes and 2014 notes, the "notes"). After numerous extensions and amendments, on July 29, 2009, we consummated our private exchange of equity for approximately $736.0 million (principal amount), or 92.0 percent, in aggregate principal amount of the notes. The $736.0 million was comprised of $91.0 million of the $100 million of 2013 notes, $486.8 million of the $500 million of 2014 notes, and $158.1 million of the $200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and approximately 1.3 million shares of common stock was issued in exchange for the tendered notes after giving effect to a 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares. In exchange for each $1,000 in principal amount of the 2013 notes and 2014 notes, we issued 47.30 shares of convertible preferred stock and 2.11 shares of common stock and in exchange for each $1,000 in principal amount of the 2016 notes, we issued 18.36 shares of convertible preferred stock and 0.82 shares of common stock. In September 2009 approximately 30.2 million preferred shares converted to an equal number of common shares. After giving effect to the debt exchange, at December 31, 2009 we had outstanding $9.0 million of the 2013 notes, $13.2 million of the 2014 notes and $41.4 million of the 2016 notes.

In accordance with ASC subtopic 470-60, *Troubled Debt Restructuring by Debtors,* this debt for equity exchange was a troubled debt restructuring and thus an extinguishment of the exchanged notes for which we recognized a net gain of $400.8 million. The $400.8 million net gain from the debt for equity exchange represents basic earnings per share of approximately $16.18 for the year ended December 31, 2009. This gain included $731.5 million of principal debt, net of original issuance discounts, $53.7 million accrued interest, $14.1 million deferred financing fees written off and $12.4 million of third party fees which was exchanged for the $357.9 million fair value of the common and preferred shares. The $357.9 million fair value of the common and preferred shares was estimated using a combination of discounted future cash flows, market multiples for similar companies and recent comparable transactions. In addition, the resulting fair value of the equity approximates $11.36 per share that was also evaluated relative to the public markets and determined to be reasonable. Due to the fact that the determination of the fair value of the equity exchanged was primarily derived by projected future cash flows, we evaluated the sensitivity of the major assumptions including discount rates and forecasted cash flows. A 100 basis point increase or decrease in the discount rate or a 10% increase or decrease in the annual forecasted cash flows results in an approximately $30.0 million increase or decrease in the estimated fair value of the equity exchanged.

Interest on these notes is payable semiannually. The 2013 notes, 2014 notes and 2016 notes are redeemable at specified prices on or after December 15, 2011, October 15, 2010 and October 15, 2011, respectively. The 2014 notes and 2016 notes were issued at discounts to yield of 9.625 percent and 11.0 percent, respectively, under the effective interest method.

On September 29, 2008, we obtained the consent of a majority of the holders of the unsecured 7.125 percent senior notes to an amendment to the related indenture, (the "Indenture Amendment"), and paid a consent fee of $1.5 million to all consenting note holders pro rata to their respective holdings. The Indenture Amendment amends certain covenants in the indenture, and provides a waiver of defaults, if

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

any. Approval of the lenders under our old senior secured credit facility was required for the consent fee payment and the Indenture Amendment.

Scheduled maturities and cash interest. Scheduled maturities of long-term debt outstanding at December 31, 2009 are nil in 2010, nil in 2011, $18.0 million in 2012, $65.4 million in 2013, $13.2 million in 2014 and $541.9 million thereafter. Cash payments for interest during the years ended December 31, 2009, 2008 and 2007 were $69.9 million, $129.5 million, and $136.5 million, respectively.

Lease financing transaction. The lease financing obligation is the result of the 2007 sale and concurrent leaseback of certain land and buildings in Canada. In connection with this transaction a collateralized letter of credit was issued in the 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 consolidated balance sheet. The future minimum lease payments under the terms of the related lease agreements at December 31, 2009 are $6.8 million in 2010, $7.1 million in 2011, $7.1 million in 2012, $7.4 million in 2013, $7.4 million in 2014 and $17.3 million thereafter. The change in the future minimum lease payments and the lease financing obligation from the December 31, 2008 balance is due to the change in the Canadian dollar exchange rate during the year ended December 31, 2009.

11. COMMITMENTS AND CONTINGENCIES

Leases. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2018. Future minimum payments under these non-cancelable operating leases as of December 31, 2009 are $20.2 million in 2010, $13.3 million in 2011, $11.8 million in 2012, $8.6 million in 2013, $9.9 million in 2014 and $12.7 million thereafter. Total lease expense was approximately $33.8 million, $41.4 million and $32.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. Lease expense is recognized on a straight-line basis over the term of the lease.

Letters of Credit. As of December 31, 2009 and 2008, we had outstanding letters of credit totaling approximately $45.2 million and $99.7 million, respectively. These outstanding letters of credit directly reduced the availability under our ABL Revolver and our revolving credit facility as of December 31, 2009 and 2008, respectively. These letters of credit, which typically have terms from one month to one year, primarily provide additional security for payments to real property lessors, suppliers, and financial assurance to states for environmental closure, post-closure costs, and potential third party liability awards.

Purchase Commitments. We have long-term raw material purchase agreements with variable and fixed payments through 2014. The variable component of future payments is based on market prices of commodities used in production. Under these contracts we were required to prepay a certain portion of the fixed and determinable costs, of which we have capitalized $67.3 million and $85.3 million as of December 31, 2009 and 2008, respectively, in the accompanying consolidated balance sheets. We amortize these advances based on the physical delivery from the manufacturer to our plants. We analyze the recoverability of these prepaid manufacturing costs based on the creditworthiness of the manufacturer and the performance under the terms of the contract. In addition, these purchase commitments are not in excess of market prices and are designed to assure a source of supply and are not in excess of our normal manufacturing requirements. We have historically taken physical delivery of the raw materials under these purchase agreements and intend to take physical delivery over the contract term. Therefore, we account

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

for them under the normal purchase provisions of ASC topic 815 and its amendments. The aggregate amount of payments made under the agreements for purchases in 2009, 2008 and 2007 was $122.3 million, $199.6 million and $207.9 million, respectively.

We also have other long-term supply contracts for raw materials, which are at prices not in excess of market, designed to assure a source of supply and not expected to be in excess of our normal manufacturing operations requirements. Historically, we have taken physical delivery under these contracts and we intend to take physical delivery in the future. Therefore, at inception we designate these contracts as normal purchase agreements and account for them under the normal purchase provisions of ASC topic 815.

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

In August 2004 and January and February 2005, the USEPA conducted environmental investigations of our manufacturing facilities in Aberdeen, Mississippi and Plaquemine, Louisiana, respectively. The USEPA informed us that it identified several "areas of concern," and indicated that such areas of concern may, in its view, constitute violations of applicable requirements, thus warranting monetary penalties and possible injunctive relief. In lieu of pursuing such relief through its traditional enforcement process, the USEPA proposed that the parties enter into negotiations in an effort to reach a global settlement of the areas of concern and that such a global settlement cover our manufacturing facilities at Lake Charles, Louisiana and Oklahoma City, Oklahoma as well. During the second quarter of 2006, we were informed by the USEPA that its regional office responsible for Oklahoma and Louisiana desired to pursue resolution of these matters on a separate track from the regional office responsible for Mississippi. During the second quarter of 2007, we reached agreement with the USEPA responsible for Mississippi on the terms and conditions of a consent decree that would settle USEPA's pending enforcement action against our Aberdeen, Mississippi facility. All parties have executed a consent decree setting forth the terms and conditions of the settlement. The consent decree has been approved by the federal district court in Atlanta, Georgia. Under the consent decree, we were required to, among other things, pay a $610,000 fine, which was paid in March 2008, and undertake certain other environmental improvement projects. While the cost of such additional projects will likely exceed $1 million, we do not believe that these projects will have a material effect on our financial position, results of operations, or cash flows.

We have not yet achieved a settlement with the USEPA regional office responsible for Oklahoma and Louisiana. 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,

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

we received a Notice of Potential Penalty (NOPP) from the Louisiana Department of Environmental Quality. The NOPP contains allegations of violation that may potentially be similar in nature to allegations of violation 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 do not know the total cost of monetary penalties, environmental projects, or other relief that would be imposed in any settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

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

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

On June 6, 2008, we received notice and a letter of transmittal (collectively, the "Notice") from persons ("Claimants") claiming to own at least 25 percent of our 7.125 percent notes due 2013 (the "Notes"), which were issued under an indenture dated December 3, 2003 (the "Indenture") between us and U.S. Bank National Association, the trustee, under the Indenture. The Notice asserted that borrowings under our senior secured credit facility resulted in the incurrence of debt obligations in excess of the amount permitted under Section 3.3 of the Indenture. Believing that all existing indebtedness was incurred in compliance with the provisions of the Indenture, we disputed the Notice. We filed a complaint in the Court of Chancery of the State of Delaware on June 8, 2008 seeking to enjoin the Claimants and seeking a declaratory judgment to the effect that we were not in default under Section 3.3 of the Indenture (the "Complaint").

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

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

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

There are several serious environmental issues concerning the VCM facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains 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 we acquired known as the Calcasieu Estuary. It is likely that this estuary will be listed as a Superfund site and will be the subject of a natural resource damage recovery claim. It is estimated that there are about 200 PRPs associated with the estuary contamination. CONDEA Vista is included among these parties with respect to its Lake Charles facilities, including the VCM facility we acquired. The estimated cost for investigation and remediation of the estuary is unknown and could be quite costly. Also, Superfund statutes may impose joint and several liabilities for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the

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Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

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

CONDEA Vista has agreed to retain responsibility for substantially all environmental liabilities and remediation activity relating to the vinyls business we acquired from it, including the Lake Charles, Louisiana VCM facility. For all matters of environmental contamination that were currently known at the time of acquisition (November 1999), we may make a claim for indemnification at any time. For environmental matters that were then unknown, we must generally 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 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. As part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore maintained a $2.2 million accrual in non-current liabilities at December 31, 2009.

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

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

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

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

12. RELATED PARTY TRANSACTIONS

Joint Ventures. Our joint ventures are accounted for using the equity method. We own a 50 percent interest in PHH Monomers, LLC ("PHH"), a manufacturing joint venture with PPG Industries, Inc.,

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Notes to Consolidated Financial Statements (Continued)

12. RELATED PARTY TRANSACTIONS (Continued)

("PPG"), to produce VCM included in our chlorovinyl segment. We receive 50 percent of the VCM production of PHH and consume the majority of the production to produce vinyl resins. Pursuant to the terms of the operating agreement and the manufacturing and services agreement, PPG is the operator of PHH. We purchase our share of the raw materials and pay 50 percent of the processing costs for the right to 50 percent of the VCM production of PHH. PHH has capacity to produce 1.15 million pounds. The chlorine needs of the PHH facility are supplied via pipeline, under a long-term market price based contract with PPG. PHH is an integral part of our manufacturing operations.

At December 31, 2009 and 2008, our investment in joint ventures included in our chlorovinyl segment was $7.1 million and $10.2 million, respectively, which primarily represents 50 percent of the property, plant and equipment of the PHH production facility, and is included in other long-term assets.

We own a 50 percent interest in several manufacturing joint ventures in the window and door profiles and outdoor building products segments. We sell raw materials to these joint ventures at market prices. Sales of materials to these joint ventures for fiscal year 2009, 2008 and 2007 were $12.4 million, $20.5 million and $23.4 million, respectively. As of December 31, 2009, and 2008, our investment in these manufacturing joint ventures was $5.7 million, and $5.9 million, respectively.

At December 31, 2009 and 2008, we had $7.1 million and $1.6 million, respectively, of liabilities due to these related parties included in accounts payable. At December 31, 2009 and 2008, we had $7.4 million and $11.8 million, respectively, of receivables due from these related parties included in accounts receivable. Our equity in earnings from our joint ventures was $2.0 million, $3.1 million, and $4.6 million for the years ended December 31, 2009, 2008, and 2007, respectively.

13. STOCKHOLDERS' EQUITY

Each outstanding share of common stock is accompanied by a preferred stock purchase right, which entitles the holder to purchase from us 25/100ths of a share of Junior Participating Preferred Stock for $90.00, subject to adjustment in certain circumstances. The rights expire on April 27, 2010, and may be redeemed by us for $0.01 per right until the earlier to occur of (1) the tenth calendar day following announcement by us that a person or group (other than us or certain related persons) beneficially owns 15 percent or more of our outstanding shares of common stock (an "Acquiring Person") or (2) the tenth business day following the commencement of a tender or exchange offer that would result in a person or group becoming an Acquiring Person (the earliest of any such date, the "Distribution Date"). The rights first become exercisable on the Distribution Date. Subject to certain conditions, if a person or group becomes an Acquiring Person, each right will entitle its holder (other than the Acquiring Person) to receive, upon exercise, common stock having a market value equal to two times the right's exercise price.

In addition, subject to certain conditions, if we are involved in a merger or certain other business combination transactions, each right will entitle its holder (other than an Acquiring Person) to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the right's exercise price.

In connection with the stock purchase rights described above, 15.0 million of the authorized shares of preferred stock are designated Junior Participating Preferred Stock. If issued, the Junior Participating Preferred Stock would be entitled, subject to the prior rights of any senior preferred stock, to a dividend equal to the greater of $0.01 or that which is paid on the common shares.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION

On September 17, 2009, our stockholders approved the 2009 Equity and Performance Incentive Plan (the "2009 Plan"). The 2009 Plan provides for the issuance of up to 3,033,000 (post the 1 for 25 reverse split) shares of our common stock. On July 27, 2009, the 2009 Plan was adopted in connection with the completion of our private debt for equity exchange described in Note 10. Additionally, on July 27, 2009 restricted share units for 2,274,745 shares in the aggregate were granted under the 2009 Plan. The fair value used to determine stock compensation for this grant was the closing stock price of our common stock on July 27, 2009, the date of grant.

Under the 1998, 2002, and 2009 Equity and Performance Incentive Plans, we are authorized by our stockholders to grant awards for up to 3,313,000 shares of our common stock to employees and non-employee directors. As of December 31, 2009, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, and employee stock options.

Stock Options. Option prices are equal to the closing price of our common stock on the day prior to 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 during 2009 is as follows:

	Year ended December 31, 2009			
	Shares	**Weighted Average Remaining Contractual Terms**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
				(In thousands)
Outstanding on January 1, 2009	**124,854**		**$ 536.94**	
Granted	**52,108**		**21.12**	
Exercised				
Forfeited	**(2,478)**		**74.82**	
Expired	**(15,370)**		**814.17**	
Outstanding on December 31, 2009	**159,114**	**6.7 years**	**$ 348.52**	**$ 12**
Vested or expected to vest at December 31, 2009	**158,320**	**6.7 years**	**349.89**	**10**
Exercisable on December 31, 2009	**79,766**	**4.7 years**	**$ 595.78**	**$**
Shares available on December 31, 2009 for options that may be granted	**762,755**			

The weighted-average grant date fair value of options granted during 2009, 2008 and 2007 was $16.77, $54.25, and $174.50, respectively. There were no options exercised or related intrinsic value during the years ended December 31, 2009, 2008, and 2007. The intrinsic value is calculated as the difference between

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

the market value on December 31, 2009 and the exercise price of the shares. The following table summarizes information about stock options at December 31, 2009:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Exercise Price
$8.75	**1,400**	**$ 8.75**	**9.6 years**		**$**
$21.25	**46,108**	**21.25**	**9.2 years**		
$21.50 to $168.00	**32,100**	**138.56**	**8.4 years**	**9,798**	**149.45**
$181.75 to $510.75	**40,776**	**454.05**	**5.3 years**	**31,238**	**466.05**
$583.75 to $1,334.50	**38,730**	**813.32**	**4.0 years**	**38,730**	**813.32**
Total $8.75 to $1,334.50	**159,114**	**$ 348.52**	**6.7 years**	**79,766**	**$ 595.78**

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

	Stock option grants Year Ended December 31,	
	2009	2008
Assumptions		
Risk-free interest rate	**2.13%**	2.76%
Expected life	**6.0 years**	6.0 years
Expected volatility	**101%**	55%
Expected dividend yield		4.21%

Compensation expense, net of tax, for 2009, 2008 and 2007 for our stock options was approximately $1.0 million, $1.5 million and $3.3 million, respectively.

Restricted and Deferred Stock. During 2009, 2008 and 2007, we granted 2,274,745, 10,959 and 8,108 restricted stock units and deferred stock units, respectively, to our key employees and non-employee directors. The 2009 grant was made in connection with the company's debt exchange completed on July 29, 2009. The restricted stock units and deferred stock units vest over a three-year period, except that one-half of the restricted stock units granted to the officers and non-officer employees who were grantees on July 27, 2009 vested on December 22, 2009, due to the company refinancing its senior secured credit facility. Restricted stock surrendered in satisfaction of required minimum tax withholding obligations was

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Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

396,906, 659 and 1,459 shares during 2009, 2008, and 2007, respectively. A summary of restricted and deferred stock units and related changes therein is as follows:

	Year ended December 31, 2009			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2009	17,927		**330.32**	
Granted	2,274,745		**8.75**	
Vested and released	(1,154,465)		**11.67**	
Forfeited	(4,781)		**19.54**	
Outstanding on December 31, 2009	1,133,426	1.6 years	**10.82**	**19,699**
Vested or expected to vest at December 31, 2009	1,101,839	1.5 years	**10.88**	**19,147**

The weighted average grant date fair value per share of restricted and deferred stock units granted during 2009, 2008 and 2007 was $8.75, $168.00 and $477.25, respectively, which is based on the stock price as of the date of grant. The total intrinsic value of restricted and deferred stock units and restricted stock that vested during the years ended December 31, 2009, 2008 and 2007 was $20.1 million, $0.1 million and $2.1 million, respectively.

Compensation expense, net of tax, for 2009, 2008 and 2007, from restricted stock units, restricted stock and deferred stock units was $10.4 million, $1.6 million and $3.4 million, respectively.

Nonvested shares. A summary of the status of the nonvested share activity under all plans is as follows:

	Year ended December 31, 2009	
	Shares	Weighted Average Grant Date Fair Value
Nonvested on January 1, 2009	**69,178**	**152.50**
Granted	**2,326,853**	**8.94**
Vested	**(1,160,807)**	**11.89**
Forfeited and expired	**(22,634)**	**564.72**
Nonvested on December 31, 2009	**1,212,590**	**12.66**

As of December 31, 2009, we had approximately $5.9 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 less than two years. The total fair value of shares vested during 2009, 2008 and 2007, was $13.8 million, $6.5 million and $8.5 million, respectively.

15. EMPLOYEE RETIREMENT PLANS

We have certain employee retirement plans that cover substantially all of our employees. The expense incurred for these plans was approximately a credit of $1.3 million, an expense of $7.4 million and an

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

expense of $9.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. These plans are discussed below.

Most employees are covered by defined contribution plans under which we made contributions to individual employee accounts. We had expense related to these defined contribution plans of approximately $1.8 million, $2.5 million and $4.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. On June 12, 2009, the Company announced to its employees that it would discontinue the Company matching contribution feature of the 401(k) Plan effective with the first payroll period having a disbursement date after July 31, 2009. Most of our U.S. employees are covered by a defined benefit cash balance pension plan. In addition, employees who worked at our now-closed manufacturing facility in Sarnia, Ontario are covered by a defined benefit pension plan for which the benefits are based on years of service and the employee's compensation. We sponsored a postretirement health care plan, which covered employees at our closed manufacturing facility in Sarnia, Ontario. We use a measurement date of December 31 for our pension and other postretirement plans.

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. Due to the wind up of the pension plan, special termination retirement benefits were available to certain employees who are covered by this plan. A special termination benefit charge of $2.0 million was recognized in the fourth quarter of fiscal 2008 for these additional benefits. In addition, curtailment gains were recognized in the fourth quarter of fiscal 2008 due to reductions in staff at this facility. As a result of the curtailment, a curtailment gain of $0.6 million related to the defined benefit pension plan, and a curtailment gain of $0.4 million related to the other postretirement plan was recorded in the fourth quarter of fiscal 2008. Curtailment gains of $1.4 million were recognized as of December 31, 2009 when the remaining employees were released and the plant decommissioning was complete. We will recognize ongoing benefit costs for the Canadian pension plan until the wind up deficit is fully funded over a period of up to five years. All future benefit obligations in the Canadian Other Post-retirement Benefits Plan were fully settled as of December 31, 2009. The Company recognized benefit income for this plan of $2.5 million for the year ended December 31, 2009, which included a curtailment gain of $0.8 million and a settlement gain of $1.7 million. Also in 2009, we made a cash payout offer to the remaining participants in the postretirement health care plan, which each accepted, thus completing the wind up of the plan.

In February 2009, upon approval by the Compensation Committee of 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 this plan after March 31, 2009. As a result, we recognized a curtailment gain of $4.3 million at the end of the first quarter of fiscal 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 change in amortization method decreased pension costs from April 1, 2009 through December 31, 2009 by approximately $1.6 million.

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Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Benefit Obligations. The reconciliation of the beginning and ending balances of the projected benefit obligation for defined benefit plans is as follows:

	Pension Benefits	
In thousands	**2009**	**2008**
Change in Benefit Obligation		
Benefit obligation, beginning of year	**$ 118,666**	$ 117,569
Service cost	**1,231**	5,136
Interest cost	**7,803**	7,427
Actuarial (gain) loss	**9,104**	(5,281)
Foreign currency exchange rate changes	**850**	(1,662)
Gross benefits paid	**(3,886)**	(4,674)
Plan amendments		(36)
Special termination benefits		2,036
Curtailments	**(539)**	(1,849)
Benefit obligation, end of year	**$ 133,229**	$ 118,666
Accumulated benefit obligation, end of year	**$ 133,229**	$ 118,388

The accumulated benefit obligation is defined as the actuarial present value of pension benefits (whether vested or unvested) attributed to employee service rendered before December 31, 2009 and 2008, respectively, and based on employee service and compensation prior to the applicable date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. The accumulated benefit obligation is equal to the projected benefit obligation at December 31, 2009 because no future benefits are accruing under the pension plans.

Plan Assets. The summary and reconciliation of the beginning and ending balances of the fair value of the plans' assets were as follows:

	Pension Benefits	
In thousands	**2009**	**2008**
Change in Plan Assets		
Fair value of plan assets, beginning of year	**$ 99,611**	$ 140,856
Actual return on plan assets	**18,099**	(36,591)
Foreign currency exchange rate changes	**817**	(1,178)
Employer contribution	**972**	1,197
Gross benefits paid	**(3,886)**	(4,674)
Fair value of plan assets, end of year	**$ 115,613**	$ 99,610

In accordance with ASC topic 820, the Plan classifies its investments based on the lowest level of input that is significant to the fair value measurement. The following table sets forth by level within the fair value

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

hierarchy a summary of the Plan's investments measured at fair value and the target and current allocation percentages by asset type at December 31, 2009:

Asset Category (In thousands, except percentages)	Target Allocation 2010	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets, December 31, 2009	Percentage of Plan Assets, December 31, 2008
Short-term investment fund	0% to 10%	$ 14,229	$	$ 14,229	$	12%	20%
US Equity securities:	40% to 65%	46,374	46,374			40%	35%
International equity securities:	10% to 30%	21,488	21,488			19%	16%
Fixed income securities:	10% to 30%	25,198	25,198			22%	22%
Other types of investments:							
Pooled Segregated Fund	0%	6,500		6,500		6%	4%
Real estate	$0 to $5 million	1,824		0	1,824	1%	3%
Total	100%	$ 115,613	$ 93,060	$ 20,729	$ 1,824	100%	100%

Equity securities do not include any of our common stock at the end of 2009 and 2008.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Funded Status. The funded status of the plans, reconciled to the amounts reported on the balance sheets follows:

In thousands	Pension Benefits December 31, 2009	2008
Funded status, end of year:		
Fair value of plan assets	**$ 115,613**	$ 99,610
Benefit obligations	**133,229**	118,666
Funded status	**(17,616)**	(19,056)
Amount recognized, end of year	**$ (17,616)**	$ (19,056)
Amounts recognized in the balance sheets consist of:		
Noncurrent asset	**$**	$
Current liability	**(419)**	(419)
Noncurrent liability	**(17,197)**	(18,637)
	$ (17,616)	$ (19,056)
Gross amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial loss	**$ 37,760**	$ 40,608
Prior service credit		(4,431)
Deferred curtailment gain		(1,200)
	$ 37,760	$ 34,977

Accumulated Other Comprehensive Income (Loss). The following table summarizes the amounts recorded in accumulated other comprehensive loss, which have not yet been recognized as a component of net periodic cost benefit cost (pretax; in thousands):

In thousands	Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss for Pension and Other Postretirement Benefits December 31, 2009	2008
End of year:		
Curtailment effects	**$ 6,224**	$ (1,923)
Current year actuarial (gain) loss	**70**	40,711
Amortization of actuarial (loss) gain	**(1,480)**	12
Current year prior service credit		(36)
Amortization of prior service credit	**129**	546
Total recognized in other comprehensive income (loss)	**$ 4,943**	$ 39,310
Total recognized in net periodic benefit cost and other comprehensive income (loss)	**$ (936)**	$ 41,579

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Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

The estimated amount that will be amortized from accumulated other comprehensive (loss) income into net periodic benefit cost in 2010 is $0.8 million consisting of:

In thousands	Pension and Other Postretirement Benefits
Actuarial loss	**$ 817**
Prior service credit	
Deferred curtailment gain	
Total	**$ 817**

Net Periodic Cost (Income). The amount of net periodic benefit (income) cost recognized includes the following components:

In thousands	Pension Benefit Year Ended December 31, 2009	2008	2007
Components of periodic benefit (income) cost:			
Service cost	**$ 1,231**	$ 5,136	$ 4,276
Interest cost	**7,803**	7,427	7,202
Expected return on assets	**(8,135)**	(11,024)	(10,471)
Amortization of:			
Transition obligation			81
Prior service (credit) cost	**(129)**	(546)	179
Actuarial loss (gain)	**1,524**	(12)	(16)
Special termination benefits		2,036	14
Curtailment gain	**(5,690)**	(649)	(95)
Settlement gain			
Total net periodic benefit (income) cost	**$ (3,396)**	$ 2,368	$ 1,170

Additional Information. At December 31, 2009 and 2008 the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with a projected benefit

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Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

obligation in excess of plan assets, and for pension plans with an accumulated benefit obligation in excess of plan assets, were as follows:

In thousands	Accumulated Benefit Obligation in Excess of the Fair Value of Plan Assets December 31, 2009	2008	Projected Benefit Obligation in Excess of the Fair Value of Plan Assets December 31, 2009	2008
End of year:				
Projected benefit obligation	**$ 133,229**	$ 118,666	**$ 133,229**	$ 118,666
Accumulated benefit obligation	**133,229**	118,388	**133,229**	118,388
Fair value of plan assets	**115,613**	99,610	**115,613**	99,610

Assumptions. Our major assumptions used to determine benefit obligations for our pension plans are presented as weighted-averages:

In thousands	Pension Benefits 2009	2008
Weighted-average assumptions used to determine benefit obligation at end of year:		
Discount rate	**6.00%**	6.50%
Rate of compensation increase	**N/A(1)**	4.51%

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

Our major assumptions used to determine net periodic benefit cost for pension plans are presented as weighted-averages:

	Year Ended December 31, 2009	2008	2007
Discount rate	**6.67%**	6.19%	5.99%
Expected return on plan assets	**8.67%**	7.94%	7.94%
Rate of compensation increase	**4.51%**	4.19%	4.15%

The expected long-term rate of return on plan assets assumption is based on historical and projected rates of return for current and planned asset classes in the plan's investment portfolio. Projected rates of return for each of the plan's projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Our investment committee establishes investment policies and strategies and regularly monitors the performance of the plan's funds. Our investment strategy with respect to pension assets is to invest the assets in accordance with the "prudent investor" guidelines contained in the Employee Retirement Income Security Act of 1974, and fiduciary standards. Our policy on funding is to contribute an amount within the range of the minimum required and the maximum tax-deductible contribution.

Employer contributions include direct benefits paid under all pension plans of $0.4 million from employer assets in 2009, 2008 and 2007, respectively. We previously sponsored a post-retirement benefit program for certain Canadian employees which was terminated and fully settled during 2009. Benefit obligations for the post-retirement benefit program were nil, $0.4 million and $3.3 million as of December 31, 2009, 2008 and 2007, respectively. Benefit costs related to our other post-retirement program were income of $2.5 million in 2009, income of $0.1 million in 2008, and costs of $0.2 million in 2007.

Expected Cash Flows. We expect to make contributions of $1.4 million to our pension plans during 2010. Our expected contribution in the form of direct benefit payments for 2010 is approximately $0.4 million for all pension plans. Expected benefit payments for all pension plans are as follows:

In thousands	Pension Benefits
Expected benefit payments:	
2010	4,983
2011	5,512
2012	6,119
2013	6,772
2014	7,388
2015-2019	45,375

16. INCOME TAXES

For the years ended December 31, 2009, 2008 and 2007, income (loss) from continuing operations before taxes consists of the following:

	Year Ended December 31,		
In thousands	2009	2008	2007
U.S. operations	**$ 253,795**	$ (143,030)	$ (11,115)
Foreign operations	**(28,244)**	(133,835)	(199,381)
Total	**$ 225,551**	$ (276,865)	$ (210,496)

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

The provision for (benefit from) income taxes from continuing operations consists of the following:

In thousands	Year Ended December 31, 2009	2008	2007
Current income taxes:			
Federal	**$ (22,177)**	$ 8,871	$ 1,193
State	**1,721**	973	235
Foreign	**(1,267)**	(2,342)	2,854
Total current	**(21,723)**	7,502	4,282
Deferred income taxes:			
Federal	**103,770**	(25,828)	(361)
State	**12,445**	(2,332)	678
Foreign		(1,037)	29,589
Total deferred	**116,215**	(29,197)	29,906
Provision for (benefit from) income taxes	**$ 94,492**	$ (21,695)	$ 34,188

Income tax expense attributable to income (loss) before income taxes from continuing operations differs from the amounts computed by applying the U.S. statutory federal income tax rate to income (loss) before income taxes from continuing operations as follows:

In thousands	Year Ended December 31, 2009	2008	2007
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal benefit	**3.6**	0.4	(0.1)
Difference between U.S. and foreign tax rates	**1.7**	(2.4)	(2.6)
Tax Credits	**(3.6)**		
Manufacturing deduction			(0.1)
Non-deductible compensation	**0.6**		(0.2)
Percentage depletion	**(0.3)**	0.2	0.3
Legislation changes impacting rate		(0.2)	(0.8)
Debt Restructuring	**0.8**		
Change in valuation allowance	**3.2**	(18.4)	(20.4)
Interest accruals on unrecognized income tax benefits	**0.3**	0.1	(3.8)
Non-deductible goodwill, other intangibles and other long-lived asset impairment		(7.5)	(21.3)
Other, net	**0.6**	0.6	(2.2)
Effective income tax rate	**41.9%**	7.8%	(16.2)%

Cash payments for income taxes during 2009, 2008 and 2007 were $10.0 million, $27.9 million and $9.4 million, respectively.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

Our net deferred tax liability consisted of the following major items:

	December 31,	
In thousands	**2009**	**2008**
Deferred tax assets:		
Receivables	**$ 2,782**	$ 2,762
Inventories	**5,148**	5,667
Vacation accrual		19
Foreign currency loss		12,685
Net operating loss carryforwards	**28,888**	48,882
Employee compensation	**9,574**	9,651
Accrued liabilities	**2,550**	7,373
Tax credits	**21,632**	11,304
Spare parts inventories	**83**	872
Environmental	**1,892**	1,571
Other Financing		8,814
Property, plant and equipment foreign	**61,485**	
Pension	**6,765**	7,505
Federal benefit of state unrecognized tax benefits	**1,712**	2,414
Valuation allowance	**(99,489)**	(85,048)
Total deferred tax assets	**43,022**	34,471
Deferred tax liability:		
Property, plant and equipment domestic	**(130,890)**	(51,252)
Intangible assets	**(29,870)**	(19,004)
Other	**(3,916)**	(275)
Debt Restructuring	**(46,975)**	
Foreign currency (gain)	**(10,104)**	
Total deferred tax liability	**(218,755)**	(70,531)
Net deferred tax liability	**$ (175,733)**	$ (36,060)

As of December 31, 2009, we had U.S. state and foreign net operating loss carryforwards ("NOLs"). Our foreign NOLs principally relate to our operations in Canada and reside in both federal and provincial tax jurisdictions. The jurisdictional amount of NOLs as of December 31, 2009, and the years in which they will expire, are as follows (in thousands):

Jurisdiction	**NOL amount**	**Year of expiration**
U.S. state	74,815	2012-2029
Canada federal	111,979	2011-2029
Canada provincial	111,979	2010-2029

As a result of the debt exchange completed in July 2009, we experienced a change in control as defined by the Internal Revenue Code. Because of this change in control, we will be unable to realize some of the benefit from the U.S. federal net operating losses arising before the acquisition of the Royal Group. Therefore, we no longer carry those net operating losses as a deferred tax asset. This change in control will

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Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

also limit our ability to deduct certain expenses in the future and we have recorded deferred tax liabilities to reflect this. The debt exchange may also limit our ability to realize the benefit of the previously accrued state net operating losses and we have recorded a valuation allowance to offset that tax benefit. In addition, in 2009 and 2008 we recorded a $7.3 million and a $55.5 million valuation allowance, respectively, on certain deferred tax assets in Canada that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income, and tax-planning strategies available to us in making this assessment. In order to fully realize the deferred tax assets, we will need to generate future taxable income before the expiration of the deferred tax assets.

Subsequently recognized tax benefits related to the valuation allowance for deferred tax assets as of December 31, 2009 will result in an income tax benefit if realized in a future year of $99.5 million.

As of December 31, 2009, we had U.S. federal, state and foreign tax credit carryovers. These tax credits expire over varying amounts and periods as follows (in thousands):

Jurisdiction	Tax credit amount	Year of expiration
U.S. state tax credits	$ 16,081	unlimited
Foreign tax credits	$ 5,275	2010-2029

The foreign investment tax credit includes approximately $4.2 million of foreign investment tax credits that were recorded as a result of our acquisition of Royal Group. The balance of the foreign investment tax credits was earned during the period from the acquisition date through December 31, 2009.

Under ASC subtopic 740-30 *Accounting for Income Taxes Special Areas*, we are not permanently reinvested with respect to earnings of our foreign subsidiaries. Accordingly, we record a deferred tax liability with respect to the tax effect of repatriating the earnings of our foreign subsidiaries. As a result of losses with respect to our foreign jurisdictions, we did not record any additional deferred tax liability with respect to the losses of our foreign subsidiaries for the years ended December 31, 2009 and 2008.

Adoption of ASC topic 740, Accounting for Income Taxes.

Effective January 1, 2007, we adopted ASC topic 740, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under ASC topic 740, we recognize the financial statement effects of a tax position when it is more likely than not, based upon the technical merits, that the position will be sustained upon examination. Conversely, we derecognize a previously recognized tax position in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination. A tax position that meets the more likely than not recognition threshold will initially and subsequently be measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority. We also recognize interest expense by applying a rate of interest to the difference between the tax position recognized in accordance with ASC topic 740 and the amount previously taken or expected to be taken in a

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

tax return. We classify interest expense and related penalties, if any, with respect to our uncertain tax positions in the provision for income taxes.

As of December 31, 2009 and 2008, our liability for unrecognized income tax benefits was approximately $58.5million and $50.7 million, respectively. Of these amounts, as of December 31, 2009 and 2008, approximately $24.8 million and $22.0 million, respectively, relates to accrued interest and penalties. If recognized, all of this amount would affect our effective tax rate. The implementation of ASC topic 740 resulted in an increase in the liability for unrecognized tax benefits of approximately $2.6 million, a decrease in retained earnings as of January 1, 2007 of approximately $2.2 million and an increase in goodwill of approximately $1.8 million. For the years ended December 31, 2009, 2008 and 2007, we recognized approximately $1.5 million, $5.7 million and $9.4 million, respectively, of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits. Our liability for unrecognized income tax benefits increased during the year ended December 31, 2009, primarily as the result of foreign currency translation adjustments and the accrual of additional interest expense related to our liabilities for unrecognized tax benefits, offset by the lapsing of the statute of limitations on certain issues. Prior to the adoption of ASC topic 740 we accounted for reserves for income tax contingencies in accordance with ASC topic 450, *Contingencies*. During 2010, it is reasonably possible that uncertain tax positions in the U.S. and Canada will be recognized as a result of the lapse of the applicable statute of limitations. The aggregate amount of these positions is about $3.2 million.

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

The following table describes the tax years that remain subject to examination by major tax jurisdiction:

Tax Jurisdiction	Open Years
United States Federal	2006-2009
Canada	2005-2009
Various States	2001-2009

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16. INCOME TAXES (Continued)

A reconciliation of the liability for unrecognized tax benefits for the years ended December 31, 2009, 2008 and 2007 follows:

In thousands	2009	2008	2007
Balance as of beginning of the year	**$ 50,732**	$ 107,469	$ 88,939
Additions for current year tax positions	**5,022**	719	
Additions for prior year tax positions (including interest & penalties of $3,301, $5,871 and $9,443 for the years ended December 31, 2009, 2008 and 2007, respectively)	**3,301**	6,189	10,735
Reductions for prior year tax positions	**(416)**	(26,096)	(195)
Settlements	**(1,607)**	(23,581)	(1,184)
Reductions related to expirations of statute of limitations	**(6,323)**	(2,645)	(3,867)
Foreign currency translation	**7,749**	(11,323)	13,041
Balance as of the end of the year	**$ 58,458**	$ 50,732	$ 107,469

We are under examination by the Internal Revenue Service for the years ended December 31, 2006 and 2007. The results of the IRS examination cannot presently be determined. In addition, we have accrued a reserve for non-income tax contingencies of $8.7 million and $7.4 million at December 31, 2009 and 2008, respectively. The increase in the reserve is related primarily to the accrued interest related to these matters and the changes in the Canadian dollar exchange rates. We accrue for non-income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The non-income tax contingency reserve is adjusted for, among other things, changes in facts and circumstances, receipt of tax assessments, expiration of statutes of limitations, interest and settlements and additional uncertainties.

On November 6, 2009, the Worker, Homeownership, and Business Assistance Act of 2009, which includes a temporary five-year NOL carryback provision, became law. Pursuant to ASC topic 740, any adjustment to deferred tax liabilities and assets for the effect of a change in tax laws or rates is included in income from continuing operations for the period that includes the enactment date. Under the new act, any required adjustment to the valuation allowance will be included in income from continuing operations in the period that includes November 6, 2009. As a result, we expect to file a carryback claim for taxes paid in a prior period and have recorded an income tax receivable and increased our deferred tax liabilities for $22.6 million for the year ended December 31, 2009.

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates, foreign currency exchange rates and commodity prices. When entered into, we formally designate and document the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. We formally assess both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally

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Notes to Consolidated Financial Statements (Continued)

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. We do not enter into derivative financial instruments for trading purposes.

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

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

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, we may or may not enter into derivative contracts, such as swaps, futures and option contracts with financial counter-parties, which are generally less than one year in duration. We designate any natural gas or raw material derivatives as cash flow hedges. Our outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. The fair value of our natural gas swap contracts was a $0.3 million and $0.2 million current asset at December 31, 2009 and 2008, respectively.

Interest Rate Risk Management. We maintained floating rate debt, which exposes us to changes in interest rates. Our policy was to manage our interest rate risk through the use of a combination of fixed and floating rate instruments and interest rate swap agreements. We designated all our interest rate derivatives as