

Roybridge Investment (USA) LTD  
Form S-4/A  
May 18, 2007

As filed with the Securities and Exchange Commission on May 18, 2007

Registration No. 333-142349

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Amendment No. 1**

**to**

**FORM S-4**

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**GEORGIA GULF CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation or  
Organization)

**2821**  
(Primary Standard Industrial  
Classification Code Number)

**58-1563799**  
(I.R.S. Employer Identification Number)

**SEE TABLE OF ADDITIONAL SUBSIDIARY GUARANTOR REGISTRANTS**

**LISTED ON THE FOLLOWING PAGE**

**115 Perimeter Center Place, Suite 460**

**Atlanta, Georgia 30346**

**(770) 395-4500**

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

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**Joel I. Beerman, Esq.**

**Vice President and General Counsel**

**Georgia Gulf Corporation**

**115 Perimeter Center Place, Suite 460**

**Atlanta, Georgia 30346**

**(770) 395-4500**

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

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**Atlanta, Georgia 30309-3053**

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**Approximate date of commencement of proposed sale to the public:**

As soon as practicable following the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

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

**TABLE OF ADDITIONAL SUBSIDIARY GUARANTOR REGISTRANTS**

<b>Exact Name of Registrant as Specified in Its Charter</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>IRS Employer Identification Number (EIN)</b>	<b>Primary Standard Industrial Classification Code Number (SIC)</b>
Georgia Gulf Chemical & Vinyls, LLC	Delaware	06-1559253	2821
Georgia Gulf Lake Charles, LLC	Delaware	06-1559251	2860
Great River Oil & Gas Corporation	Delaware	72-0895452	9995
Rome Delaware Corporation	Delaware	pending	9995
Royal Plastics Group (USA) Limited	Delaware	51-0368456	9995
Plastic Trends, Inc.	Michigan	38-1869628	3089
Roybridge Investment (USA) Limited	Delaware	98-0161811	6500

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The information in this prospectus is not complete and may be changed. Georgia Gulf may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and Georgia Gulf is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Subject to Completion, Dated May 18, 2007**

Prospectus

## Georgia Gulf Corporation

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Offers to Exchange

Up to \$500,000,000 Principal Amount of 9.5% Senior Notes Due 2014  
for Outstanding 9.5% Senior Notes Due 2014

and

Up to \$200,000,000 Principal Amount of 10.75% Senior Subordinated Notes Due 2016  
for Outstanding 10.75% Senior Subordinated Notes Due 2016

Each of the Exchange Offers Will Expire at 5:00 p.m.,  
New York City Time, on Tuesday, June 19, 2007.

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The Exchange Notes

- The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the exchange notes will be freely tradable.
- If we fail to make payments on the notes, our subsidiary guarantors must make them instead. All of our existing and future restricted subsidiaries that have guaranteed, or will guarantee, indebtedness under our senior credit facility will be guaranteeing our payments on the exchange notes. These guarantees will be senior obligations of those subsidiary guarantors.
- There is no existing market for the exchange notes and we do not intend to apply for listing on any market or exchange.

The Exchange Offers

- The exchange offers expire at 5:00 p.m., New York City time, on Tuesday, June 19, 2007, unless extended.
- The exchange offers are subject to conditions, which we may waive.
- All outstanding notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of notes that are registered under the Securities Act of 1933.
- You may withdraw your tender of outstanding notes at any time before the expiration of the exchange offers.

**Please consider carefully the Risk Factors beginning on page 11 of this prospectus.**

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Neither the Securities and Exchange Commission nor any state securities commission has approved the exchange notes to be distributed in the exchange offers, nor have any of these organizations determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus is May , 2007.



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## SUMMARY

*This summary highlights basic information about Georgia Gulf and the exchange offers, but it does not contain all of the information important to you. You should read the more detailed information and financial statements and the related notes appearing elsewhere in this prospectus. Unless we indicate otherwise or the context otherwise requires, Georgia Gulf, we, us or our refer to Georgia Gulf Corporation and our subsidiaries.*

### Georgia Gulf

We are 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, vinyl chloride monomer, or VCM, vinyl resins and vinyl compounds, and our aromatics products are cumene, phenol and acetone. On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited, 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 and outdoor storage buildings.

In connection with the acquisition of Royal Group, we reassessed how we internally report our financial information. We have identified four reportable segments through which we conduct our operating activities: chlorovinyls; window and door profiles and mouldings products; outdoor building products; and aromatics. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, EDC, VCM and vinyl resins and compounds. Through the Royal Group acquisition, we acquired additional vinyl resin, vinyl compound and compound additives manufacturing facilities. These manufacturing operations are very similar to our legacy chlorovinyls manufacturing facilities. Therefore, we have aggregated these manufacturing operations with our chlorovinyls reportable segment. In addition, we acquired manufacturing facilities for vinyl-based building and home improvement products. Our vinyl-based building and home improvement products are marketed under the Royal Group brand names, and are managed within two reportable segments, window and door profiles and mouldings; and outdoor building products, which includes the manufacturing of siding, pipe and pipe fittings, deck, fence, and rail and outdoor storage products. The aromatics segment includes cumene and the co-products phenol and acetone.

### The Exchange Offers

#### The Exchange Offers

We are offering to exchange up to \$500,000,000 in principal amount of our 9.5% senior notes due 2014, which have been registered under the federal securities laws, for an equal principal amount of our outstanding unregistered 9.5% senior notes due 2014 that we issued on October 3, 2006 in a private offering. We are offering to exchange up to \$200,000,000 in principal amount of our 10.75% senior subordinated notes due 2016, which have been registered under the federal securities laws, for an equal principal amount of our outstanding unregistered 10.75% senior subordinated notes due 2016 that we issued on October 3, 2006 in a private offering.

You have the right to exchange your outstanding notes for exchange notes with substantially identical terms, except that transfer restrictions, registration rights, and additional incremental interest provisions currently relating to the outstanding notes do not apply to the exchange notes.

Registration Rights Agreement

We sold the outstanding notes on October 3, 2006. At that time, we signed a registration rights agreement with the placement agents that requires us to conduct these exchange offers. These exchange offers are intended to satisfy those rights set forth in the registration rights agreement. After the exchange offers are complete, you will no longer be entitled to registration rights with respect to outstanding notes that you do not exchange.

If You Do Not Exchange Your Outstanding Notes

If you do not exchange your outstanding notes for exchange notes in the exchange offers, you will continue to be subject to the restrictions on transfer provided in the outstanding notes and the related indenture governing those notes. In general, you may not offer or sell your outstanding notes unless they are registered under the federal securities laws or sold in a transaction exempt from, or not subject to, the registration requirements of federal and applicable state securities laws.

Expiration Date

The exchange offers will expire at 5:00 p.m., New York City time, on Tuesday, June 19, 2007 unless we decide to extend the expiration date. See The Exchange Offers Expiration Date; Extensions; Amendments. In order for your outstanding notes to be exchanged, you must properly tender them before the expiration of the exchange offers. All outstanding notes that are validly tendered and not validly withdrawn will be exchanged. We will issue the exchange notes on or promptly after the expiration of the exchange offers.

Conditions to the Exchange Offers

The exchange offers are subject to conditions that we may waive. The exchange offers are not conditioned upon any minimum amount of outstanding notes being tendered for exchange. See The Exchange Offers Conditions.

We reserve the right, subject to applicable law, at any time and from time to time:

- to delay the acceptance of the outstanding notes;
- to extend the exchange offers;
- to terminate the exchange offers if specified conditions have not been satisfied; or
- to amend the terms of the exchange offers.

See The Exchange Offers Expiration Date; Extensions; Amendments.

Procedures for Tendering Outstanding Notes

To tender outstanding notes held in book-entry form through the Depository Trust Company, or DTC, you must transfer your outstanding notes into the exchange agent's account in accordance with DTC's Automated Tender Offer Program, or ATOP, system. In lieu of delivering the applicable letter of transmittal to the exchange agent, a computer-generated message, in which the holder of the outstanding notes acknowledges and agrees to be bound by the terms of the letter of transmittal, must be transmitted by DTC on behalf of a holder and received by the exchange agent before 5:00 p.m., New York City time, on the expiration date. In all other cases you must:

- complete and sign the applicable letter of transmittal by following the related instructions; and
- send the applicable letter of transmittal and any other required documents, as directed in the instructions, to the exchange agent, either (1) with the outstanding notes to be tendered or (2) in compliance with the specified procedures for guaranteed delivery of the outstanding notes.

Questions regarding how to tender and requests for information should be directed to the exchange agent. See [The Exchange Offers](#) Exchange Agent.

Special Procedures for Beneficial Owners

If your outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, we urge you to contact that person promptly if you wish to tender your outstanding notes in the exchange offers. See [The Exchange Offers](#) Procedures for Tendering.

Withdrawal Rights

You may withdraw your tender of outstanding notes at any time before the expiration date of the exchange offers by following the withdrawal procedures that are described under [The Exchange Offers](#) Withdrawal of Tenders.

Resales of Exchange Notes

We believe that you will be able to offer for resale, resell or otherwise transfer exchange notes issued in the exchange offers without compliance with the registration and prospectus delivery provisions of the federal securities laws, provided that:

- you are acquiring the exchange notes in the ordinary course of business;
- you are not participating, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes; and
- you are not an affiliate of Georgia Gulf. An affiliate of Georgia Gulf is a person that controls or is controlled by or is under common control with Georgia Gulf.

Our belief is based on interpretations by the Staff of the Securities and Exchange Commission, or SEC, as set forth in no-action letters issued to third parties unrelated to us. The Staff has not considered these exchange offers in the context of a no action letter, and we cannot assure you that the Staff would make a similar determination with respect to these exchange offers.

If our belief is not accurate and you transfer an exchange note without delivering a prospectus meeting the requirements of the federal securities laws or without an exemption from these laws, you may incur liability under the federal securities laws. We do not and will not assume, or indemnify you against, this liability.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See [The Exchange Offers](#) [Resale of the Exchange Notes](#).

Certain United States Federal Income Tax Considerations

The exchange of outstanding notes in the exchange offers will not be a taxable event for United States federal income tax purposes. See [Certain United States Federal Income Tax Considerations](#).

Use of Proceeds  
Exchange Agent

We will not receive any cash proceeds from the exchange offers.

The exchange agent for these exchange offers is LaSalle Bank N.A. The address, telephone number and facsimile number of the exchange agent are listed in [The Exchange Offers](#) [Exchange Agent](#) and in the letter of transmittal.

See [The Exchange Offers](#) for more detailed information about the exchange offers.

## The Exchange Notes

*The following summary contains basic information about the exchange notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the exchange notes, please refer to the sections of this document entitled Description of Senior Notes and Description of Senior Subordinated Notes. References to Georgia Gulf us, we and our in this section of the summary refer only to Georgia Gulf Corporation and do not include our subsidiaries.*

Issuer	Georgia Gulf Corporation.
Securities Offered	<p>\$700.0 million in aggregate principal amount of exchange notes, consisting of:</p> <ul style="list-style-type: none"><li>• \$500.0 million in aggregate principal amount of senior notes due 2014; and</li><li>• \$200.0 million in aggregate principal amount of senior subordinated notes due 2016.</li></ul> <p>We may issue additional senior notes or senior subordinated notes at later dates under the indentures relating to the notes subject to compliance with the covenants of the applicable indenture. Any additional senior notes or senior subordinated notes that we issue in the future under the indentures will be identical in all respects to the senior notes or senior subordinated notes, as applicable, offered hereby except that notes issued in the future will have different issuance prices and issuance dates.</p>
Maturity Dates	<ul style="list-style-type: none"><li>• Exchange senior notes: October 15, 2014; and</li><li>• Exchange senior subordinated notes: October 15, 2016.</li></ul>
Interest	<p>Interest on the exchange senior notes will accrue at the rate of 9.5% per annum, and will be payable in cash semi-annually in arrears on April 15 and October 15 of each year to the persons who are registered holders of the notes at the close of business on the preceding April 1 or October 1, as the case may be.</p> <p>Interest on the exchange senior subordinated notes will accrue at the rate of 10.75% per annum, and will be payable in cash semi-annually in arrears on April 15 and October 15 of each year to the persons who are registered holders of the notes at the close of business on the preceding April 1 or October 1, as the case may be.</p> <p>Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.</p>

Note Guarantees

The exchange senior notes will be fully and unconditionally guaranteed on an unsecured senior basis by each of our domestic subsidiaries that guarantees our senior secured credit facility. See Description of Senior Notes. The exchange senior subordinated notes will be fully and unconditionally guaranteed on an unsecured senior subordinated basis by each of our domestic subsidiaries that guarantees our senior secured credit facility. See Description of Senior Subordinated Notes. If we cannot make payments on the notes when they are due, the guarantors of the notes must make them instead. Our foreign subsidiaries will not guarantee the exchange notes. Our non-guarantor subsidiaries represented approximately 22.9% of our consolidated revenues for the quarter ended March 31, 2007 and held approximately 46.5% of our total assets as of that date.

Ranking and Subordination

The exchange senior notes and the related subsidiary guarantees will be our general senior unsecured obligations, ranking equal in right of payment with all of our existing and future unsubordinated indebtedness, and will be senior in right of payment to all existing and future indebtedness expressly subordinated in right of payment to the exchange senior notes. The exchange senior notes will be effectively subordinated to all of our secured obligations, including our senior secured credit facility, to the extent of the value of the collateral securing such obligations. As of March 31, 2007, we had approximately \$555.2 million of borrowings under our senior secured credit facility and we had up to \$223.4 million of additional borrowing capacity under our revolving credit facilities (giving effect to outstanding letters of credit).

The exchange senior subordinated notes and the related subsidiary guarantees will be our general unsecured senior subordinated obligations and will be subordinated in right of payment to all of our existing and future senior indebtedness, including all borrowings under our senior secured credit facility, the senior notes, our 7.125% senior notes due 2013, as well as all other existing and future senior liabilities of our subsidiaries. As of March 31, 2007, we had approximately \$1,151.9 million of senior indebtedness outstanding.

Optional Redemption

The notes will be effectively subordinated to all liabilities, including trade payables, of our subsidiaries that do not guarantee the notes. As of March 31, 2007, our non-guarantor subsidiaries had liabilities of approximately \$767.1 million outstanding.

We may redeem the exchange senior notes, in whole or in part, at any time on or after October 15, 2010 at the redemption prices set forth in Description of Senior Notes Optional Redemption. We may redeem the exchange senior subordinated notes, in whole or in part, at any time on or after October 15, 2011 at the redemption prices set forth in Description of Senior Subordinated Notes Optional Redemption.

At any time prior to October 15, 2009, we may redeem up to 35% of the aggregate principal amount of the exchange senior notes or the exchange senior subordinated notes, as the case may be, with the net cash proceeds of certain equity offerings, at a redemption price equal to 109.50% of their principal amount, in the case of the exchange senior notes, or 110.75% of their principal amount, in the case of the exchange senior subordinated notes, in each case, plus accrued and unpaid interest, if any, to the redemption date, if at least 65% of the aggregate principal amount of the exchange senior notes or the exchange senior subordinated notes originally issued, as the case may be, remains outstanding immediately after giving effect to such redemption. See Description of Senior Notes Optional Redemption and Description of Senior Subordinated Notes Optional Redemption.

In addition, at any time on or prior to October 15, 2010, we may, at our option, redeem some or all of the exchange senior notes at the make-whole prices set forth under Description of Senior Notes Optional Redemption. Furthermore, at any time on or prior to October 15, 2011, we may, at our option, redeem some or all of the exchange senior subordinated notes at the make-whole prices set forth under Description of Senior Subordinated Notes Optional Redemption.

Change of Control

Upon the occurrence of certain change of control events, we will be required to offer to repurchase outstanding notes at 101% of their principal amount plus accrued and unpaid interest, to the date of repurchase. See Description of Senior Notes Repurchase at the Option of Holders and Description of Senior Subordinated Notes Repurchase at the Option of Holders.

Certain Covenants

The indentures relating to the notes contain certain covenants that will restrict our ability to, among other things:

- incur indebtedness or issue preferred stock;
- pay dividends or make restricted payments;
- impose restrictions on our restricted subsidiaries' ability to make distributions to us;
- incur liens;
- sell assets;
- enter into transactions with affiliates; and
- merge, consolidate or sell all or substantially all of our or our restricted subsidiaries' assets.

No Public Market

All of the covenants are subject to a number of important qualifications and exceptions. In addition, certain of these covenants will cease to apply if the applicable series of notes achieves investment grade ratings. See Description of Senior Notes Certain Covenants and Description of Senior Subordinated Notes Certain Covenants.

The exchange notes will be new issues of securities for which there is currently no public trading market. Accordingly, there can be no assurance as to the development or liquidity of any market. We do not intend to apply for listing of any of the exchange notes on any securities exchange or for quotation through any automated quotation system. See Risk Factors Risk Factors Relating to the Exchange Notes Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the exchange notes.

**Risk Factors**

Prior to exchanging your notes, you should carefully consider the information under the caption Risk Factors and all other information included in this prospectus.

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Our principal executive offices are located at 115 Perimeter Center Place, Suite 460, Atlanta, Georgia 30346. Our telephone number is (770) 395-4500. Our website is [www.ggc.com](http://www.ggc.com). The information contained on our website is expressly not incorporated by reference into this prospectus.

## Summary Consolidated Financial Data

The following table sets forth our selected consolidated financial data as of and for each of the years ended December 31, 2006, 2005, 2004, 2003 and 2002, which have been derived from our audited consolidated financial statements. The data for the three months ended March 31, 2007 and 2006 have been derived from our unaudited condensed consolidated financial statements, included elsewhere in this prospectus, and include all adjustments, consisting only of normal recurring accruals that management considers necessary for the fair presentation of the consolidated financial position and results of operations for these periods. You should not consider the results for the three month periods to be indicative of full year results. You should read this selected consolidated financial data together with the financial statements and related footnotes included elsewhere in this prospectus.

In Thousands, Except Per Share Data, Percentages, Employees and Ratios	Year Ended December 31,					Three Months Ended March 31,	
	2006	2005	2004	2003	2002	2007	2006
<b>Results of Operations:</b>							
Net sales	\$ 2,427,843	\$ 2,273,719	\$ 2,206,239	\$ 1,444,483	\$ 1,230,751	\$ 713,696	\$ 567,873
Cost of sales(1)	2,152,571	2,049,510	1,955,095	1,319,094	1,086,746	663,557	488,885
Selling, general and administrative expenses	119,151	61,444	60,721	55,691	45,685	58,116	20,213
Operating income (loss)	156,121	162,765	190,423	69,698	98,320	(7,977)	58,775
Interest expense	(51,648)	(20,527)	(23,778)	(38,195)	(49,739)	(32,089)	(4,349)
Loss on foreign exchange derivative instruments and other	(21,543)						
Foreign exchange gain						2,831	
Cost related to retirement of debt				(13,816)			
Interest income	369	120	115	53	160	15	12
Income (loss) from continuing operations before taxes	83,299	142,358	166,760	17,740	48,741	(37,221)	54,438
Provision (benefit) for income taxes(2)	31,497	46,855	60,868	5,245	17,546	(10,711)	20,757
Income (loss) from continuing operations	\$ 51,802	\$ 95,503	\$ 105,892	\$ 12,495	\$ 31,195	(26,510)	33,681
Loss from discontinued operations, net of tax	(3,263)					(8,061)	
Net (loss) income	\$ 48,539	\$ 95,503	\$ 105,892	\$ 12,495	\$ 31,195	\$ (34,571)	\$ 33,681
Basic earnings (loss) per share:							
Income (loss) from continuing operations	\$ 1.52	\$ 2.82	\$ 3.21	\$ 0.39	\$ 0.98	\$ (0.77)	\$ 0.99
Loss from discontinued operations	(0.10)					(0.24)	
Net income (loss)	\$ 1.42	\$ 2.82	\$ 3.21	\$ 0.39	\$ 0.98	\$ (1.01)	\$ 0.99
Diluted earnings (loss) per share:							
Income (loss) from continuing operations	\$ 1.51	\$ 2.79	\$ 3.17	\$ 0.38	\$ 0.97	\$ (0.77)	0.98
Loss from discontinued operations	(0.10)					(0.24)	
Net income (loss)	\$ 1.41	\$ 2.79	\$ 3.17	\$ 0.38	\$ 0.97	\$ (1.01)	\$ 0.98
Dividends per common share	0.32	0.32	0.32	0.32	0.32	0.08	0.08
<b>Financial Highlights:</b>							
Working capital	\$ 202,955	\$ 62,330	\$ (69,358)	\$ 65,742	\$ 57,996	\$ 169,142	\$ 74,419
Property, plant and equipment, net	1,023,004	401,412	425,734	460,808	493,494	1,035,883	398,330
Total assets	2,458,227	1,000,953	963,830	856,785	875,559	2,451,749	976,529
Total debt	1,498,134	278,639	318,483	427,872	476,986	1,475,744	224,339
Asset securitization	128,000	141,000	165,000	100,000	75,000	139,000	163,000
Net cash provided by (used in) operating activities	250,577	71,145	135,967	85,077	168,246	(385)	67,440
Depreciation and amortization	85,019	63,101	64,554	63,932	68,068	35,427	15,889
Capital expenditures	90,770	32,044	23,441	24,046	17,471	28,046	11,963
Maintenance expenditures	80,464	79,584	79,750	67,131	64,049	13,231	7,121
<b>Other Selected Data:</b>							
Earnings before interest, taxes, depreciation and amortization ( EBITDA )(3)	\$ 215,272	\$ 224,469	\$ 252,398	\$ 130,534	\$ 162,971	\$ 21,369	\$ 74,374
Weighted average shares outstanding basic	34,093	33,867	32,965	32,267	31,988	34,309	34,346
Weighted average shares outstanding diluted	34,386	34,193	33,439	32,502	32,193	34,309	34,003
Common shares outstanding	34,390	34,238	33,925	32,736	32,319	34,396	34,203
Return on sales	2.0	% 4.2	% 4.8	% 0.9	% 2.5	% (4.8)	% 5.9
Ratio of earnings to fixed charges(4)	2.3	6.0	6.4	1.4	1.9		9.5

(1) Includes Royal Group financial data as of December 31, 2006 and from October 3, 2006 through December 31, 2006. Includes additional cost of sales of \$18.0 million and \$2.0 million for the periods ended December 31, 2006 and March 31, 2007, respectively, as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in compliance with accounting standards related to business combinations.



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(2) Provision for income taxes for 2003 includes the effect of favorable settlement of tax audits.

(3) EBITDA is commonly used by us and our investors to measure our ability to service our indebtedness. EBITDA is not a measurement of financial performance under generally accepted accounting principles in the United States ( GAAP ) and should not be considered as an alternative to net income as a measure of performance or to net cash flows provided by operations as a measure of liquidity. In addition, our calculation of EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. For 2006, the write-off of deferred debt issuance costs has been included as interest expense. We believe that the closest GAAP measure of financial performance to EBITDA is net cash provided by operating activities. The following is a reconciliation of EBITDA to net cash provided by operating activities. Note that Tax benefit related to stock plans and Stock based compensation are included in change in operating assets, liabilities and other.

In Thousands	Year Ended December 31,					Three Months Ended March 31,	
	2006	2005	2004	2003	2002	2007	2006
EBITDA	\$ 215,272	\$ 224,469	\$ 252,398	\$ 130,534	\$ 162,971	\$ 21,369	\$ 74,374
Interest expense, net	(51,279 )	(20,407 )	(23,663 )	(38,142 )	(49,579 )	(32,074 )	(4,337 )
(Provision) benefit for income taxes	(31,497 )	(46,855 )	(60,868 )	(5,245 )	(17,546 )	10,711	(20,758 )
Provision for deferred income taxes	(21,189 )	(15,067 )	3,686	(6,344 )	6,822	(14,628 )	(4,209 )
Amortization of debt issuance costs	2,242	1,397	2,579	3,096	3,417	1,434	291
Change in operating assets, liabilities and other	137,028	(72,392 )	(38,165 )	1,178	62,161	12,803	22,079
Net cash provided by operating activities	\$ 250,577	\$ 71,145	\$ 135,967	\$ 85,077	\$ 168,246	\$ (385 )	\$ 67,440

(4) For the quarter ended March 31, 2007, our earnings were insufficient to cover fixed charges by \$38.2 million.

## RISK FACTORS

*You should carefully consider the following risk factors and all other information contained in this prospectus before deciding to tender your outstanding notes in the exchange offers. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of the exchange notes could decline or we may not be able to make payments of interest and principal on the exchange notes, and you may lose some or all of your investment.*

### **Risk Factors Relating to Georgia Gulf**

*Our substantial level of indebtedness may limit our cash flow available to invest in the ongoing needs of our business.*

As a result of the financing transactions in connection with the acquisition of Royal Group, we have substantial indebtedness. At March 31, 2007, under our revolving credit facility we had a maximum borrowing capacity of \$375.0 million, and net of outstanding letters of credit for \$98.7 million and current borrowings of \$52.9 million, availability under the revolving credit facility of \$223.4 million. Our high level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations on the 9.5 percent, 10.75 percent, and 7.125 percent notes;
- make it more difficult for us to satisfy our obligations under our senior secured credit facility, exposing us to the risk of defaulting on our secured debt, which could result in a foreclosure on our assets, which, in turn, would negatively affect our ability to operate as a going concern;
- require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flow for other purposes, such as capital expenditures, acquisitions and working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate and will operate;
- increase our vulnerability to general adverse economic and industry conditions;
- place us at a disadvantage compared to our competitors that have less debt;
- expose us to fluctuations in the interest rate environment because the interest rates of our senior secured credit facility are at variable rates; and
- limit our ability to borrow additional funds.

*We may not be able to generate sufficient cash to service our indebtedness and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful.*

We expect to obtain the funds to pay our expenses, fund working capital and capital expenditures, and to pay the interest on our 9.5 percent, 10.75 percent, and 7.125 percent notes, our senior secured credit facility and our other debt from our cash flow from our operations and from available borrowings under our senior secured credit facility and from sales of assets. Our ability to meet our expenses thus depends on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the industry in which we operate and competitive pressures. Our cash flow may not be sufficient to allow us to pay principal and interest on our debt and to meet our other obligations. If we do not have sufficient funds, we may be required to refinance all or part of our debt, sell assets or borrow additional amounts. We may not be able to do so on terms acceptable to us or at all. In addition, the terms of existing or future debt agreements, including our senior secured credit facility and the indentures relating to our notes, may restrict us from



adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve such alternatives could reduce the value of the notes and limit our ability to pay principal of and interest on the notes.

***Our senior secured credit facility and the indentures for our notes impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions. However, despite these restrictions, we may still be able to incur substantially more debt, which could exacerbate the risks associated with our substantial leverage.***

The terms of our senior secured credit facility and the indentures for our notes impose significant operating and financial restrictions on us. These restrictions limit our ability to, among other things:

- incur additional indebtedness;
- incur liens;
- make capital expenditures;
- make investments and sell assets, including the stock of subsidiaries;
- pay dividends and make other distributions;
- purchase Georgia Gulf stock;
- engage in business activities unrelated to our current business;
- enter into transactions with affiliates; or
- consolidate, merge or sell all or substantially all of our assets.

In addition, our senior secured credit facility requires us to maintain specified financial ratios. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants could result in a default in respect of the related indebtedness. We sought and obtained a waiver due to our failure to meet the required interest coverage ratio at December 31, 2006. Additionally, in May 2007, we sought and obtained an amendment to our senior secured credit facility to increase the leverage ratios and decrease the interest coverage ratios specified in that agreement due to our failure to meet the required ratios at March 31, 2007 and believe that we would not be able to meet them in the future. There can be no assurance that we will not breach these covenants in the future resulting in a default. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be due and payable immediately and proceed against any collateral securing that indebtedness. Also, any acceleration of indebtedness under our senior secured credit facility will constitute a default under some of our other secured indebtedness.

Despite the limitation on our ability to incur additional indebtedness imposed by the terms of our senior secured credit facility and our indentures for our notes, these agreements do not prohibit us from incurring substantial indebtedness in the future, and we may do so. If new debt is added to our current indebtedness levels, the risks related to our indebtedness, including the notes, could increase.

***The chemical industry is cyclical and volatile, experiencing alternating periods of tight supply and overcapacity, and the building products industry is also cyclical. This cyclical nature could adversely impact our capacity utilization and cause fluctuations in our results of operations.***

Our historical operating results for our chemical businesses have tended to reflect the cyclical and volatile nature of the chemical industry. Historically, periods of tight supply have resulted in increased prices and profit margins and have been followed by periods of substantial capacity addition, resulting in



oversupply and declining prices and profit margins. A number of our chemical products are highly dependent on markets that are particularly cyclical, such as the construction, paper and pulp, and automotive markets. As a result of changes in demand for our products, our operating rates and earnings fluctuate significantly, not only from year to year but also from quarter to quarter, depending on factors such as feedstock costs, transportation costs, and supply and demand for the product produced at the facility during that period. As a result, individual facilities may operate below or above rated capacities in any period. We may idle a facility for an extended period of time because an oversupply of a certain product or a lack of demand for that product makes production uneconomical. Facility shutdown and subsequent restart expenses may adversely affect quarterly results when these events occur. In addition, a temporary shutdown may become permanent, resulting in a write-down or write-off of the related assets. Capacity expansions or the announcement of these expansions have generally led to a decline in the pricing of our chemical products in the affected product line. We cannot assure that future growth in product demand will be sufficient to utilize any additional capacity.

In addition, the building products industry is cyclical and is significantly affected by changes in national and local economic and other conditions such as employment levels, demographic trends, availability of financing, interest rates and consumer confidence, which factors could negatively affect the demand for and pricing of our building products. For example, if interest rates increase, the ability of prospective buyers to finance purchases of home improvement products and invest in new real estate could be adversely affected, which, in turn, could adversely affect our financial performance. Similarly, a prolonged recession affecting the residential construction industry could also adversely impact our financial performance.

***Natural gas, electricity, fuel and raw materials costs, and other external factors beyond our control, as well as downturns in the home repair and remodeling and new home sectors of the economy, can cause wide fluctuations in our margins.***

The cost of our natural gas, electricity, fuel and raw materials, and other costs, may not correlate with changes in the prices we receive for our products, either in the direction of the price change or in absolute magnitude. Natural gas and raw materials costs represent a substantial part of our manufacturing costs, and energy costs, in particular electricity and fuel, represent a component of the costs to manufacture building products. Most of the raw materials we use are commodities and the price of each can fluctuate widely for a variety of reasons, including changes in availability because of major capacity additions or significant facility operating problems. Other external factors beyond our control can cause volatility in raw materials prices, demand for our products, product prices, sales volumes and margins. These factors include general economic conditions, the level of business activity in the industries that use our products, competitors' actions, international events and circumstances, and governmental regulation in the United States and abroad. These factors can also magnify the impact of economic cycles on our business. While we attempt to pass through price increases in energy costs and raw materials, we have been unsuccessful in doing so in some circumstances in the past and there can be no assurance that we can do so in the future.

Additionally, our building products business is impacted by changes in the North American home repair and remodeling sectors, as well as the new construction sector, which may be significantly affected by changes in economic and other conditions such as gross domestic product levels, employment levels, demographic trends and consumer confidence. These factors can lower the demand for and pricing of our building products, which could cause our net sales and net income to decrease.

***The industries in which we compete are highly competitive, with some of our competitors having greater financial and other resources than we have; competition may adversely affect our results of operations.***

The commodity chemical industry is highly competitive. Many of our competitors are larger and have greater financial and other resources and less debt than us. Moreover, barriers to entry, other than capital

availability, are low in most product segments of our commodity chemical business. Capacity additions or technological advances by existing or future competitors also create greater competition, particularly in pricing. We cannot provide assurance that we will have access to the financing necessary to upgrade our facilities in response to technological advances or other competitive developments.

In addition, as a result of our acquisition of Royal Group, we compete with other national and international manufacturers of vinyl-based building and home improvement products. Some of these companies are larger and have greater financial resources and less indebtedness than us. Accordingly, these competitors may be better able to withstand changes in conditions within the industries in which we operate and may have significantly greater operating and financial flexibility than us. Some of these competitors, who compete with our building product lines, may also be able to compete more aggressively in pricing and could take a greater share of sales and cause us to lose business from our customers. Many of our competitors have operated in the building products industry for a long time. Our management has limited experience in the manufacturing or marketing of building products and thus, may be at a competitive disadvantage. Additionally, our building products face competition from alternative materials: wood, metal, fiber cement and masonry in siding, and wood and aluminum in windows. An increase in competition from other vinyl exterior building products manufacturers and alternative building materials could cause us to lose customers and lead to decreases in net sales. To the extent we lose customers in the renovation and remodeling markets, we must market to the new construction market, which historically has experienced more fluctuations in demand.

***Extensive environmental, health and safety laws and regulations impact our operations and assets; compliance with these regulations could adversely affect our results of operations.***

Our operations on and ownership of real property are subject to extensive environmental, health and safety regulation, including laws and regulations related to air emissions, water discharges, waste disposal and remediation of contaminated sites, at both the national and local levels in the U.S. As a result of our acquisition of Royal Group, we are subject to such regulations in Canada as well. The nature of the chemical and building products industries exposes us to risks of liability under these laws and regulations due to the production, storage, use, transportation and sale of materials that can cause contamination or personal injury, including, in the case of commodity chemicals, potential releases into the environment. Environmental laws may have a significant effect on the costs of use, transportation and storage of raw materials and finished products, as well as the costs of the storage and disposal of wastes. We have and must continue to incur operating and capital costs to comply with environmental laws and regulations. In addition, we may incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations for violations arising under these laws.

Also, some environmental laws, such as the federal Superfund statute, may impose joint and several liability for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the waste, transported the waste to the disposal site, selected the disposal site, or presently or formerly owned, leased or operated the disposal site or a site otherwise contaminated by hazardous substances. Any or all of the responsible parties may be required to bear all of the costs of cleanup, regardless of fault, legality of the original disposal or ownership of the disposal site. A number of environmental liabilities have been associated with the facilities at Lake Charles, Louisiana that we acquired as part of the acquisition of the vinyls business of CONDEA Vista Company ( CONDEA Vista, which is now known as Sasol North America, Inc.) and which may be designated as Superfund sites. Although CONDEA Vista retained financial responsibility for certain environmental liabilities that relate to the facilities that we acquired from it and that arose before the closing of our acquisition of the vinyls business of CONDEA Vista in November 1999, we cannot assure you that CONDEA Vista will be able to satisfy its obligations in this regard, particularly in light of the long period of time in which environmental liabilities may arise under the environmental laws. If CONDEA Vista fails to fulfill its obligation regarding

their environmental liabilities, then we could be held responsible. Furthermore, any environmental liabilities relating to Royal Group will not have the benefit of any third party indemnification, including liabilities resulting from Royal Group's operations prior to our acquisition of the company.

Our policy is to accrue costs relating to environmental matters when it is probable that these costs will be required and can be reasonably estimated. However, estimated costs for future environmental compliance and remediation may be too low or we may not be able to quantify the potential costs. We expect to be continually subjected to increasingly stringent environmental and health and safety laws and regulations. It is difficult to predict the future interpretation and development of these laws and regulations or their impact on our future earnings and operations. We anticipate continued compliance will require increased capital expenditures and increased operating costs. Any increase in these costs could adversely affect our financial performance.

***Hazards associated with chemical manufacturing may occur, which would adversely affect our results of operations.***

Hazards associated with chemical manufacturing as well as building products manufacturing, and the related use, storage and transportation of raw materials, products and wastes may occur in our operations. These hazards could lead to an interruption or suspension of operations and have an adverse effect on the productivity and profitability of a particular manufacturing facility or on Georgia Gulf as a whole. These hazards include:

- pipeline and storage tank leaks and ruptures;
- explosions and fires;
- inclement weather and natural disasters;
- mechanical failure;
- unscheduled downtime;
- labor difficulties;
- transportation interruptions;
- remediation complications;
- terrorist acts; and
- chemical spills and other discharges or releases of toxic or hazardous substances or gases.

These hazards may cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage, any of which could lead to claims or liability under the environmental laws. Additionally, individuals could seek damages for alleged personal injury or property damage due to exposure to chemicals at our facilities or to chemicals otherwise owned, controlled or manufactured by us. We are also subject to present and future claims with respect to workplace exposure, workers' compensation and other matters. Although we maintain property, business interruption and casualty insurance of the types and in the amounts that we believe are customary for the industry, we are not fully insured against all potential hazards incident to our business.

***We face potential product liability claims relating to the production and manufacture of building products.***

As a result of our acquisition of Royal Group, we are exposed to product liability risk and the risk of negative publicity if our building products do not meet customer expectations. Although we intend to maintain insurance for products liability claims, the amount and scope of such insurance may not be adequate to cover a products liability claim that is successfully asserted against us. In addition, products



liability insurance could become more expensive and difficult to maintain and, in the future, may not be available to us on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain or maintain adequate insurance coverage against possible products liability claims at commercially reasonable levels, or at all.

***We rely heavily on third party transportation, which subjects us to risks that we cannot control; these risks may adversely affect our operations.***

We rely heavily on railroads and shipping companies to transport raw materials to the manufacturing facilities and to ship finished product to customers. These transport operations are subject to various hazards, including extreme weather conditions, work stoppages and operating hazards. If we are delayed or unable to ship finished product or unable to obtain raw materials as a result of these transportation companies failure to operate properly, or if there were significant changes in the cost of these services, we may not be able to arrange efficient alternatives and timely means to obtain raw materials or ship our goods, which could result in an adverse effect on our revenues and costs of operations.

***We rely on a limited number of outside suppliers for specified feedstocks and services.***

We obtain a significant portion of our raw materials from a few key suppliers. If any of these suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials. Any interruption of supply or any price increase of raw materials could have an adverse effect on our business and results of operations. In connection with our acquisition of the vinyls business of CONDEA Vista in 1999, we entered into agreements with CONDEA Vista to provide specified feedstocks for the Lake Charles facility. This facility is dependent upon CONDEA Vista's infrastructure for services such as wastewater and ground water treatment, site remediation, and fire water supply. Any failure of CONDEA Vista to perform its obligations under those agreements could adversely affect the operation of the affected facilities and our results of operations. The agreements relating to these feedstocks and services had initial terms of one to ten years. Most of these agreements have been automatically renewed, but may be terminated by CONDEA Vista after specified notice periods. If we were required to obtain an alternate source for these feedstocks or services, we may not be able to obtain pricing on as favorable terms. Additionally, we may be forced to pay additional transportation costs or to invest in capital projects for pipelines or alternate facilities to accommodate railcar or other delivery or to replace other services.

#### ***Implementation of New ERP Information Systems***

We are highly dependent on our information systems infrastructure in order to process orders, track inventory, ship products in a timely manner, prepare invoices to our customers and otherwise carry on our business in the ordinary course. Key to the success of our strategy to drive greater productivity and cost savings was the implementation of phase I in the first quarter of 2006 of a new multiple phase ERP information system. Additionally, when acquired, Royal Group was in the process of implementing new ERP systems. If we experience significant problems with the implementation of these systems, the resulting disruption could adversely affect our business, sales, results of operations and financial condition. The transition to our new ERP systems involves numerous risks, including:

- difficulties in integrating the systems with our current operations;
- potential delay in the processing of customer orders for shipment of products;
- diversion of management's attention away from normal daily business operations;
- increased demand on our operations support personnel;
- initial dependence on unfamiliar systems while training personnel in its use; and

- increased operating expenses resulting from training, conversion and transition support activities.

***We continue to pursue the disposition of certain assets of Royal Group and may pursue asset acquisitions, dispositions and joint ventures, and other transactions that may impact our results of operations.***

We intend to continue to pursue the disposition of certain assets of Royal Group and anticipate that proceeds would be used to repay some of our indebtedness. However, we cannot assure you that we will be able to dispose of these assets at anticipated prices, or at all, or that any such sale will occur during our anticipated time frame. A failure to dispose of these assets would mean any indebtedness that could have been paid down would have to remain outstanding unless it could be repaid from funds generated from operations. In addition, we may engage in additional business combinations, purchases or sales of assets, or contractual arrangements or joint ventures. To the extent permitted under our senior secured credit facility, our indentures and our other debt agreements, some of these transactions may be financed by additional borrowings by us. If the expected efficiencies and synergies of the transactions are not fully realized, our results of operations could be adversely affected, at least in the short term, because of the costs associated with such transactions. Other transactions may advance future cash flows from some of our businesses, thereby yielding increased short-term liquidity, but consequently resulting in lower cash flows from these operations over the longer term.

***Our participation in joint ventures exposes us to risks of shared control.***

We own a 50 percent interest in a manufacturing joint venture, the remainder of which is controlled by PPG Industries, Inc., which also supplies chlorine to the facility operated by the joint venture. Additionally, our window and door profiles operations have strategic joint venture arrangements with several customers with respect to a number of extrusion lines. We may enter into additional joint ventures in the future. The nature of a joint venture requires us to share control with unaffiliated third parties. If our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business plan. In that case, our operations may be adversely affected or we may be required to increase our level of commitment to the joint venture. Also, differences in views among joint venture participants may result in delayed decisions or failure to agree on major issues. Any differences in our views or problems with respect to the operations of our joint ventures could have a material adverse effect on our business, financial condition, results of operations or cash flows.

***Fluctuations in foreign currency exchange and interest rates could affect our consolidated financial results.***

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar, principally the Canadian dollar. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses into U.S. dollars at the average exchange rate during each reporting period, as well as assets and liabilities into U.S. dollars at exchange rates in effect at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our net revenues, operating income and the value of balance sheet items denominated in foreign currencies. Because of the geographic diversity of our operations, as a result of the acquisition of Royal Group, weaknesses in various currencies might occur in one or many of such currencies over time. We plan to use derivative financial instruments to further reduce our net exposure to currency exchange rate fluctuations. However, we cannot assure you that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies, would not materially affect our financial results.

In addition, we are exposed to volatility in interest rates. When appropriate, we may use derivative financial instruments to reduce our exposure to interest rate risks. We cannot assure you, however, that our financial risk management program will be successful in reducing the risks inherent in exposures to interest rate fluctuations.

***We rely on a variety of intellectual property rights for our building products. Any threat to, or impairment of, these rights could cause us to incur costs to defend these rights.***

As a manufacturer and marketer of branded products, in our building products, we rely on trademarks and service marks to protect our brands. We have a significant number of issued patents for our technologies. These protections may not adequately safeguard our intellectual property and we may incur significant costs to defend these intellectual property rights, which may harm our operating results. There is a risk that third parties, including our current competitors, will claim that our products infringe on their intellectual property rights. These third parties may bring infringement claims against us or our customers. Regardless of its merit, an infringement claim against us could require significant management time and effort, result in costly litigation or cause product shipment delays. Further, any claims may require us to enter into royalty or licensing arrangements, which may not be obtainable on terms acceptable to us.

***Pending investigations of, and pending and threatened lawsuits against, Royal Group could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

Royal Group is currently under investigation by the Royal Canadian Mounted Police (the RCMP), the Ontario Securities Commission (the OSC) and the SEC regarding its prior public disclosures, including financial and accounting matters. The OSC is also conducting a regulatory investigation of Royal Group, principally in connection with certain related party transactions.

Royal Group and certain of its former officers and former or current directors are named defendants in class actions brought by Royal Group shareholders and additional suits have been threatened. These class action complaints include allegations of non-disclosure of certain related party transactions.

In October 2005, Royal Group advised OSC staff, the RCMP and SEC staff of emails and documents authored by a former finance employee of Royal Group that relate to certain financial accounting and disclosure matters. Royal Group understands that the SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents. The shareholders in the above-mentioned class action filed an amended complaint in connection with these emails.

Further, Royal Group is the subject of a criminal investigation being conducted by the Antitrust Division of the U.S. Department of Justice (the Department of Justice), which focuses on alleged price fixing in the window coverings industry. Royal Group has also been contacted by counsel for a group of civil plaintiffs (direct purchasers) who have indicated their intention to commence litigation against the company pertaining to this matter.

Damages, liabilities and costs Royal Group will incur in respect of each of the foregoing investigations, lawsuits or claims may exceed the amounts anticipated by us in respect thereof, and to the extent they do, our financial condition, results of operations and cash flows, on a consolidated basis with Royal Group's, will be materially adversely affected.

***Our ability to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 is dependent upon our implementation of effective internal controls for Royal Group.***

Pursuant to Section 404 of the U.S. Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), we are required to evaluate our internal control over financial reporting and to provide an assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting consists of procedures designed to provide reasonable assurance that transactions are properly authorized, recorded and reported, and assets are safeguarded against unauthorized or improper use. Although Royal Group is not yet required to be a part of our assessment and reporting of the effectiveness of our internal control over financial reporting, management has assessed significant deficiencies in its financial reporting structure as of December 31, 2006, including an accounting function that lacks clear organization and accountability, insufficient qualified accounting professionals, insufficient review and supervision, and

financial reporting systems that do not share a common platform and that require extensive manual interventions. In addition, management concluded that certain aspects of Royal Group's historical disclosure controls and procedures need improvement, including the ability to produce financial statements on a timely basis.

We must ensure effective internal control over financial reporting for Royal Group's operations and, in so doing, we may identify additional areas requiring improvements. As the aforementioned control issues are remedied or to the extent that internal control weaknesses that require remediation are identified, we may be required to incur expenditures or costs that, if significant, could adversely affect our operating results. We have substantial effort ahead of us to complete the improvements and required management assessment regarding Royal Group's internal control system and financial processes, information systems, assessment of control design, remediation of the deficiencies discussed above, and any other deficiencies that may arise out of this process. These efforts may divert management's attention from other business concerns, including achieving cost savings and operational efficiencies, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to complete the required management assessment by our reporting deadline. An inability to complete and document this assessment could result in a scope limitation qualification or disclaimer by our auditors on their attestation of our internal control over financial reporting. In addition, if a material weakness were to be identified with respect to our internal control over financial reporting, we would not be able to conclude that our internal controls over financial reporting were effective, which could result in the inability of our external auditors to deliver an unqualified report, or any report, on our internal control over financial reporting. In the event that, due to the complexity of certain internal control systems, the procedures, certification and assessment required by Section 404 of the Sarbanes-Oxley Act are not completed by the required deadline in respect of our 2007 fiscal year, or our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, our reputation, financial condition and the value of our securities could be adversely affected. Furthermore, ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities.

***We may have difficulties with our periodic reports as a result of the acquisition of Royal Group.***

Royal Group was late in reporting its 2005 annual and first quarter 2006 financial results. These late filings were due to, among other things, the complexity of accounting for numerous divestitures and write-downs related thereto, the segmentation of financial results, the sale process and various regulatory investigations described above. Similar events could result in delays or inability to prepare and file our reports timely with the SEC. Further, because of our ongoing evaluation of assets and potential dispositions of excess or redundant facilities, we may have future asset impairments, which could also delay our financial reporting. This was further demonstrated by our having to file an extension under Rule 12b-25 for our 2006 annual report on Form 10-K and missing that extended filing deadline.

***We may encounter difficulties in integrating Royal Group's operations with our operations, which may result in our failure to realize expected cost savings and operational efficiencies and adversely affect our results of operations and cash flows.***

We cannot be sure that we will be able to integrate successfully Royal Group's and our operations without substantial costs, delays or other problems. The integration of any business we acquire, including Royal Group, may be disruptive to our business and may result in a significant diversion of management attention and operational resources. Additionally, we may suffer a loss of key employees, customers or suppliers, loss of revenues, increases in costs or other difficulties. Further, there is no assurance that we

will be able to achieve anticipated cost savings and operational efficiencies in amounts anticipated or on our anticipated timetable. Further, management's attention may be diverted by potential dispositions.

As part of our strategy in acquiring Royal Group, we have identified opportunities to improve profitability and reduce costs. We may not be able to fully implement our business strategies or realize, in whole or in part, the expected cost savings or operational efficiencies from these strategies when expected, or at all. Furthermore, we may continue to incur significant one-time costs in connection with our integration of Royal Group's operations with our existing business, including costs related to facility consolidation, headcount reduction, operational improvements, professional fees and related transactional expenses. We expect to incur one-time costs in connection with our anticipated annual cost savings and may achieve operational efficiencies.

#### **Risk Factors Relating to the Exchange Offers**

*There may be adverse consequences if you do not exchange your outstanding notes.*

If you do not exchange your outstanding notes for exchange notes in the applicable exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except for the registration statement of which this prospectus is a part, we do not intend to register resales of the outstanding notes under the Securities Act.

The tender of outstanding notes under the exchange offers will reduce the outstanding amount of each series of the outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in liquidity.

#### **Risk Factors Relating to the Exchange Notes**

*Your right to receive payments on the exchange notes is effectively subordinated to the rights of our existing and future secured creditors, including the lenders under our senior secured credit facility. Further, the guarantees of the exchange notes are effectively subordinated to all of the guarantors' existing and future secured indebtedness, including the guarantors' guarantees of our senior secured credit facility.*

Holders of our and the guarantors' existing and future secured indebtedness, including indebtedness under our senior secured credit facility, which are secured by all or substantially all of our assets and the assets of the subsidiary guarantors thereunder, will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have prior claims to those of our assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our other unsecured and senior indebtedness, as applicable, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we may not have sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

As of March 31, 2007 we had approximately \$555.2 million of borrowings under our senior secured credit facility, and there was \$223.4 million of additional availability under our revolving credit facility (giving effect to outstanding letters of credit). We may incur additional indebtedness, including senior debt, in the future under the terms of our senior secured credit facility and the indentures governing our notes. See "Description of Senior Notes - Certain Covenants - Incurrence of Indebtedness and Issuance of Preferred Stock" and "Description of Senior Subordinated Notes - Certain Covenants - Incurrence of Indebtedness and Issuance of Preferred Stock."

***Your right to receive payment on the exchange notes will be effectively subordinated to the liabilities of our non-guarantor subsidiaries.***

Not all of our subsidiaries are required to guarantee the notes. For example, our foreign subsidiaries do not guarantee the notes. Creditors of our non-guarantor subsidiaries (including trade creditors) will generally be entitled to payment from the assets of those subsidiaries before those assets can be distributed to us. As a result, the exchange notes will effectively be subordinated to the prior payment of all of the debts (including trade payables) of our non-guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. Our subsidiaries that have their debt accelerated may not be able to repay such indebtedness. Our non-guarantor subsidiaries represented approximately 22.9% of our consolidated revenues for the quarter ended March 31, 2007 and held approximately 46.5% of our assets as of March 31, 2007. Our assets and our subsidiaries' assets may not be sufficient to fully repay the exchange notes and our other indebtedness.

***Your right to receive payments on the exchange senior subordinated notes will be junior to our existing and future senior indebtedness, including borrowings under our senior secured credit facility, the 7.125% notes and the exchange senior notes.***

The exchange senior subordinated notes and the related guarantees will be contractually subordinated to all of our current and future senior indebtedness (other than trade payables), including our borrowings under our senior secured credit facility, the 7.125% notes and the exchange senior notes and all of our and the guarantors' future borrowings (other than trade payables), except any future indebtedness that expressly provides that it ranks equal with, or subordinated in right of payment to, the exchange senior subordinated notes and the related guarantees. As a result of such subordination, in the event of the bankruptcy, liquidation or dissolution of us or any guarantor, our assets or the assets of the applicable guarantor would be available to pay obligations under the exchange senior subordinated notes and our other senior subordinated obligations only after all payments had been made on our senior indebtedness or the senior indebtedness of the applicable guarantor. Sufficient assets may not remain after all of these payments have been made to make any payments on the exchange senior subordinated notes and our other senior subordinated obligations, including payments of interest when due. In addition, all payments on the exchange senior subordinated notes and the related guarantees will be blocked in the event of a payment default on senior debt and may be blocked for up to 179 of 360 consecutive days in the event of certain non-payment defaults on senior debt.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us or the guarantors, holders of the exchange senior subordinated notes will participate with trade creditors and all other holders of our and the guarantors' subordinated indebtedness in the assets remaining after we and the guarantors have paid all of our senior debt. However, because the indenture governing the exchange senior subordinated notes requires that amounts otherwise payable to holders of the exchange senior subordinated notes in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the exchange senior subordinated notes may receive less, ratably, than holders of trade payables in any such proceeding. In any of these cases, we and the guarantors may not have sufficient funds to pay all of our creditors and holders of exchange senior subordinated notes may receive less, ratably, than the holders of our senior debt.

On March 31, 2007, the senior subordinated notes and the related guarantees were subordinated to \$1,151.9 million of senior debt and could also have been subordinated to up to \$223.4 million available for borrowing under our revolving credit facilities (giving effect to outstanding letters of credit). We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future under the terms of our indentures and our senior secured credit facility.

***Federal and state statutes may allow courts, under specific circumstances, to void the exchange notes and the guarantees and require noteholders to return payments received from us or the guarantors.***

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, the exchange notes could be voided, or claims in respect of the exchange notes or the guarantees could be subordinated to our other debts if, at the time of issuance of the exchange notes, among other things, we (1) issued the exchange notes with the intent of hindering, delaying or defrauding current or future creditors; or (2) received less than reasonably equivalent value or fair consideration for the incurrence of such notes; and, in the case of clause (2), we:

- were insolvent or rendered insolvent by reason of such incurrence;
- were engaged, or were about to engage, in a business or transaction for which our remaining assets constituted unreasonably small capital to carry on our business; or
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature.

Similar risks and considerations apply with respect to the issuance of the guarantees by the guarantors. The measures of insolvency for purposes of these fraudulent conveyance laws will vary depending upon the law of the jurisdiction that is being applied in any such proceeding to determine whether a fraudulent conveyance has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

***Certain restrictive covenants in the indentures governing the exchange notes will cease to apply if such exchange notes achieve investment grade ratings.***

Most of the restrictive covenants in the indentures governing the notes will not apply if the exchange senior notes or the exchange senior subordinated notes, as applicable, achieve investment grade ratings from Moody's Investors Service, Inc. and Standard & Poor's Rating Services, and no default or event of default has occurred. If these restrictive covenants cease to apply, we may take actions, such as incur additional debt or make certain dividends or distributions that would otherwise be prohibited under the applicable indenture. Ratings are given by these rating agencies based upon analyses that include many subjective factors. We cannot assure you that the exchange senior notes or the exchange senior subordinated notes will achieve investment grade ratings, nor can we assure you that investment grade ratings, if granted, will reflect all of the factors that would be important to holders of the notes.

***We may not be able to raise the funds necessary to finance the change of control offer required by the indentures.***

Upon the occurrence of a change of control, we will be required to offer to repurchase all outstanding senior notes and senior subordinated notes, as well as all of our outstanding 7.125% notes, at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of those notes, or that restrictions in our senior secured credit facility will not allow such repurchases. Further, we may be contractually restricted under the terms of our senior secured credit facility or our other indebtedness from repurchasing all of those notes tendered by holders upon a change of control, and we may not be able to obtain the necessary consents under our senior secured credit facility or such other

indebtedness to make such repurchases. Our failure to make or complete the change of control offer or pay the change of control purchase price when due will give the trustee and the holders of the applicable notes the right to declare an event of default and accelerate the repayment of the notes as described under the section in this prospectus entitled *Description of Senior Notes Events of Default and Remedies* and *Description of Senior Subordinated Notes Events of Default and Remedies*. This event of default under the indentures would in turn constitute an event of default under our senior secured credit facility. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, will not constitute a change of control under the indenture. See *Description of Senior Notes Repurchase at the Option of Holders Change of Control* and *Description of Senior Subordinated Notes Repurchase at the Option of Holders Change of Control*.

*Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the exchange notes.*

We are offering the exchange notes to the holders of the outstanding notes. The outstanding notes were offered and sold in October 2006 to institutional investors and are eligible for trading in the PORTAL market.

We do not intend to apply for a listing of the exchange notes on a securities exchange or on any automated dealer quotation system. There is currently no established market for the exchange notes and we cannot assure you as to the liquidity of markets that may develop for the exchange notes, your ability to sell the exchange notes or the price at which you would be able to sell the exchange notes. If such markets were to exist, the exchange notes could trade at prices that may be lower than their principal amount or purchase price depending on many factors, including prevailing interest rates, the market for similar notes, our financial and operating performances and other factors. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the exchange notes may experience similar disruptions and any such disruptions may adversely affect the prices at which you may sell your notes.

#### **FORWARD-LOOKING STATEMENTS**

This prospectus and other communications to stockholders may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, our outlook for future periods, supply and demand, pricing trends and market forces within our industries, cost reduction strategies and their results, planned capital expenditures, long-term objectives of management and other statements of expectations concerning matters that are not historical facts.

Predictions of future results contain a measure of uncertainty. Actual results could differ materially due to various factors. Factors that could change forward-looking statements are, among others, those contained in the *Risk Factors* section above as well as changes in the general economy, changes in demand for our products or increases in overall industry capacity that could affect production volumes and/or pricing, changes and/or cyclicalities in the industries to which our products are sold, availability and pricing of raw materials, technological changes affecting production, difficulty in plant operations and product transportation, governmental and environmental regulations and other unforeseen circumstances. A number of these factors are discussed in this prospectus and in our other periodic filings with the SEC.

#### **USE OF PROCEEDS**

We will not receive any cash proceeds from the issuance of the exchange notes. Because we are exchanging the exchange notes for the outstanding notes, which have substantially identical terms, the issuance of the exchange notes will not result in any increase in our indebtedness.

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

On June 9, 2006, we entered into a definitive agreement to acquire Royal Group for CAD\$13.00 per share ( CAD\$ meaning Canadian dollars) for a total purchase price of approximately \$1.5 billion (assuming an exchange rate of \$1.00 to CAD\$1.115). On October 3, 2006, we consummated the acquisition of Royal Group and the results of Royal Group from the period October 3, 2006 through December 31, 2006 were included in Georgia Gulf's 2006 statement of operations. Financing for the acquisition of Royal Group, repayment of some of Royal Group's existing indebtedness and refinancing of some of our existing indebtedness was obtained from borrowings under a new senior secured credit facility and the issuance of \$700 million of our notes. We refer to (i) our acquisition of Royal Group, (ii) the repayment of Royal Group's existing senior credit facility, (iii) the repayment at maturity of Royal Group's 7.1% senior unsecured notes, Series A, due August 31, 2006 (the Series A Notes) and Royal Group's 7.3% senior unsecured notes Series B, due August 31, 2006 (the Series B Notes), (iv) the repayment of Royal Group's 7.1% series D notes due 2007 (the Series D Notes), (v) the repayment of Royal Group's 6.9% medium-term notes due 2010 (the Medium-Term Notes), (vi) the repayment of our existing senior secured credit facility, (vii) the borrowings under our senior secured credit facility and (viii) the offering of the \$700 million of our notes as the Transactions.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2006 gives effect as if the Transactions occurred on January 1, 2006. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) expected to have a continuing impact on the combined results. All significant balances and intercompany transactions have been eliminated.

The unaudited pro forma condensed combined statement of operations should be read in conjunction with the Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes of both Georgia Gulf and Royal Group included elsewhere in this prospectus. The pro forma statement of operations should not be considered indicative of actual results that would have been achieved had the Transactions been consummated on the date or for the period indicated. Also, the pro forma statement of operations data should not be viewed as indicative of our financial condition or results of operations as of any future date or for any future period.

The unaudited pro forma condensed combined statement of operations reflects the acquisition of Royal Group by Georgia Gulf using the purchase method of accounting. Accordingly, the consideration paid by Georgia Gulf was allocated to Royal Group's assets and liabilities based upon their estimated fair values as of the date of the acquisition. The allocation is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive final allocation. A final determination of the fair value of Royal Group's assets and liabilities will be based on the actual net tangible and intangible assets of Royal Group that existed as of the closing date of the transaction. The pro forma purchase price adjustments are preliminary, subject to future adjustments and have been made solely for the purpose of providing the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2006 presented below. The purchase price allocation is preliminary subject to, among other things, the final valuations of assets acquired and liabilities assumed, certain legal and tax contingencies, and the valuation of property, plant and equipment, spare parts, finite and indefinite lived intangible assets, and assets held for sale and discontinued operations. There can be no assurance that such finalization will not result in material changes.

The historical consolidated financial statements of Royal Group have been prepared in accordance with Canadian GAAP and in Canadian dollars. For purposes of the unaudited pro forma condensed combined statement of operations, Royal Group has been presented in accordance with U.S. GAAP, which differs from Canadian GAAP. A summary of the significant differences between U.S. GAAP and

Canadian GAAP for Royal Group's consolidated financial statements is in the notes to its consolidated financial statements as of and for the six month period ended June 30, 2006 and as of and for the year ended December 31, 2005. See Index to Financial Statements. The translations of the historical Royal Group consolidated statement of operations for the period from January 1, 2006 to October 3, 2006 from CAD to U.S. dollars used in the preparation of the unaudited pro forma condensed combined statement of operations were translated from Canadian dollars to U.S. dollars using the average exchange rate for the period from January 1, 2006 to October 3, 2006 of 1.00 U.S. dollar: 1.1327 CAD.

The unaudited pro forma condensed combined statement of operations does not include cost savings and operating efficiencies expected to be achieved from the Royal Group acquisition.

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**GEORGIA GULF CORPORATION**  
**UNAUDITED PRO FORMA CONDENSED COMBINED**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2006**  
(In thousands of U.S. dollars, except per share data)

	Georgia Gulf	Royal Group January 1, 2006 to October 3, 2006	Adjustments		Pro Forma Combined
Net sales	\$ 2,427,843	\$ 953,301	\$ (4,824 )	)a	\$ 3,376,320
Operating costs and expenses:					
Cost of sales	2,152,571	770,612	(1,762 )	)a,b,c	2,921,421
Selling, general and administrative expenses	119,151	191,652	221	)d	311,024
Total operating costs and expenses	2,271,722	962,264	(1,541 )		3,232,445
Operating income (loss)	156,121	(8,963 )	(3,283 )	)e	143,875
Other income (expense):					
Loss on foreign exchange derivative instruments and other	(21,543 )		20,843	)f	(700 )
Interest expense, net	(51,279 )	(32,282 )	(66,610 )	)g	(150,171 )
Income (loss) from continuing operations before income taxes	83,299	(41,245 )	(49,050 )		(6,996 )
Provision (benefit) for income taxes	31,497	(43,616 )	52,419	)h	40,300
Income (loss) from continuing operations	\$ 51,802	\$ 2,371	\$ (101,469 )		\$ (47,296 )
Earnings (loss) from continuing operations per share:					
Basic	\$ 1.52				\$ (1.39 )
Diluted	\$ 1.51				\$ (1.39 )
Weighted average common shares:					
Basic	34,093				34,093
Diluted	34,386				34,093

The accompanying notes are an integral part of this  
Unaudited Pro Forma Condensed Combined Statement of Operations.

## 1 Basis of Presentation

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2006 gives effect to the Transactions as if they occurred on January 1, 2006. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the acquisition and related financing transactions, (2) factually supportable, and (3) expected to have a continuing impact on the combined results. All significant balances and intercompany transactions have been eliminated.

The unaudited pro forma condensed combined statement of operations does not include cost savings and operating efficiencies expected to be achieved from the Royal Group acquisition.

Earnings (loss) from continuing operations per share includes an adjustment to the previously reported pro forma basic and diluted loss per share in our Form 10-K for the year ended December 31, 2006 to reduce the basic and diluted loss per share by \$0.07 due to the incorrect number of weighted average shares outstanding of 33,093 being used in the calculation versus the actual weighted average shares outstanding of 34,093.

## 2 Purchase Price and Preliminary Allocation

On October 3, 2006, we completed the acquisition of Royal Group. Under the terms of the arrangement agreement, we acquired all of the outstanding common stock of Royal Group for a total purchase price, including liabilities assumed, debt retired in conjunction with the closing, debt issuance costs and other transaction costs of approximately \$1.5 billion consisting of approximately \$1.1 billion of cash paid for Royal Group common stock and assumed debt of \$374.9 million, which was repaid in connection with the acquisition. The acquisition was financed with significant indebtedness, including \$500 million in aggregate principal amount of 9.5 percent senior unsecured notes due 2014 (the Senior Notes), \$200 million in aggregate principal amount of 10.75 percent Senior Subordinated Notes due 2016 (the Senior Subordinated Notes, and together with the Senior Notes, the New Notes), and a new credit agreement that includes a tranche B term loan of \$800 million and revolving credit facilities of up to \$375 million (the Senior Secured Credit Facility).

The following table summarizes the preliminary allocation of the estimated purchase price to the fair value of Royal Group's assets acquired and liabilities assumed at the date of acquisition, excluding cash acquired of \$27.7 million:

	<b>As of October 3, 2006 (In thousands)</b>
Current assets, net of cash acquired	\$ 478,311
Property, plant and equipment	630,615
Investments and other assets	26,994
Goodwill	312,085
Identifiable intangible assets indefinite lived	16,000
Identifiable intangible assets finite lived	77,000
Deferred taxes	16,014
Net assets held for sale	223,899
Total assets acquired	1,780,918
Current liabilities	(330,592 )
Debt assumed	(374,930 )
Total liabilities assumed	(705,522 )
Net assets acquired	\$ 1,075,396

**3 Pro Forma Adjustments**

(a) Represents the elimination of intercompany net sales and corresponding cost of sales between Royal Group and Georgia Gulf of \$4.8 million. Net sales and cost of sales consist primarily of sales of vinyl resins and compounds from Georgia Gulf to Royal Group.

(b) Includes the following:

- A decrease in depreciation expense related to the fair value adjustment to property, plant and equipment. Depreciation expense of \$2.9 million is calculated using the straight-line method over the estimated remaining useful lives of property, plant and equipment acquired, which vary from 3-17 years, with an average useful life of 10 years.
- An increase in amortization expense for the estimated amortization of finite-lived identifiable intangibles over their estimated useful lives as follows:

(In Thousands)	Intangibles	Average Estimated Useful Lives (Years)	Expense
Customer relationships	\$ 46,000	18	\$1,934
Technology	31,000	12	1,938
	\$ 77,000		\$ 3,872

(c) An adjustment to increase inventory to fair value with the offset to cost of goods sold of \$2.1 million.

(d) An adjustment to increase expense by \$0.2 million to conform the historical accounting policies for stock compensation expense of Royal Group and Georgia Gulf for the period presented.

(e) The adjustment is to record: (1) the estimated interest expense on newly issued debt; (2) the amortization of debt issuance costs associated with the newly issued debt; (3) the elimination of interest expense and amortization of debt issuance costs related to historical debt of Royal Group and Georgia Gulf that was repaid in connection with the acquisition and related financing transactions; and (4) the write off of old deferred debt issuance costs of Georgia Gulf; totaling \$66.6 million.

The weighted average interest rate on the newly issued debt is 8.96 percent as of December 31, 2006. Pursuant to the terms of the Senior Secured Credit Facility, the interest rates are LIBOR + 2 percent. For each 0.125 percent increase or decrease in the assumed rates with respect to the term loan, our annual interest expense would increase or decrease by \$1.0 million.

(f) Represents an adjustment to remove the foreign currency forward purchase contract realized loss of \$20.8 million for contracts entered into to hedge the acquisition of Royal Group.

(g) The provision for income taxes includes the impact of Quebec's retroactive legislation resulting in a charge to current income tax expense of \$27.0 million, plus accrued interest of \$7.6 million for a total of \$34.6 million. Represents the income tax effect of \$19.2 million for the pro forma adjustments to the statement of operations at 39.2 percent. We assumed the statutory tax rate for the combined company would be 39.2 percent.

**SELECTED CONSOLIDATED FINANCIAL DATA**

The following table sets forth our selected consolidated financial data as of and for each of the years ended December 31, 2006, 2005, 2004, 2003 and 2002, which have been derived from our audited consolidated financial statements. The data for the three months ended March 31, 2007 and 2006 have been derived from our unaudited condensed consolidated financial statements, included elsewhere in this prospectus, and include all adjustments, consisting only of normal recurring accruals that management considers necessary for the fair presentation of the consolidated financial position and results of operations for these periods. You should not consider the results for the three month periods to be indicative of full year results. You should read this selected consolidated financial data together with the financial statements and related footnotes included elsewhere in this prospectus.

In Thousands, Except Per Share Data Percentages, Employees and Ratios	Year Ended December 31,					Three Months Ended March 31,	
	2006	2005	2004	2003	2002	2007	2006
<b>Results of Operations:</b>							
Net sales	\$ 2,427,843	\$ 2,273,719	\$ 2,206,239	\$ 1,444,483	\$ 1,230,751	\$ 713,696	\$ 567,873
Cost of sales(1)	2,152,571	2,049,510	1,955,095	1,319,094	1,086,746	663,557	488,885
Selling, general and administrative expenses	119,151	61,444	60,721	55,691	45,685	58,116	20,213
Operating income (loss)	156,121	162,765	190,423	69,698	98,320	(7,977)	58,775
Interest expense	(51,648)	(20,527)	(23,778)	(38,195)	(49,739)	(32,089)	(4,349)
Loss on foreign exchange derivative instruments and other	(21,543)						
Foreign exchange gain						2,831	
Cost related to retirement of debt				(13,816)			
Interest income	369	120	115	53	160	15	12
Income (loss) from continuing operations before taxes	83,299	142,358	166,760	17,740	48,741	(37,221)	54,438
Provision (benefit) for income taxes(2)	31,497	46,855	60,868	5,245	17,546	(10,711)	20,757
Income (loss) from continuing operations	\$ 51,802	\$ 95,503	\$ 105,892	\$ 12,495	\$ 31,195	\$ (26,510)	\$ 33,681
Loss from discontinued operations, net of tax	(3,263)					(8,061)	
Net (loss) income	\$ 48,539	\$ 95,503	\$ 105,892	\$ 12,495	\$ 31,195	\$ (34,571)	\$ 33,681
Basic earnings (loss) per share:							
Income (loss) from continuing operations	\$ 1.52	\$ 2.82	\$ 3.21	\$ 0.39	\$ 0.98	\$ (0.77)	\$ 0.99
Loss from discontinued operations	(0.10)					(0.24)	
Net income (loss)	\$ 1.42	\$ 2.82	\$ 3.21	\$ 0.39	\$ 0.98	\$ (1.01)	\$ 0.99
Diluted earnings (loss) per share:							
Income (loss) from continuing operations	\$ 1.51	\$ 2.79	\$ 3.17	\$ 0.38	\$ 0.97	\$ (0.77)	\$ 0.98
Loss from discontinued operations	(0.10)					(0.24)	
Net income (loss)	\$ 1.41	\$ 2.79	\$ 3.17	\$ 0.38	\$ 0.97	\$ (1.01)	\$ 0.98
Dividends per common share	0.32	0.32	0.32	0.32	0.32	0.08	0.08
<b>Financial Highlights:</b>							
Working capital	\$ 202,955	\$ 62,330	\$ (69,358)	\$ 65,742	\$ 57,996	\$ 169,142	\$ 74,419
Property, plant and equipment, net	1,023,004	401,412	425,734	460,808	493,494	1,035,883	398,330
Total assets	2,458,227	1,000,953	963,830	856,785	875,559	2,451,749	976,529
Total debt	1,498,134	278,639	318,483	427,872	476,986	1,475,744	224,339
Asset securitization	128,000	141,000	165,000	100,000	75,000	139,000	163,000
Net cash provided by (used in) operating activities							
	250,577	71,145	135,967	85,077	168,246	(385)	67,440
Depreciation and amortization	85,019	63,101	64,554	63,932	68,068	35,427	15,889
Capital expenditures	90,770	32,044	23,441	24,046	17,471	28,046	11,963
Maintenance expenditures	80,464	79,584	79,750	67,131	64,049	13,231	7,121
<b>Other Selected Data:</b>							
Earnings before interest, taxes, depreciation and amortization ( EBITDA )(3)	\$ 215,272	\$ 224,469	\$ 252,398	\$ 130,534	\$ 162,971	\$ 21,369	\$ 74,374
Weighted average shares outstanding basic	34,093	33,867	32,965	32,267	31,988	34,309	34,346
Weighted average shares outstanding diluted	34,386	34,193	33,439	32,502	32,193	34,309	34,003
Common shares outstanding	34,390	34,238	33,925	32,736	32,319	34,396	34,203
Return on sales	2.0	% 4.2	% 4.8	% 0.9	% 2.5	% (4.8)	% 5.9
Ratio of earnings to fixed charges(4)	2.3	6.0	6.4	1.4	1.9		9.5

(1) Includes Royal Group financial data as of December 31, 2006 and from October 3, 2006 through December 31, 2006. Includes additional cost of sales of \$18.0 million and \$2.0 million for the periods ended December 31, 2006 and March 31, 2007, respectively, as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in compliance with accounting standards related to business combinations.



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(2) Provision for income taxes for 2003 includes the effect of favorable settlement of tax audits.

(3) EBITDA is commonly used by us and our investors to measure our ability to service our indebtedness. EBITDA is not a measurement of financial performance under generally accepted accounting principles in the United States ( GAAP ) and should not be considered as an alternative to net income as a measure of performance or to net cash flows provided by operations as a measure of liquidity. In addition, our calculation of EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. For 2006, the write-off of deferred debt issuance costs has been included as interest expense. We believe that the closest GAAP measure of financial performance to EBITDA is net cash provided by operating activities. The following is a reconciliation of EBITDA to net cash provided by operating activities. Note that Tax benefit related to stock plans and Stock based compensation are included in change in operating assets, liabilities and other.

In Thousands	Year Ended December 31,					Three Months Ended March 31,	
	2006	2005	2004	2003	2002	2007	2006
EBITDA	\$ 215,272	\$ 224,469	\$ 252,398	\$ 130,534	\$ 162,971	\$ 21,369	\$ 74,374
Interest expense, net	(51,279 )	(20,407 )	(23,663 )	(38,142 )	(49,579 )	(32,074 )	(4,337 )
(Provision) benefit for income taxes	(31,497 )	(46,855 )	(60,868 )	(5,245 )	(17,546 )	10,711	(20,758 )
Provision for deferred income taxes	(21,189 )	(15,067 )	3,686	(6,344 )	6,822	(14,628 )	(4,209 )
Amortization of debt issuance costs	2,242	1,397	2,579	3,096	3,417	1,434	291
Change in operating assets, liabilities and other	137,028	(72,392 )	(38,165 )	1,178	62,161	12,803	22,079
Net cash provided by operating activities	\$ 250,577	\$ 71,145	\$ 135,967	\$ 85,077	\$ 168,246	\$ (385 )	\$ 67,440

(4) For the quarter ended March 31, 2007, our earnings were insufficient to cover fixed charges by \$38.2 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

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, vinyl chloride monomer ( VCM ), vinyl resins and vinyl compounds, and our aromatics products are cumene, phenol and acetone. Our chemical 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. On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited ( 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 and outdoor storage buildings.

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.

### Acquisition of Royal Group

On October 3, 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 our unsecured 9.5 percent senior notes due 2014, \$200.0 million in aggregate principal amount of our unsecured 10.75 percent senior subordinated notes due 2016 and \$800.0 million principal amount of floating interest rate term debt under our senior secured credit facility due 2013.

### Royal Group Business Overview

Royal Group is a leading North American manufacturer and marketer of vinyl-based building and home improvement products, which include vinyl window and door profiles, mouldings, vinyl siding, pipe and pipe fittings, deck, fence, rail, and outdoor storage.

As a result of the Royal Group acquisition, we are one of the leading vinyl-based building and home improvement companies in North America. The acquisition provides a growth platform that leverages Georgia Gulf's vinyl resins and 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 thereby increasing long-term shareholder value.

From October 3, 2006, through December 31, 2006, Royal Group generated revenue of \$230.7 million and contributed \$14.2 million to gross margin even after recording additional cost of sales of \$18.0 million as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in compliance with accounting standards related to business combinations.

Additionally, from October 3, 2006, through December 31, 2006 we have divested certain non-core operations and assets. These transactions include the sale of certain buildings, properties and equipment for approximately \$106.5 million. In addition, the buyers assumed debt of \$28.2 million. Also in the fourth quarter of fiscal 2006, we initiated plans to restructure the operations of Royal Group to eliminate certain duplicative activities, focus our resources on operations with future growth opportunities and reduce our cost structure. In connection with the restructuring plan, we incurred costs related to termination benefits

for employee positions that were eliminated. We expect to pay these termination costs by September 2007. Any costs incurred during this restructuring plan that will benefit future periods, such as relocation of employees, have been and will be expensed as incurred. Our estimate of employee termination benefits of \$35.3 million was recorded as part of the Royal Group acquisition purchase price allocation. As of March 31, 2007, we had paid \$20.1 million in termination benefits.

### **Chemical Business Overview**

Our chemical business is a leading North American manufacturer and an international marketer of two integrated chemical product lines, chlorovinyls and aromatics. Our primary chlorovinyls products include chlorine, caustic soda, vinyl chloride monomer ( VCM ), vinyl resins and vinyl compounds. For the year ended December 31, 2006, we consumed all of our chlorine production in making VCM, consumed 5 percent of our caustic soda production, consumed 99 percent of our VCM production in manufacturing vinyl resins and used about 19 percent of our vinyl resins in the manufacture of vinyl compounds. The remainder of our caustic soda, VCM and vinyl resins and all of our vinyl compounds were sold to third parties. Our primary aromatic products include cumene, phenol and acetone. For the year ended December 31, 2006, approximately 49 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, is cyclical in nature and is 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 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 from the market. As the additional supply is absorbed, operating rates rise, prices increase and the cycle repeats. As an example, significant phenol capacity added in 1999 and 2000 was only absorbed enough by demand and plant closures to allow for improved industry margins in 2004.

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 increased 17 percent and natural gas decreased 15 percent, from 2005 to 2006. From 2004 to 2005, CMAI reported U.S. industry prices for crude oil and natural gas increased 36 percent and 35 percent, respectively.

In 2006 our chlorovinyls segment experienced decreased demand compared to 2005, primarily as a result of a decrease in demand for vinyl resins and compounds. When comparing 2005 to 2006, North American vinyl resins sales volume decreased about 3 percent as a result of declines in most end-use markets due primarily to the North American housing starts decline of 12 percent, according to American Chemical Council Plastics Industry Producers Statistics Group ( PIPS ). CMAI reported industry price increases for our feedstock ethylene of 9 percent from 2005 to 2006, while chlorine and natural gas prices

decreased about 5 percent and 15 percent, respectively, for the same time period. Operating rates averaged above 90 percent for most of the year combined with increased ethylene costs enabled the industry to increase vinyl resins sales prices by 7 percent from 2005 to 2006, according to Chemical Data Inc. ( CDI ).

Our aromatics segment demand also decreased in 2006 compared to 2005. According to CDI, North American cumene industry operating rates decreased from about 82 percent in 2005 to about 75 percent in 2006, primarily due to the restart of a 1 billion pound cumene plant late last year. Operating rates for phenol and acetone remained in the low 80 percentiles for both 2005 and 2006. In addition, CDI reported that industry prices for our feedstocks benzene and propylene increased 12 percent and 14 percent, respectively, from 2005 to 2006. Increased feedstock costs enabled the industry to increase sales prices for phenol, acetone and cumene by 5 percent, 2 percent and 12 percent, respectively, from 2005 to 2006, according to CDI.

#### **Results of Operations**

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### *Three Months Ended March 31, 2007, Compared with Three Months Ended March 31, 2006*

The following table sets forth our consolidated statement of operations data for the periods ended March 31, 2007 and 2006, and the percentage of net sales of each line item for the periods presented.

<b>Dollars in millions</b>	<b>Three months ended</b>			
	<b>March 31, 2007</b>		<b>March 31, 2006</b>	
Net sales	\$ 713.7	100.0 %	\$ 567.9	100.0 %
Cost of sales	663.6	93.0 %	488.9	86.1 %
Gross margin	50.1	7.0 %	79.0	13.9 %
Selling, general and administrative	58.1	8.1 %	20.2	3.5 %
Operating (loss) income	(8.0 )	(1.1 )%	58.8	10.4 %
Net interest expense	32.1	4.5 %	4.3	0.8 %
Foreign exchange gain	(2.8 )	(0.4 )%		
Provision (benefit) for income taxes	(10.7 )	(1.5 )%	20.8	3.7 %
Income (loss) from continuing operations	(26.6 )	(3.7 )%	33.7	5.9 %
(Loss) from discontinued operations, net of tax	(8.0 )	(1.1 )%		
Net (loss) income	\$ (34.6 )	(4.8 )%	\$ 33.7	5.9 %

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The following table sets forth certain financial data by segment for the periods ended March 31, 2007 and 2006, and the percentage of net sales of each line item for the periods presented.

Dollars in millions	Three months ended			
	March 31, 2007		March 31, 2006	
<b>Net sales</b>				
Chlorovinyls	\$ 329.6	46.2 %	\$ 441.6	77.8 %
Window and door profiles and mouldings products	97.6	13.7 %		
Outdoor building products	107.6	15.1 %		
Aromatics	178.9	25.0 %	126.3	22.2 %
Total net sales	\$ 713.7	100.0 %	\$ 567.9	100.0 %
<b>Gross margin</b>				
Chlorovinyls	\$ 22.3	6.8 %	\$ 82.7	18.8 %
Window and door profiles and mouldings products	7.6	7.8 %		
Outdoor building products	11.3	10.5 %		
Aromatics	6.4	3.6 %	(3.7 )	(3.0 )%
Total gross margin	\$ 50.1	7.0 %	\$ 79.0	13.9 %

*Net Sales.* For the three months ended March 31, 2007, net sales were \$713.7 million, an increase of 26 percent compared to \$567.9 million for the same quarter last year. This increase was a result of the Royal Group acquisition on October 3, 2006, which increased net sales by 38 percent, more than offsetting the decline in net sales of 12 percent in our chemical business. Our chemical business overall average sales price decreased primarily as a result of decreases in the prices of vinyl resins and compounds offset partially by increases in the sales price of cumene and phenol.

Chlorovinyls segment net sales totaled \$329.6 million for the quarter ended March 31, 2007, a decrease of 25 percent compared with net sales of \$441.6 million for the same period last year. Our overall average sales prices decreased due to decreases in the prices of vinyl resins of 28 percent, vinyl compounds of 10 percent, and caustic soda of 21 percent. These vinyl resin and compound price decreases reflect industry operating rates averaging about 87 percent for the first quarter of 2007 compared to 94 percent for the same period last year as housing starts declined during the latter part of 2006 and have not recovered. Our acquisition of Royal Group on October 3, 2006 contributed \$8.9 million of net sales to our chlorovinyls segment. Our overall chlorovinyls sales volumes were down 7 percent primarily resulting from vinyl resin and compound sales volumes decreases of 4 percent and 12 percent, respectively, from the first quarter of 2006 to the first quarter of 2007. The decreased sales volumes reflected a slowdown in housing construction.

Window and door profiles and mouldings products net sales totaled \$97.6 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Outdoor building products net sales totaled \$107.6 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Aromatics segment net sales were \$178.9 million for the quarter ended March 31, 2007, an increase of 42 percent compared to \$126.3 million for the same quarter last year. Our overall average selling prices increased 20 percent primarily as a result of increases in the prices of cumene of 23 percent and phenol of 23 percent. The cumene and phenol price increases reflect higher costs for feedstock benzene. The North American cumene industry operating rate was approximately 79 percent for first quarter of 2007, or about flat from the same period last year. The North American phenol industry operating rate was approximately 83 percent for both the first quarters of 2006 and 2007. Our overall aromatics sales volumes increased 18

percent as a result of a cumene sales volume increase of 37 percent primarily resulting from industry operating problems during the first quarter of 2007.

*Gross Margin.* Total gross margin decreased from 14 percent of sales for the quarter ended March 31, 2006, to 7 percent of sales for the quarter ended March 31, 2007. This \$28.9 million decrease was due primarily to lower chlorovinyls sales prices and volumes and higher benzene costs from our chemical business offsetting lower natural gas costs. The Royal Group acquisition on October 3, 2006 contributed \$17.6 million to gross margin. Some of our primary raw materials and natural gas costs in our chlorovinyls and aromatics segments normally track crude oil and natural gas industry prices. U.S. industry prices for crude oil and natural gas decreased 8 percent and 20 percent, respectively, from the first quarter of 2006 to the first quarter of 2007.

Chlorovinyls segment gross margin decreased from 19 percent of sales for the quarter ended March 31, 2006 to 7 percent of sales for the quarter ended March 31, 2007. This \$60.4 million decrease from the same quarter last year primarily reflects lower sales prices and volumes offsetting lower raw materials and natural gas cost. The Royal Group chlorovinyls operations negatively impacted our gross margin by approximately \$1.3 million. Our overall raw materials prices decreased 2 percent from the first quarter of 2006 to same quarter in 2007. Our chlorovinyls operating rate decreased from about 94 percent for first quarter of 2006 to about 83 percent for the first quarter of this year. The decrease in the operating rate in first quarter of 2007 primarily resulted from the housing starts decline compared to the same period in 2006.

Window and door profiles and mouldings products gross margin totaled \$7.6 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Outdoor building products net sales gross margin totaled \$11.3 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Aromatics segment gross margin increased from a negative 3 percent of sales for the three months ended March 31, 2006, to 4 percent of sales for the quarter ended March 31, 2007. This \$10.1 million increase from the same period last year is due primarily to increased overall sales prices and sales volumes offsetting increased benzene costs.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses totaled \$58.1 million for the quarter ended March 31, 2007, an increase of \$37.9 million from \$20.2 million for the quarter ended March 31, 2006. This increase was largely due to incremental selling, general and administrative expenses of \$36.1 million resulting from the Royal Group acquisition.

Our chemical business selling, general and administrative expenses increased \$1.8 million from the same period last year. This increase was due primarily to an increase in legal and professional fees of \$0.8 million.

*Interest Expense, Net.* Interest expense, net increased to \$32.1 million for the quarter ended March 31, 2007, from \$4.3 million for the quarter ended March 31, 2006. This increase of \$27.8 million was attributable to the increased debt issued October 3, 2006 to fund the acquisition of the Royal Group.

*Provision (Benefit) for Income Taxes* The provision for income taxes was a benefit of \$10.7 million for the three months ended March 31, 2007, compared with an expense of \$20.8 million for the three months ended March 31, 2006. The decrease in income taxes primarily resulted from a \$91.6 million decrease in income from continuing operation before income taxes. In addition, our effective income tax rate from continuing operations decreased from 38 percent during the first quarter of last year to 29 percent for the same period in 2007 due primarily to interest accrued on the liability for unrecognized income tax benefits, the income tax rate differential between tax jurisdictions, and the effect of income tax credits. The

provision for income taxes related to discontinued operations was a benefit of \$2.2 million for the three months ended March 31, 2007.

*Loss from Discontinued Operations.* Subsequent to the Royal Group acquisition, we began to exit several of its businesses including its window coverings business. As of March 31, 2007 these businesses qualified as discontinued operations under generally accepted accounting principles and incurred a net loss of approximately \$8.1 million for the three months ended March 31, 2007.

*Year Ended December 31, 2006, Compared with Year Ended December 31, 2005.*

The following table sets forth our consolidated statement of operations data for each of the three years ended December 31, 2006, 2005 and 2004, and the percentage of net sales of each line item for the years presented.

Dollars in Millions	Year Ended December 31,					
	2006		2005		2004	
Net sales	\$ 2,427.8	100.0 %	\$ 2,273.7	100.0 %	\$ 2,206.2	100.0 %
Cost of sales	2,152.5	88.7 %	2,049.5	90.1 %	1,955.1	88.6 %
Gross margin	275.3	11.3 %	224.2	9.9 %	251.1	11.4 %
Selling, general and administrative expenses	119.2	4.9 %	61.4	2.7 %	60.7	2.8 %
Operating income from continuing operations	156.1	6.4 %	162.8	7.2 %	190.4	8.6 %
Interest expense, net	51.3	2.1 %	20.4	0.9 %	23.6	1.0 %
Loss on foreign exchange derivative instruments	21.5	0.9 %				
Provision for income taxes	31.5	1.3 %	46.9	2.1 %	60.9	2.8 %
Income from continuing operations	51.8	2.1 %	95.5	4.2 %	105.9	4.8 %
Loss from discontinued operations, net of tax	3.3	0.1 %				
Net income	\$ 48.5	2.0 %	\$ 95.5	4.2 %	\$ 105.9	4.8 %

The following table sets forth certain financial data by segment for the three years ended December 31, 2006, 2005 and 2004, and the percentage of total net sales or gross margin by segment for each line item.

Dollars in Millions	Year Ended December 31,					
	2006		2005		2004	
Net sales						
Chlorovinyls	\$ 1,642.8	67.7 %	\$ 1,592.7	70.0 %	\$ 1,452.4	65.8 %
Window and door profiles and mouldings products	117.0	4.8 %				
Outdoor building products	108.9	4.5 %				
Aromatics	559.1	23.0 %	681.0	30.0 %	753.8	34.2 %
Total net sales	\$ 2,427.8	100.0 %	\$ 2,273.7	100.0 %	\$ 2,206.2	100.0 %
Gross margin						
Chlorovinyls	\$ 271.1	16.5 %	\$ 229.9	14.4 %	\$ 196.1	13.5 %
Window and door profiles and mouldings products	9.3	7.9 %				
Outdoor building products	7.0	6.4 %				
Aromatics	(12.1 )	(2.2 )%	(5.7 )	(0.8 )%	55.0	7.3 %
Total gross margin	\$ 275.3	11.3 %	\$ 224.2	9.9 %	\$ 251.1	11.4 %

*Net Sales.* For the year ended December 31, 2006, net sales were \$2.4 billion, an increase of 7 percent compared with net sales of \$2.3 billion for the same period last year. This increase was a result of the Royal Group acquisition on October 3, 2006, which increased net sales by 10 percent more than offsetting the decline in net sales of 3 percent in our chemical business.

Our chemical business net sales decrease of 3 percent resulted from a decrease in overall sales volume of 3 percent from 2005 to 2006. Our overall sales volume decrease for 2006 was mainly attributable to decreases in our cumene export and domestic sales volumes of 80 percent and 16 percent, respectively, as a result of lower spot sales due to increased cumene capacity coming on-line in late 2005. This decrease in sales volume was offset partially by increased production volume as our chloralkali plant operated at full rates during 2006 as compared to 2005, during which we had planned and unplanned outages. We also had an overall average sales price increase primarily as a result of increases in the prices of vinyl resins and compounds, cumene, and phenol. Significantly increased chlorovinyls and aromatics feedstock prices enabled us to increase prices for most of our products in 2006.

Chlorovinyls segment net sales totaled \$1.64 billion for the year ended December 31, 2006, an increase of 3 percent compared with net sales of \$1.59 billion for the same period last year. Our overall chlorovinyls sales volumes were up 4 percent as a result of operating our chloralkali plant at full rates during 2006 as compared to 2005, during which we had planned and unplanned outages. Our chlorovinyls operating rate was up slightly from about 85 percent for the year of 2005 to about 86 percent in 2006. The rate in 2005 primarily reflected planned and unplanned outages in our chloralkali plant and the hurricane-related outages during the third and fourth quarters of 2005, while the 2006 operating rate primarily resulted from the vinyl resin and compound sales volumes decreases of 5 percent from 2005 to 2006 as housing starts declined 12 percent. Our overall average sales prices decreased slightly due to product mix as sales volume of our lower priced caustic soda increased 29 percent. This decrease of our sales price more than offset increases in the prices of vinyl resins of 3 percent, vinyl compounds of 9 percent, and caustic soda of 7 percent. These vinyl resin and compound price increases reflect higher costs for the feedstock ethylene and operating rates averaging above 90 percent for most of the year. Our acquisition of Royal Group on October 3, 2006 contributed \$4.7 million of net sales to our chlorovinyls segment.

Window and door profiles and mouldings products net sales totaled \$117.0 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Outdoor building products net sales totaled \$108.9 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Aromatics segment net sales were \$559.1 million for the year ended December 31, 2006, a decrease of 18 percent compared to \$681.0 million for the year of 2005. This decrease was due to 23 percent lower sales volumes primarily reflecting decreases in cumene export and domestic sales volumes of 80 percent and 16 percent, respectively, as a result of lower spot sales due to increased cumene capacity in the industry. The North American cumene industry operating rate was approximately 75 percent for 2006, or down about 7 percent from 2005, primarily due to the restart of a 1.1 billion pound capacity manufacturing facility by a competitor in late 2005. The North American phenol industry-operating rate was approximately 83 percent for 2006, up slightly from 2005. Overall sales price increases of 6 percent were primarily the result of an increase in the price of cumene of 6 percent and phenol of 6 percent.

*Gross Margin.* Total gross margin increased from 10 percent of sales for the year ended December 31, 2005, to 11 percent of sales for the year ended December 31, 2006. This \$51.0 million increase was due primarily to higher sales prices and lower natural gas cost from our chemical business offsetting higher raw materials costs and lower sales volumes. In addition, our mix of volume shifted to higher margin chlorovinyls products from lower margin aromatics products. The Royal Group acquisition on October 3, 2006 contributed \$14.2 million to gross margin even after recording additional cost of sales of \$18.0 million as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in compliance with accounting standards related to business combinations. Some of our primary raw materials and natural gas costs in our chlorovinyls and aromatics segments normally track crude oil and natural gas industry prices. U.S. industry prices for crude oil increased 17 percent and natural gas decreased 15 percent from 2005 to 2006.

Chlorovinyls segment gross margin increased from 14 percent of sales for the year ended December 31, 2005, to 17 percent of sales for the year ended December 31, 2006. This \$41.2 million

increase from the prior year primarily reflects higher sales prices and lower natural gas cost offsetting higher raw materials costs and lower sales volumes. The Royal Group chlorovinyls operations negatively impacted our gross margin by approximately \$2.1 million. Our overall raw materials prices increased 4 percent in 2006 compared to 2005. Our chlorovinyls operating rate increased from about 85 percent for 2005 to about 86 percent in 2006. The operating rate in 2005 primarily reflected planned and unplanned outages in our chloralkali plant and the hurricane-related outages during the third and fourth quarters of 2005, while the 2006 operating rate primarily resulted from the housing starts decline of 12 percent in 2006 compared to 2005, which caused our vinyl resin and compound sales volumes to decrease by 5 percent from 2005 to 2006.

Window and door profiles and mouldings products gross margin totaled \$9.3 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Outdoor building products net sales gross margin totaled \$7.0 million. The increase in this segment is a result of our acquisition of Royal Group on October 3, 2006.

Aromatics segment gross margin decreased from a negative 1 percent of sales for the year ended December 31, 2005, to a negative 2 percent of sales for the year ended December 31, 2006. This \$6.4 million decrease from 2005 is due primarily to increased raw materials costs and lower sales and production volumes in 2006. Overall raw materials increased primarily as a result of increases in propylene and benzene costs year over year. In addition, gross margins were impacted by a competitor's restart of a 1.1 billion pound capacity cumene plant in late 2005, which drove down industry operating rates from 82 percent in 2005 to 75 percent in 2006.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses totaled \$119.2 million for the year ended December 31, 2006, an increase of \$57.8 million from \$61.4 million for the year ended December 31, 2005. This increase was largely due to \$43.0 million of selling, general and administrative expenses resulting from the Royal Group acquisition. The Royal Group expense includes non-recurring charges related to our acquisition of Royal Group resulting in \$4.3 million of severance, legal and professional fees, which did not meet the requirements for accrual as part of the purchase price allocation of Royal Group.

Our chemical business selling, general and administrative expenses increased \$14.7 million from the same period last year. This increase was due primarily to an increase in stock-based compensation expense of \$7.8 million primarily as a result of the adoption of a new accounting pronouncement requiring all stock-based payments to employees to be recognized in the financial statements based on their fair values, an increase in franchise and other taxes of \$3.9 million and an increase in the discount on sale of an interest in our trade receivables of \$2.8 million due to an increase in the commercial paper rate during the year ended December 31, 2006, as compared to the same period in 2005. The increases in selling, general and administrative expenses were partially offset by a decrease in legal and professional fees of \$3.6 million.

*Interest Expense, Net.* Interest expense, net increased to \$51.3 million for the year ended December 31, 2006, from \$20.4 million for the year ended December 31, 2005. This increase of \$30.9 million was attributable to the increased debt issued October 3, 2006 to fund the acquisition of the Royal Group offset partially by lower overall debt balances earlier in 2006 as compared to 2005. In addition, in connection with our acquisition of Royal Group on October 3, 2006, we expensed financing related costs of \$5.3 million, which included a commitment fee of \$2.3 million for our unused bridge loan and a write-off of unamortized debt issuance cost of \$3.0 million from our old senior credit facility.

*Loss on Foreign Exchange Derivative Instruments.* In June 2006, we entered into Canadian dollar foreign currency forward contracts for a notional amount of CAD\$1.5 billion to effectively hedge the entire purchase price of Royal Group. Since this was a hedge of the foreign currency exchange risk of a business combination, we were not permitted to designate it as a cash flow hedge under the provisions of Statement of Financial Accounting Standards, ( SFAS ) No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended*. Therefore we have recorded the change in the fair value of the derivative

and the hedged item to earnings. During 2006, we recorded \$21.5 million of realized losses related to these foreign currency forward contracts.

*Provision for Income Taxes.* The provision for income taxes was \$31.5 million for the year ended December 31, 2006, compared with \$46.9 million for the year ended December 31, 2005, primarily due to a decrease in pre-tax income from continuing operations of \$59.1 million. Our effective tax rate from continuing operations increased from 33 percent for 2005 to 37.7 percent for 2006 primarily due to differences between U.S. and foreign tax rates and an increase in tax contingencies related to the Royal Group acquisition offset by the benefit of the domestic manufacturing deduction and the benefit from the sale of a subsidiary.

*Loss from Discontinued Operations.* Subsequent to the Royal Group acquisition, we began to exit several of its businesses including its window coverings business. As of December 31, 2006 these businesses qualified as discontinued operations under generally accepted accounting principles and incurred a net loss of approximately \$3.3 million for the period from October 3, 2006, to December 31, 2006.

***Year Ended December 31, 2005, Compared With Year Ended December 31, 2004***

*Net Sales.* For the year ended December 31, 2005, net sales were \$2.3 billion, an increase of 3 percent compared to \$2.2 billion for the year ended December 31, 2004 as a result of a 21 percent increase in sales prices partially offset by a 15 percent decrease in sales volumes. Overall average sales prices increased by 28 percent in the chlorovinyls segment and 7 percent in the aromatics segment. Significantly increased feedstock costs enabled us to increase our sales prices. Our overall sales volume decrease of 15 percent from last year is mainly attributable to lower spot export sales during 2005, increased Asian phenol capacity during 2005, planned and unplanned plant outages in our chloralkali plant during the second quarter of 2005 and hurricane-related plant outages during the third and fourth quarters of 2005.

Chlorovinyls segment net sales totaled \$1.6 billion for 2005, an increase of 10 percent compared with net sales of \$1.5 billion for 2004. Our overall average sales prices increased by 28 percent, primarily as a result of increases in the prices of vinyl resins of 19 percent, vinyl compounds of 17 percent and caustic soda of 140 percent. These vinyl resins and compound price increases reflect higher prices for the feedstocks ethylene and chlorine during 2005. Our overall chlorovinyls sales volumes were down 14 percent from 2004 due to lower spot export sales during 2005, planned and unplanned plant outages in our chloralkali plant during the second quarter of 2005 and the hurricane-related plant outages during the third and fourth quarters of 2005.

Aromatics segment net sales were \$681.0 million for 2005, a decrease of 10 percent compared to \$753.8 million for 2004. This decrease was primarily due to a decrease in our overall aromatics sales volumes of 15 percent as a result of cumene, phenol and acetone sales volume decreases of 9 percent, 26 percent and 18 percent, respectively. These decreases were due primarily to a 46 percent decrease in our phenol export sales volumes from 2004 to 2005 as a result of increased Asian phenol capacity during 2005 and a 25 percent decrease in our cumene domestic sales volumes as a result of lower spot sales, which we had a higher level of during the third quarter of 2004 due to a competitor's unscheduled cumene plant outage. The North American phenol and acetone industry operating rates were all in the low eighty percentiles for 2005, or down about 10 percent from 2004. Our overall average selling price increased as a result of increases in the prices of cumene of 12 percent, phenol of 6 percent and acetone of 9 percent. These sales price increases reflect higher prices for the feedstocks benzene and propylene.

*Gross Margin.* Total gross margin decreased from 11 percent of sales for the year ended December 31, 2004, to 10 percent of sales for the year ended December 31, 2005. This \$26.9 million decrease was due to higher raw materials costs and lower sales and production volumes outpacing higher sales prices. Some of our primary raw materials and natural gas costs normally track crude oil and natural gas industry prices, which experienced increases of 36 percent and 35 percent, respectively, from 2004 to 2005.

Chlorovinyls segment gross margin increased slightly from 13 percent of sales for the year ended December 31, 2004, to 14 percent of sales for the year ended December 31, 2005. This \$33.8 million increase primarily reflects increases in sales prices for all of our chlorovinyls products, which more than offset increases in our raw materials prices and lower sales and production volumes for all of our chlorovinyls products. Our overall raw materials and natural gas prices increased 31 percent compared to 2004. Our chlorovinyls operating rate decreased from about 97 percent in 2004 to about 85 percent in 2005 primarily as a result of planned and unplanned outages in our chloralkali plants during the second quarter of 2005 and the hurricane-related outages during the third and fourth quarters of 2005.

Aromatics segment gross margin decreased from 7 percent of sales for the year ended December 31, 2004, to negative 1 percent of sales for the year ended December 31, 2005. This \$60.7 million decrease is due primarily to the overall raw materials and energy price increase of 15 percent and lower sales and production volumes outpacing higher sales prices in 2005. Our aromatics operating rate decreased from about 90 percent for 2004 to about 65 percent for 2005 due primarily to increased Asian phenol capacity during 2005, lower spot sales, which we had a higher level of during the third quarter of 2004 due to a competitor's unscheduled cumene plant outage, and the hurricane-related outages during the third and fourth quarters of 2005.

*Impact from Hurricanes Katrina and Rita on Third and Fourth Quarters.* The devastating hurricanes experienced by the U.S. Gulf Coast region in the last weeks of August and September of 2005 resulted in the disruption of our operations and minor property damage at our Louisiana, Mississippi and Texas facilities. Certain manufacturing plants were shut down in an orderly manner just prior to the hurricanes and were down or running at reduced rates during the third and fourth quarters of 2005 as a result of the hurricanes. As of October 19, 2005, all of our plants returned to near normal operations. The financial impact of these events resulted in charges of approximately \$25.0 million during the last half of 2005 involving 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 \$61.4 million for the year ended December 31, 2005, an increase of \$0.7 million from \$60.7 million for the year ended December 31, 2004. The increase was primarily due to an increase in bad debt expense of \$1.2 million, an increase in legal and professional fees of \$3.0 million and an increase in the discount on sale of interests in our trade receivables of \$3.0 million due to more receivables being sold during the year ended December 31, 2005, as compared to the year ended December 31, 2004. These increases in selling, general and administrative expenses were offset by the reversal of an allowance for a doubtful note receivable of \$2.1 million originally recorded in the fourth quarter of 2003 for a specific chlorovinyls customer, a decrease in profit share incentive of \$1.3 million and the reduction in executive retirement bonus of \$2.5 million related to the transfer of insurance cash surrender values and the related tax withholdings for executives as part of the termination of our split dollar life insurance plan in the third quarter of 2004. The aromatics segment selling, general and administrative expenses remained relatively flat compared to the same period last year while the chlorovinyls segment selling, general and administrative expenses decreased due to the reversal of an allowance for a doubtful note receivable of \$2.1 million in 2005.

*Net Interest Expense.* Net interest expense decreased to \$20.4 million for the year ended December 31, 2005, from \$23.6 million for the year ended December 31, 2004. This decrease of \$3.2 million was attributable to lower overall debt balances during 2005. During November 2005, we repaid all \$100 million of our senior secured 7.625 percent notes. We repaid the notes with borrowings under our revolving credit facility.

*Provision for Income Taxes.* The provision for income taxes was \$46.9 million for the year ended December 31, 2005, compared with \$60.9 million for the year ended December 31, 2004. The decrease of \$14.0 million in income taxes resulted from a \$24.4 million decrease in pre-tax income and a 3.6 percent decrease in the effective tax rate when comparing periods. The decrease in the effective tax rate is due to



the estimated tax deductions created by the American Jobs Creation Act of 2004, the favorable impact from changes to the income apportionment rules of various states and the benefits of certain tax credits.

### **Liquidity and Capital Resources**

On October 3, 2006, we acquired Royal Group for \$1.1 billion in cash and assumed debt of \$374.9 million, net of cash acquired of \$27.6 million. The acquisition was financed entirely with new debt. We entered into a new senior credit facility and issued \$500.0 million of unsecured 9.5 percent senior notes due 2014 and \$200.0 million of unsecured 10.75 percent senior subordinated notes due 2016. The senior credit facility includes a tranche B term loan of \$800.0 million and revolving credit facilities of up to \$375.0 million. The net proceeds from these transactions were used to fund the acquisition of Royal Group, replace our previously existing revolving credit facility, and pay related acquisition fees and debt issuance costs.

Our financial condition during the three months ended March 31, 2007 improved as we divested certain non-core operations and assets, primarily real estate and received proceeds from a sale-leaseback financing transaction. These divestitures and sales leaseback transaction generated \$161.7 million of cash of which \$146.1 million was used to pay down our tranche B term loan.

*Operating Activities.* For the three months ended March 31, 2007, we used \$0.4 million of cash flow from operating activities as compared with cash provided by operating activities of \$67.4 million for the three months ended March 31, 2006. The major sources of cash flow for the first three months of 2007 were reduced working capital of \$9.2 million, the \$11.0 million increase in the interest sold in our trade receivables and the non-cash provision of \$35.4 million for depreciation and amortization. The major sources of cash flow for the first three months of 2006 were net income of \$33.7 million, the \$22.0 million increase in the interest sold in our trade receivables and the non-cash provision of \$15.9 million for depreciation and amortization. The increase in the non-cash provision for depreciation and amortization primarily relates to our acquisition of Royal Group on October 3, 2006. Total working capital at March 31, 2007 was a surplus of \$169.1 million versus a surplus of \$203.0 million at December 31, 2006. Significant changes in working capital for the first three months of 2007 were a \$31.5 million increase in the current portion of long-term debt and a \$18.0 million increase in interest payable coupled with a \$17.7 million increase in inventories, a \$48.5 million increase in trade receivables and a \$28.9 million decrease in accrued liabilities. The increase in inventories and receivables for the first three months of 2007 primarily relates to higher operating rates at our plants.

For the year ended December 31, 2006, we generated \$254.7 million of cash flow from operating activities from continuing operations as compared with \$71.1 million during the year ended December 31, 2005. Major sources of cash flow in 2006 were net income from continuing operations of \$48.5 million, non-cash provisions of \$85.0 million for depreciation and amortization, which were offset in part by reductions of \$21.2 million for deferred income taxes and a reduction of \$13.0 million in the interests sold in our trade receivables in 2006 as a result of a decrease in eligible receivables under our securitization program. The increase in working capital was primarily attributable to the working capital purchased in connection with the acquisition of the Royal Group.

For the year ended December 31, 2005, we generated \$71.1 million of cash flow from operating activities as compared with \$136.0 million during the year ended December 31, 2004. The decrease in cash flow from operations of \$64.9 million in 2005 from 2004 was due primarily to a \$79.0 million advance payment for a long-term raw materials supply contract in 2005 and a reduction of \$24.0 million in the interests sold in our trade receivables in 2005 as a result of a decrease in eligible receivables under our securitization program. The decrease in cash flows from operations were offset partially by a \$40.7 million decrease in trade receivables in 2005. The major sources of cash flow for 2005 were net income of \$95.5 million, the \$40.7 million decrease in receivables and the non-cash provision of \$63.1 million for depreciation and amortization. Total working capital at December 31, 2005, was a surplus of \$62.3 million versus a deficit of \$69.4 million at December 31, 2004. Significant changes in working capital for 2005

included a decrease in trade receivables and an increase in inventories and prepaid expenses. The decrease in trade receivables was primarily attributable to a sales volume decrease offset partially by the reduction in the interests sold in our trade receivables.

*Investing Activities.* Net cash provided by investing activities was \$37.8 million for the three months ended March 31, 2007, as compared to net cash used of \$12.0 million for the same period last year primarily reflecting non-core asset divestitures during the first three months of 2007. During the first three months of 2007, we received cash proceeds from sales of property, plant and equipment, assets held for sale and discontinued operations of \$65.8 million primarily related to the sales of Royal Group's corporate headquarters and two manufacturing facilities located in Woodbridge, Ontario. Also during the first three months of 2007, we used cash of \$28.7 million primarily related to continued work on our Plaquemine, Louisiana PVC modernization project. Once complete, we expect this project to increase our vinyl resin capacity by approximately 450 million pounds annually beginning in 2008.

Net cash used in investing activities was \$1.1 billion, \$30.7 million and \$23.4 million for the years ended December 31, 2006, 2005 and 2004, respectively, and was related primarily to the acquisition of Royal Group in 2006 and reinvestment in equipment to improve our operating efficiencies in 2005 and 2004. In addition to our acquisition of Royal Group and capital expenditures, we incurred maintenance expense for our production facilities of \$80.5 million, \$79.6 million and \$79.8 million during the years ended December 31, 2006, 2005, and 2004, respectively. We estimate total capital expenditures for 2007 will be approximately \$100.0 million, including approximately \$43.0 million to complete the vinyl resins modernization project at our Plaquemine, Louisiana facility. Upon completion of this project, we estimate that our vinyl resin capacity will increase approximately 450.0 million pounds annually beginning in 2008. This project is being funded through our revolving credit facility and cash flows from operating activities.

*Financing Activities.* Cash used in financing activities was \$26.8 million for the three months ended March 31, 2007, as compared to \$56.6 million for the same period last year, the change primarily related to payments of \$146.1 million on long-term debt and proceeds from a sale-leaseback of property during the first three months of 2007. During the first three months of 2007, we received \$95.9 million from sale-leaseback transactions accounted for as a financing. These sale-leaseback property transactions primarily related to the sale-leaseback of four Royal Group manufacturing facilities located in Woodbridge, Ontario.

Cash provided in financing activities was \$825.0 million for the year ended December 31, 2006. On October 3, 2006, in connection with the acquisition of Royal Group we entered into a new senior credit facility and issued \$500.0 million of unsecured 9.5 percent senior notes due 2014 and \$200.0 million of unsecured 10.75 percent senior subordinated notes due 2016. The senior credit facility includes a tranche B term loan of \$800.0 million and revolving credit facilities of up to \$375.0 million. The net proceeds from these transactions were used to fund the acquisition of Royal Group, replace the previously existing revolving credit facility, and pay related debt issuance costs of \$38.0 million. Old revolver debt issuance costs of \$3.0 million were written-off in the fourth quarter of 2006 as we entered into a new revolver. Finance fees associated with a bridge financing related to the Royal Group acquisition of \$2.3 million were expensed in the fourth quarter of 2006 as this bridge facility expired. From the acquisition of Royal Group on October 3, 2006 through December 31, 2006, we paid down debt of approximately \$274.0 million with approximately \$135.0 million generated through consideration from asset sales of certain non-core assets of Royal Group and approximately \$139.0 million generated through cash flow from operations. In addition to the \$274 million debt reduction, we reduced the amount of receivables sold under our accounts receivable securitization program by \$34 million.

Cash used in financing activities was \$47.3 million and \$93.4 million for the years ended December 31, 2005, 2004, respectively. The cash was primarily used to reduce total debt by \$40.6 million in 2005 and \$110.1 million in 2004. The debt reduction in 2005 was funded by cash provided by operations while the debt reduction in 2004 consisted of \$45.1 million from cash provided by operations and \$65.0 million from selling an additional interest in our trade receivables. Proceeds from the issuance of common stock were \$22.0 million higher in 2004 than in 2005 due to a significant increase in the exercise of stock options during 2004.

On March 31, 2007, our balance sheet debt consisted of \$502.3 million of term debt and \$52.9 million of borrowings under our revolving credit facilities under our senior secured credit facility, \$100.0 million of unsecured 7.125 percent senior notes due 2013, \$500.0 million of unsecured 9.5% senior notes due 2014, \$200.0 million of unsecured 10.75% senior subordinated notes due 2016, \$95.9 million of sale-leaseback financing obligations and \$30.2 million in other debt. At March 31, 2007, under our revolving credit facility we had a maximum borrowing capacity of \$375.0 million, and, net of outstanding letters of credit of \$98.7 million and current borrowings of \$52.9 million, we have remaining availability under the revolving credit facility of \$223.4 million. Over the next twelve months, we expect to pay off \$64.0 million of borrowings under our senior secured credit facility, including \$52.9 million on our revolver and \$11.1 million of principal on our tranche B term loan that we are contractually obligated to pay. Therefore, we have classified this debt as current in our consolidated balance sheet. Debt under the senior secured credit facility is secured by a majority of our assets, including real and personal property, inventory, accounts receivable and other intangibles.

We use interest rate swaps to fix our interest rate on \$300.0 million of our variable rate LIBOR based term debt. We would pay approximately \$1.7 million to settle these swaps if settlement occurred as of March 31, 2007.

*Covenants and Restrictions.* Under our senior secured credit facility and the indentures related to the 7.125, 9.5, and 10.75 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, grant liens, sell our assets and engage in certain other activities. Our ability to meet these covenants, satisfy our debt obligations and pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other factors, some of which are beyond our control. On March 14, 2007 we entered into an amendment to our senior secured credit facility, which temporarily waives our interest coverage ratio for the year ended December 31, 2006, and through May 31, 2007. On May 10, 2007, we executed another amendment to our senior secured credit facility to increase our leverage ratio and decrease our interest coverage ratio throughout the term of the agreement. In addition, this third amendment reduces our capital expenditures limitation to \$100 million in 2007, \$90 million in 2008 and \$135 million in 2009. Management believes that based on current and projected levels of operations and conditions in our markets, the effect of the previously mentioned third amendment, cash flow from operations, together with our cash and cash equivalents of \$20.0 million and the availability to borrow an additional \$223.4 million under the revolving credit facility at March 31, 2007, will be adequate for the foreseeable future to make required payments of principal and interest on our debt, meet certain restrictive covenants that require us to maintain certain financial ratios, and fund our working capital and capital expenditure requirements. However, if our expectations regarding our business prove incorrect, we may not be able to meet certain restrictive covenants and maintain compliance with certain financial ratios. 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 no assurance we can do so in the future. Giving effect to the waiver and amendments described above we were in compliance with all necessary financial covenants under our senior secured credit facility at March 31, 2007. We declared annual dividends of \$0.32 per share, or \$11.0 million, \$10.9 million and \$10.6 million during 2006, 2005 and 2004, respectively. During the first three months of 2007 and 2006, we paid quarterly dividends of \$0.08 per share, or \$2.8 million and \$2.7 million, respectively.

We conduct our business operations through our wholly owned subsidiaries as reflected in our consolidated financial statements. As we are essentially a holding company, we must rely on distributions, loans and other intercompany cash flows from our wholly owned subsidiaries to generate the funds necessary to satisfy the repayment of our existing debt. Provisions in the senior credit facility and the indentures related to the 7.125, 9.5, and 10.75 percent notes limit payments of dividends, distributions, loans or advances to us by our subsidiaries.

*Off-Balance Sheet Arrangement.* We have an agreement pursuant to which we sell 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). Our Securitization provides us one of our cheapest sources of funds and enables us to reduce our annual interest expense. 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 sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of \$165.0 million, as permitted by the Securitization. The balance in the interest of receivables sold at March 31, 2007 and December 31, 2006 was \$139.0 million and \$128.0 million, respectively.

Continued availability of the Securitization is conditioned upon compliance with covenants, related primarily to operation of the Securitization set forth in the related agreements. As of March 31, 2007, we were in compliance with all such covenants. If the Securitization agreement was terminated, we would not be required to repurchase previously sold receivables, but would be prevented from selling additional receivables to the third parties. In the event that the Securitization agreement was terminated, we would have to source these funding requirements with availability under our senior credit facility or obtain alternative financing.

*Contractual Obligations.* Our aggregate future payments under contractual obligations by category as of March 31, 2007, were as follows:

In millions	Total	2007	2008	2009	2010	2011	2012 and thereafter
<b>Contractual obligations:</b>							
Long-term debt principal	\$ 1,394	\$ 12	\$ 6	\$ 23	\$ 6	\$ 52	\$ 1,295
Long-term debt interest	848	89	118	117	116	115	293
Operating lease obligations	93	22	21	17	12	7	14
Sale leaseback obligations	65	5	6	6	6	6	36
Purchase obligations	3,733	875	684	567	380	380	847
Asset retirement obligations	11						11
Other	10	2	2	2	2	1	1
<b>Total</b>	<b>\$ 6,154</b>	<b>\$ 1,005</b>	<b>\$ 837</b>	<b>\$ 732</b>	<b>\$ 522</b>	<b>\$ 561</b>	<b>\$ 2,497</b>

*Long-Term Debt.* Long-term debt includes principal and interest payments based upon our interest rates as of March 31, 2007. Long-term debt obligations are listed based on when they are contractually due. Therefore the \$52.9 million balance on our revolving credit facility that we have classified as current on our consolidated balance sheet as of March 31, 2007, is included in 2011.

*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 2014. We did not have significant capital lease obligations as of March 31, 2007.

*Sale-Leaseback Obligations.* We lease land and buildings for certain of our Canadian manufacturing facilities under leases with varying maturities through the year 2017.

*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 March 31, 2007.

*Asset Retirement Obligations.* We have acquired certain assets that are subject to certain legal obligations upon asset retirement (i.e. removal of hazardous waste, demolition, etc.). We estimate the asset retirement obligations by capitalizing the present value of such obligations based on a credit-adjusted risk-



free rate, recording an equivalent liability, and depreciating the asset and accreting the liability over the estimated life of the obligation.

## Outlook

Georgia Gulf's chlorovinyls products, as well as its building and home improvement products have historically experienced higher levels of sales in both the second and third quarters of the year, with the first and fourth quarters of the year reflecting seasonally slower construction activity due to colder weather. This year, we are again experiencing the usual seasonal up-tick for these product lines.

Industry sources expect that the polyvinyl chloride (PVC) industry's operating rate will climb to approximately 91 percent on average in the second quarter, up from 87 percent during the first quarter of 2007 and 78 percent during the fourth quarter of 2006. Increasing operating rates typically help create a better environment for PVC pricing.

With increasing sales activity, improving PVC resin pricing and the cost savings we have secured since acquiring Royal Group, we anticipate that Georgia Gulf will generate modest earnings in the second and third quarters of 2007. While we continue to believe that 2007 will be a challenging year for Georgia Gulf given the sharp downturn in construction activity and additional debt service associated with the Royal Group acquisition, we are encouraged by the progress we are making with strategies to stimulate sales and cut costs. Successful implementation of these strategies will leave us well positioned within the industry segments we serve in the years to come.

See Forward-Looking Statements.

## 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 February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140*. SFAS No. 155 simplifies accounting for certain hybrid instruments currently governed by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, by allowing fair value remeasurement of hybrid instruments that contain an embedded derivative that otherwise would require bifurcation. SFAS No. 155 also eliminates the guidance in SFAS No. 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*, which provides that such beneficial interests are not subject to SFAS No. 133. SFAS No. 155 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125*, by eliminating the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. This statement is effective for financial instruments acquired or issued by us after December 31, 2006. The adoption of SFAS No. 155 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140*. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in specific situations. Additionally, the servicing asset or servicing liability must be initially measured at fair value, if practicable. SFAS No. 156 is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS No. 156 on January 1, 2007 did not have a material impact on our consolidated financial statements.

Effective January 1, 2007, we adopted FASB Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ) which clarifies the accounting for uncertainty in income taxes recognized in an enterprises financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 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 interpretation, 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 shall 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 interpretation 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.

As of January 1, 2007, we have recognized a liability for our unrecognized income tax benefits of approximately \$87.8 million. Of this amount, approximately \$22.7 million relates to accrued interest and penalties. If recognized, \$83.1 million of this amount would affect our effective tax rate. The implementation of FIN 48 resulted in an increase in the liability for unrecognized tax benefits of approximately \$0.9 million, a decrease in retained earnings as of January 1, 2007 of approximately \$0.8 million and a decrease in goodwill of approximately \$0.1 million. For the three months ended March 31, 2007, we recognized approximately \$2.1 million of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits.

During the next twelve months, it is reasonably possible that uncertain tax positions in Canada and the U.S. will be recognized as a result of the lapse of the applicable statute of limitations or through settlements with the taxing authorities. The statute of limitations with respect to certain open tax years in Canada has lapsed after March 31, 2007. Accordingly, we will recognize approximately \$2.5 million of previously unrecognized tax benefits during the three month period ending June 30, 2007. It is reasonably possible that the statute of limitations will lapse over the next twelve months with respect to other unrecognized tax benefits in various taxing jurisdictions in the United States. As of March 31, 2007, the aggregate amount of these tax positions was approximately \$1.0 million.

In addition, we continue to negotiate with the province of Quebec to reach a settlement with respect to its assessments resulting from the retroactive application of tax law changes promulgated by Bill 15, which amended the Quebec Taxation Act and other legislative provisions. Over the last several years, Royal Group, which we acquired in the fourth quarter of 2006, 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 March 31, 2007, we have recorded a liability for an unrecognized tax benefit of \$37.0 million related to the Quebec Trust matter. It is reasonably possible that we will reach a settlement related to the Quebec Trust matter during the next twelve months. Although we are unable to estimate the final settlement amount at this time, it could differ significantly from the amount recorded as of March 31, 2007.

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

<b>Tax Jurisdiction</b>	<b>Open Years</b>
United States	2002 - 2006
Canada	2002 - 2006
Various States	2000 - 2006

Our overall effective income tax rate from continuing operations decreased from 38 percent for the three months ended March 31, 2006 to 29 percent for the three months ended March 31, 2007 due primarily to interest accrued on the liability for our unrecognized income tax benefits, the income tax rate differential between tax jurisdictions and the effect of income tax credits.

In June 2006, the FASB ratified its consensus on Emerging Issues Task Force ( EITF ) Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*. The scope of EITF Issue No. 06-3 includes any tax assessed by a governmental authority that is imposed concurrent with or subsequent to a revenue-producing transaction between a seller and a customer. For taxes within the scope of this issue that are significant in amount, the consensus requires the following disclosures: (i) the accounting policy elected for these taxes and (ii) the gross amount of the taxes reflected in the income statement on an interim and annual basis for all periods presented. The disclosure of those taxes can be done on an aggregate basis. The consensus is effective for interim and annual periods beginning after December 15, 2006. The adoption of EITF No. 06-3 did not have an impact on our consolidated financial statements as our policy is to record sales taxes collected on a net basis.

On September 7, 2006, the EITF reached a consensus on EITF Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, which requires the application of the provisions of SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, to endorsement split-dollar life insurance arrangements. SFAS No. 106 would require us to recognize a liability for the discounted future benefit obligation that we will have to pay upon the death of the underlying insured employee. An endorsement-type arrangement generally exists when we own and control all incidents of ownership of the underlying policies. EITF Issue No. 06-4 is effective for fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF Issue No. 06-4 to have a material impact on our consolidated financial statements.

On September 7, 2006 the EITF reached a consensus on EITF Issue No. 06-5 *Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4*, which concluded that a policyholder should consider other amounts included in the contractual terms of an insurance policy, in addition to cash surrender value, when determining the asset value that could be realized under the terms of the insurance contract. These other amounts include: non-discretionary amounts (those items that are not contingent as of the balance sheet date) and time-based amounts (i.e., deferred acquisition costs tax) that would be accounted for on a present-value basis. Items that are probable to be received and/or subject to the insurance company's intent to pay would not be included in asset value. In addition, the amount that could be realized should be determined on an individual policy or certificate level. Amounts that would be realized upon surrender of all policies or certificates would not be included when measuring assets. EITF Issue No. 06-5 is effective for fiscal years beginning after December 15, 2006 and would be recognized through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption for all life insurance contracts currently held. The adoption of EITF Issue No. 06-5 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for our fiscal year beginning January 1, 2008. We do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin ( SAB ) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, which provides interpretive guidance on the consideration of the effects

of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 is effective for fiscal years ending after November 15, 2006. Early application is encouraged, but not required. We are required to adopt SAB No. 108 for our fiscal year ending December 31, 2006. The cumulative effect, if any, of applying the provisions of SAB No. 108 will be reported as an adjustment to beginning-of-year retained earnings. We have assessed the impact of adopting the guidance of evaluating prior year misstatements in quantifying current year misstatements and determined that it was not material to our consolidated financial statements.

On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends SFAS No. 87 and SFAS No. 106 to require recognition of the funding status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The incremental effect of adopting the balance sheet recognition provisions of SFAS No. 158 as of December 31, 2006, is summarized below:

In Thousands	Before Adopting SFAS No. 158	Adjustments to Adopt SFAS No. 158	After Adopting SFAS No. 158
<b>Assets</b>			
Noncurrent benefit asset	\$ 23,223	\$ (4,990 )	\$ 18,233
Intangible asset	22	(22 )	
Deferred tax asset	(99 )	(1,528 )	(1,627 )
<b>Liabilities</b>			
Current benefit liability		438	438
Noncurrent benefit liability	9,035	(1,333 )	7,702
Shareholders' equity			
<b>Accumulated other comprehensive loss</b>	<b>\$ (170 )</b>	<b>\$ (2,589 )</b>	<b>\$ (2,759 )</b>

We have evaluated the potential impact of the Pension Protection Act, which was passed into law on August 17, 2006 on future U.S. pension plan funding requirements based on current market conditions. The Pension Protection Act is not anticipated to have a material effect on the level of future funding requirements or our liquidity and capital resources.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided the entity also elects to apply the provisions of SFAS No. 157. We have not decided if we will adopt SFAS No. 159 early or if we will choose to measure any eligible financial assets and liabilities at fair value.

On April 30, 2007, the FASB issued FASB Staff Position ( FSP ) FIN 39-1 an *Amendment to FASB Interpretation No. 39 Offsetting of Amounts Related to Certain Contracts*, ( FSP FIN 39-1 ). This FSP addresses certain modifications to FIN 39 and whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FIN 39. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of FSP FIN 39-1 to have a material impact on our consolidated financial statements.

### **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 policies used in the preparation of our accompanying consolidated financial statements and related notes and believe those policies to be reasonable and appropriate. See note 1 of the Notes to our Consolidated Financial Statements 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. In our analysis, we combine the use of historical collection experience, our accounts receivable aged trial balance and specific collectibility 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, 2006 and 2005, was \$16.1 million and \$2.5 million, respectively. The \$13.6 million increase is primarily due to the acquisition of Royal Group. No individual customers account for greater than 10 percent of our trade accounts receivables as of December 31, 2006 and 2005. To the extent the actual collectibility of our accounts receivable differs from our estimated allowance by 10 percent, our net income would be higher or lower by approximately \$1.0 million, on an after-tax basis, depending on whether the actual collectibility was better or worse, respectively, 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 our 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 \$0.4 million, on an after-tax basis, depending on whether the actual outcomes were better or worse, respectively, 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. Impairment testing for goodwill and indefinite lived intangible assets is a two-step test performed at a reporting unit level. 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 approach to determine the estimated fair value of a reporting unit, which requires judgment and assumptions including estimated future cash flows and discount rates. 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 estimated fair value of each of our reporting units exceeds the carrying value. Actual impairment losses incurred could vary significantly from amounts that we estimate if different assumptions or methods are used in the

estimate for fair value of the reporting units. A 10 percent reduction in estimated future cash flows used in our impairment test would not result in any impairment being recognized.

*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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. 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. Actual impairment losses 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.

We annually assess our idled Pasadena, Texas phenol and acetone plant assets for impairment, and we have noted no impairment to date.

*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 2006 was 5.75 percent. At December 31, 2006, this rate was 6.00 percent for determining 2007 annual pension expense for our U.S. pension plans. A 25 basis point increase in this discount rate would decrease our annual pre-tax pension expense by \$0.2 million whereas a 25 basis point decrease in our discount rate would increase our annual pre-tax pension expense by \$0.5 million. A 25 basis point increase or decrease in the discount rate assumption for our foreign pension plan and other post retirement plans are not material.

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, 2006, is 76.6 percent equity securities, 20.5 percent debt securities, 1.4 percent real estate and 1.5 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 2006 was 8.25 percent for our U.S. pension plans. At December 31, 2006, this rate was 8.00 percent for determining 2007 annual pension expense. A 25 basis point increase or decrease in the weighted average 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.

On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends SFAS No. 87 and SFAS No. 106 to require

recognition of the funding status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. We adopted the balance sheet recognition provisions of SFAS No. 158 as of December 31, 2006, which reduced our stockholders' equity by approximately \$2.6 million and did not affect our results of operations. See further details of the impact of adopting the provision of SFAS No. 158 in note 15 of the Notes to our Consolidated Financial Statements.

*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, 2006 and 2005, we had a net deferred tax liability balance of \$57.8 million and \$102.9 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, 2006 and 2005, we had deferred tax assets for state tax credit carryforwards of \$3.1 million and \$4.3 million, respectively, which carryforward 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, 2006 we had deferred tax assets for net operating loss carryforwards in the U.S. and Canada of \$34.3 million and \$36.0 million, respectively, of which we have a \$4.6 million valuation allowance to state these deferred tax assets at their estimated realizable values.

We accrue for 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, based on past experience. The tax contingency reserve is adjusted for changes in circumstances and additional uncertainties, such as significant amendments to existing tax law. At December 31, 2006 and 2005, we had a tax contingency reserve of \$88.3 million and \$3.8 million, respectively. Approximately \$84.5 million of the tax contingency reserves at December 31, 2006 relates to Royal Group, which was acquired on October 3, 2006. See note 16 of the Notes to our Consolidated Financial Statements for further discussion regarding the Royal Group tax contingency reserves. A 10 percent change in our assumptions used to develop our tax contingency reserve would impact our effective tax rate and our results of operations by approximately \$8.8 million.

In June 2006 the FASB issued FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109 and prescribes a recognition threshold and measurement attribute for financial statement recognition of tax positions taken or to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. We are currently evaluating the impact of FIN 48 on our consolidated financial statements.

*Stock-Based Compensation.* Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, or SFAS No. 123R using the modified prospective method. Under the modified prospective method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R for all share-based payments granted after that date, and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the

effective date of SFAS No. 123R. SFAS No. 123R requires 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, to be recognized in our financial statements based on their respective grant date fair values. Under SFAS No. 123R, 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 SFAS No. 123R; 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. The adoption of SFAS No. 123R had the impact of reducing our 2006 net income by approximately \$4.4 million. In addition, SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under previous accounting pronouncements. This requirement reduced our net operating cash flows and increased our net financing cash flows in 2006 by \$1.4 million.

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. Had we adopted SFAS No. 123R in 2005 and 2004, the magnitude of the impact of that standard on our results of operations would have approximated the impact of SFAS No. 123 assuming the application of the Black-Scholes option pricing model as described in the disclosure of pro forma net income and pro forma net income per share in note 1 of the Notes to our Consolidated Financial Statements. In addition, see note 14 of the Notes to our Consolidated Financial Statements for further information on our stock-based compensation plans.

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 in 2006 and thereafter 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 the United States Environmental Protection Agency ( 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.

See Business Legal Proceedings, note 11 of the Notes to our audited Consolidated Financial Statements and note 10 of the notes to our unaudited Condensed Consolidated Financial Statements included elsewhere in this prospectus for additional information related to environmental matters.

### Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain market risks related to long-term financing and related derivative financial instruments, foreign currency exchange rates and raw material commodity prices. These 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, exchange rate, raw material commodity and natural gas markets may have on our operating results. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes.

*Interest Rate Risk Management.* The following table is forward-looking information that provides information about our debt obligations and other significant financial instruments that are sensitive to changes in interest rates. Our policy is to manage interest rates through use of a combination of fixed and floating rate debt instruments. At times, we may utilize interest rate swap agreements to help manage our interest rate risk. As of December 31, 2006, we had interest rate swaps with notional amounts totaling \$300.0 million to fix the interest rate on \$300.0 million of our variable London Interbank Offered Rate or LIBOR based term debt. As of December 31, 2005, we had no interest rate swap agreements in place. We currently estimate that a 100 basis point change in prevailing market interest rates or our variable rate debt would impact our related annual pre-tax income by \$5.2 million. The table presents principal cash flows and related weighted average interest rates by expected maturity dates for the financial instruments.

Dollars in Thousands	Principal (Notional) Amounts by Expected Maturity Date							Fair value at 12/31/06
	2007	2008	2009	2010	2011	Thereafter	Total	
Financial instruments:								
Fixed rate principal	\$	\$	\$	\$	\$	\$ 813,145	\$ 813,145	\$ 771,500
Average interest rate	%	%	%	%	%	% 9.47	% 9.47	%
Variable rate principal	\$ 6,554	\$ 6,395	\$ 151,331	\$ 6,268	\$ 32,106	\$ 616,715	\$ 819,369	\$ 819,369
Average interest rate	7.35	% 7.35	% 5.80	% 7.35	% 7.35	% 7.35	% 6.91	%
Interest rate swaps	\$	\$ 225,000	\$ 75,000	\$	\$	\$	\$ 300,000	\$ (1,148 )
Average interest rate	%	% 5.19	% 5.32	%	%	%	% 5.22	%

*Foreign Currency Exchange Risk Management.* Our international operations require active participation in foreign exchange markets. We may or may not enter into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. At December 31, 2006 and 2005, we had no forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies.

*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, from time to time, we may enter into forward swap contracts, which are generally less than one year in duration. We designate forward swap contracts with financial counter-parties as cash flow hedges. Any outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes, and any material hedge ineffectiveness is recognized in cost of goods sold. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. At December 31, 2006 and 2005, we had no raw material or natural gas forward swap contracts outstanding.

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 provision of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and related amendments.

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## **BUSINESS**

### **General**

Georgia Gulf 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, vinyl chloride monomer ( VCM ), vinyl resins and vinyl compounds, and our aromatics products are cumene, phenol and acetone. On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited ( 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 and outdoor storage buildings.

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 thereby increasing long-term shareholder value.

The following chart illustrates our chlorovinyls and building and home improvement products integration.

## Segment Information

In connection with the acquisition of Royal Group, we reassessed how we internally report our financial information. We have identified four reportable segments through which we conduct our operating activities: chlorovinyls; window and door profiles and mouldings products; outdoor building products; and aromatics. These four segments reflect the organization used by our management for purposes of allocating resources and assessing performance. The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, EDC, VCM and vinyl resins and compounds. Through the Royal Group acquisition, we acquired additional vinyl resin, vinyl compound and compound additives manufacturing facilities. These manufacturing operations are very similar to our legacy chlorovinyls manufacturing facilities. Therefore, we have aggregated these manufacturing operations with our chlorovinyls reportable segment. In addition, we acquired manufacturing facilities for vinyl-based building and home improvement products. Our vinyl-based building and home improvement products are marketed under the Royal Group brand names, and are managed within two reportable segments, window and door profiles and mouldings; and outdoor building products, which includes the manufacturing of siding, pipe and pipe fittings, deck, fence, and rail and outdoor storage products. The aromatics segment includes cumene and the co-products phenol and acetone.

Reportable Segments	Key Products
Chlorovinyls	Chlorine/Caustic Soda 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 Outdoor Storage
Aromatics	Cumene Phenol/Acetone

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

## Dispositions of Assets

Since our acquisition of Royal Group, we have divested certain non-core operations and assets. In December 2006, we sold two properties in Woodbridge, Ontario. The first was a large warehouse and manufacturing facility which was also used as a distribution center. The second was a manufacturing facility that was sold in connection with the sale of the assets of an injection moulding business. We also decided to discontinue our U.S. and Canadian window coverings business. In connection with exiting this business in the U.S., in December 2006 we sold plants in Coral Springs, Florida and Houston, Texas. As part of our continuing program to exit non-core businesses, we sold Royal Group's Polish operations in October 2006 and Royal Group's Chinese operations in December 2006.

Subsequent to December 31, 2006, we have divested additional businesses and assets. In January 2007, we sold the operations of our captive trucking business to a large transportation services company. Following this sale the purchaser has agreed to provide us with transportation services for our building products operations. Also, in January 2007, we sold certain additional assets of our U.S. window coverings operations and in February 2007, we sold certain assets of our Canadian window coverings retail

operations as well as certain assets of our Mexican window coverings operations. Also in February 2007, we sold our interest in a joint venture in Colombia. In March 2007, we sold most of the remaining Canadian and U.S. window coverings assets and sold seven of our other Canadian facilities, four of which we have agreed to leaseback on a long-term basis.

### Temporary Plant Idlings

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 equipment was approximately \$1.2 million as of December 31, 2006, and is included in property, plant and equipment on our consolidated balance sheet. We estimate we will incur costs of approximately \$4.0 million to restart the plant.

### Products and Markets

#### Chlorovinyls

The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM, vinyl resins and vinyl compounds. We have leading market positions in our key chemicals products. In North America, we are the third largest producer of VCM and vinyl resins, and the largest producer of vinyl compounds. The following table shows our total annual production capacities as of December 31, 2006, in our chlorovinyls product line:

Product Line	Capacity
Vinyl Compounds	2.2 billion pounds
Vinyl Resins	3.1 billion pounds
VCM	3.1 billion pounds
Caustic Soda	500,000 tons
Chlorine	450,000 tons
Compound Additives	162 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 as part of our legacy business located in Aberdeen, Gallman, Madison and Prairie, Mississippi. As a result of the Royal Group acquisition, we acquired vinyl compounds manufacturing facilities, in Bradford and Vaughan, Ontario and a compound additives manufacturing facility located in Vaughan, Ontario. Additionally, certain Royal Group extrusion plants contain compounding facilities. Total compound capacity added through the Royal Group acquisition is approximately 1.2 billion pounds annually. Substantially all of the vinyl compounds produced by Royal Group are used internally in Royal Group's extrusion operations. The additives plant produces lubricants and stabilizers used in the production of compounds as well as impact modifiers and process aids, which are part of the typical compound formulations. Most 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 2006, 81 percent of legacy Georgia Gulf's vinyl resins production was sold to third parties who use our resins to formulate vinyl compounds which are then heated and shaped utilizing various extrusion, calendaring and moulding processes to create finished products. In 2006 the largest end-uses of our products were pipe and pipe fittings and home siding and windows with the remaining 19 percent of legacy vinyl resins used internally during 2006 in the manufacture of our vinyl compounds. Since the acquisition of Royal Group, this segment has included the operations of a vinyl resins plant in Sarnia, Ontario. This plant has capacity to produce about 450 million pounds of vinyl resins, all of which is consumed internally in our building and home improvement products operations.

*VCM.* During 2006 we used about 99 percent of our VCM production in the manufacture of our vinyl resins in our legacy operations. VCM production not used internally is sold to other vinyl resins producers in domestic and international markets. As a result of the Royal Group acquisition, we are currently purchasing VCM to support vinyl resins production at the Sarnia plant.

*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.

#### ***Window and Door Profiles and Mouldings***

In our window and door profiles and mouldings segment, we currently operate 21 manufacturing facilities located in Canada and the U.S. In addition we operate distribution centers, some of which are co-located with manufacturing plants, and three of which are free-standing facilities used exclusively for mouldings. 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. Royal Group also offers a series of innovative window profile systems, which are sold to multiple fabricators. One such product is a high wind impact resistant window profile system, known as Royal Guard<sup>®</sup>, which was developed to meet the growing demand for wind impact resistant windows, particularly in southern coastal areas of the United States.

*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. One of our latest offerings includes a series of trim boards, known as Royal TrimBoard<sup>®</sup>. These boards are intended as a lower maintenance alternative to wood products, in applications such as fascia, soffit and window/door framing.

**Outdoor Building Products**

In our outdoor building products segment, our continuing operations include 14 manufacturing facilities, which produce siding, pipe and pipe fittings, deck, fence and rail and outdoor storage buildings. In addition, we operate distribution centers, some of which are co-located with manufacturing plants and 25 of which are free-standing facilities.

*Siding.* In our siding business, 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 and colors. We offer Colorscapes<sup>®</sup>, a premium vinyl siding that includes rich, dark, color-fast shades as well as Colorscapes<sup>®</sup> WindLok<sup>®</sup> system, which enables siding panels to withstand harsh wind conditions. In addition, we offer Royal DuraPlank<sup>®</sup> vinyl siding that is designed to simulate the look and feel of real wood.

*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 offering 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.

In recent years, Royal Group has enhanced its pipe and pipe fittings product offering with a series of new products. During 2006, Royal Group introduced a municipal pipe joint restraining system that significantly reduces labor required to restrain joints, known as Bulldog<sup>®</sup>.

*Deck, Fence and Rail.* We manufacture vinyl deck, fence and rail that is used for 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.

*Outdoor Storage.* In our outdoor storage business, we manufacture vinyl buildings that are primarily used for home improvement and storage. These products are modular, easy to assemble, low-maintenance, outdoor storage building kits, with extruded, interlocking, vinyl panels being the primary component of the kits. These vinyl storage buildings are sold primarily through big-box home improvement retail stores in the United States and Canada.

**Aromatics**

The aromatics segment is also integrated and includes cumene and the co-products phenol and acetone. We are the second largest worldwide producer of cumene.

The following table shows our total annual production capacities as of December 31, 2006 in our aromatics product line:

Product Line	Capacity
Phenol*	660 million pounds
Acetone*	408 million pounds
Cumene	1.8 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 51 percent of our cumene was consumed internally during 2006 to produce phenol and acetone. Cumene production not used internally is sold to other phenol and acetone manufacturers in domestic and international markets.

*Phenol.* Our phenol is primarily sold to producers of phenolic resins and to manufacturers of engineering plastics. 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 pharmaceuticals. In 2006 the majority of our phenol was sold to phenolic resins manufacturers.

*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 product line, 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 legacy internal production of VCM slightly exceeds our legacy 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 ethylene dichloride, an intermediate in the manufacture of VCM, for external sales. In our aromatics product line, we produce cumene utilizing benzene and 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, refinery grade propylene ( propylene ), compound additives and chlorine. Since acquiring the vinyl resins plant in Sarnia, we now also purchase VCM. 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, we are increasing our vinyl resins production capacity by as much as 450 million pounds annually beginning in early 2008. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. 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 and Oklahoma City, Oklahoma vinyl resins facilities. On occasion, a small portion of VCM produced at the Lake Charles facilities is sold to third parties.

*Aberdeen, Mississippi, Oklahoma City, Oklahoma, and Sarnia, Ontario Facilities.* We produce vinyl resins at our Aberdeen, Mississippi and Oklahoma City, Oklahoma facilities 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. We produce vinyl resins at our Sarnia, Ontario facility from purchased VCM supplied by railcar.

*Vinyl Compounds Facilities.* We operate compound facilities in Aberdeen, Gallman, Madison and Prairie, Mississippi and Bradford 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 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 outdoor 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. We believe chlorovinyls segment internal production of vinyl resins, compounds and most compound additives assures quality and facilitates efficient production. 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 thicknesses. For example, when producing decking, a slip resistant design may be etched onto the planks. Variations in extrusion are used to give products other desired qualities. For example, in producing mouldings, 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 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 costs 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, 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 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 income is typically the strongest. Our first and fourth quarter operating income usually reflects 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, other than pipe and pipe fittings products, which generally may be returned as long as such products are in resalable condition. 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, in which case we generally receive a restocking fee.

#### **Sales and Marketing**

No single customer accounted for more than 10 percent of our consolidated revenues for the years ended December 31, 2006, 2005 and 2004. 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 the United States, 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 the United States and Canada. Sales of pipe and pipe fittings are supported by solicitations by our employees of distributors (direct customers) as well as solicitations intended to encourage purchases from those distributors by end users. 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. Recently, we moved sales of outdoor storage buildings to the moulding sales force to leverage their significant experience with our retail home improvement customers. 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.

We believe significant cross-marketing opportunities exist between our building and home improvement product lines. To capitalize on this opportunity, the name Royal Group Technologies Limited was changed to Royal Group, Inc. on February 5, 2007. We intend to use the simplified name to enhance brand awareness. In addition, we are adding the tag line, "Great Ideas Taking Shape" to marketing materials, to emphasize Royal Group's goal of creating, manufacturing and marketing innovative building and home improvement products.

### **Competition**

We experience competition from numerous manufacturers in our chlorovinyls and aromatics businesses and our building and home improvement products businesses. Some of our competitors have substantially greater financial resources and are more highly diversified than us. 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 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 wood and aluminum products in the outdoor storage market and 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. Over the past several years, the vinyl building products industry has been intensifying, with growth rates subsiding in recent years in certain market sectors such as vinyl siding and vinyl window

profiles. 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 location 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.

### **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. See also Legal Proceedings.

In October 2004 the 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 PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. We believe that we can reach a settlement with the USEPA in this matter, and although there can be no assurance, we expect the amount of the settlement to be less than \$100,000.

Subsequent to the close of the fourth quarter of 2006, we voluntarily disclosed possible noncompliance with certain provisions of the Toxic Substances Control Act (TSCA) to USEPA. While the penalties, if any, for such noncompliance may exceed \$100,000, we believe our voluntary disclosures will qualify us for substantially reduced penalties. In any event, 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 about 90 monitoring wells and 18 recovery wells. Investigation to determine the full extent of the contamination is ongoing. It is possible that offsite groundwater recovery will be required, in addition to groundwater monitoring. Soil remediation could also be required.

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

responsible parties may be required to bear all of the costs of cleanup regardless of fault, legality of the original disposal or ownership of the disposal site. Currently, we discharge our wastewater to CONDEA Vista, which has a permit to discharge treated wastewater into the estuary.

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

At our Lake Charles VCM facility, CONDEA Vista will continue to conduct the ongoing remediation at its expense until November 12, 2009. After November 12, 2009, we will be responsible for remediation costs up to about \$150,000 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about \$2.3 million. In the first quarter of 2004, as part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable and therefore recorded a \$2.7 million accrual to other non-current liabilities.

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.

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, 2006, Georgia Gulf had 6,654 full-time employees. We employ approximately 720 employees under collective bargaining agreements that expire at various times from 2007 through 2012. We believe our relationships with our employees are good.

On October 3, 2006, Royal Group employed 7,098 people in its operations located throughout North America and abroad. As of December 31, 2006, 5,617 people were employed by Royal Group, representing a 1,481 person reduction in its workforce since the acquisition of Royal Group by Georgia Gulf, with about 990 attributable to divestitures and about 490 representing headcount reductions.

### **Properties**

We believe current and additional planned capacity will adequately meet anticipated demand requirements.

**Chemical Production**

The following table sets forth the location of each chemical manufacturing facility we own, the products manufactured at each facility and the approximate production capacity of each, assuming normal plant operations, as of December 31, 2006.

	<b>Location</b>	<b>Products</b>	<b>Annual Capacity</b>
<i>Chlorovinyls</i>	Plaquemine, LA	Chlorine	450 thousand tons
	Plaquemine, LA	Caustic Soda	500 thousand tons
	Plaquemine, LA	VCM	1.6 billion pounds
	Lake Charles, LA (two locations)	VCM	1.5 billion pounds(1)
	Plaquemine, LA	Vinyl Resins	1.2 billion pounds
	Aberdeen, MS	Vinyl Resins	1.0 billion pounds
	Oklahoma City, OK	Vinyl Resins	500 million pounds
	Sarnia, ON	Vinyl Resins	450 million pounds
	Aberdeen, MS	Vinyl Compounds	135 million pounds
	Gallman, MS	Vinyl Compounds	500 million pounds
	Madison, MS	Vinyl Compounds	230 million pounds
	Prairie, MS	Vinyl Compounds	95 million pounds
	Bradford, ON	Vinyl Compounds	129 million pounds
	Vaughan, ON	Vinyl Compounds	300 million pounds
	Woodbridge, ON	Recycled Compounds	70 million pounds
	Bradford, ON	Compound Additives	140 million pounds
	Aberdeen, MS	Plasticizers	22 million pounds
<i>Aromatics</i>	Pasadena, TX	Cumene	1.8 billion pounds
	Plaquemine, LA	Phenol	500 million pounds
	Pasadena, TX	Phenol	160 million pounds(2)
	Plaquemine, LA	Acetone	308 million pounds
	Pasadena, TX	Acetone	100 million pounds(2)

(1) Reflects 100 percent of the production at our owned facility in Lake Charles and our 50 percent share of PHH Monomers 1.15 billion pounds of total VCM capacity.

(2) This phenol/acetone plant is temporarily idled. See Business Temporary Plant Idlings.

As a result of the Royal Group acquisition, we acquired 1.2 billion pounds of vinyl compounds capacity. Included in this capacity are two standalone plants in Bradford and Vaughan, Ontario (see capacities above) as well as 70 million pounds of recycled compounds capacity. The remaining vinyl compounds capacity, an aggregate of 741 million pounds on an annual basis, is operated in conjunction with Royal Group extrusion facilities.

Our chemical manufacturing facilities are located near major water and/or rail transportation terminals, facilitating efficient delivery of raw materials and prompt shipment of finished products. In addition, our chemical operations have a fleet of about 4,082 railcars of which about 593 are owned and the remainder leased pursuant to operating leases with varying terms through the year 2014. The total lease expense for these railcars and other transportation equipment was approximately \$18.3 million for 2006, \$17.9 million for 2005, and \$17.4 million for 2004.

**Home Improvement and Buildings Products**

The following table sets forth the location of each home improvement and building products manufacturing facility we own or lease and the principal products manufactured at each facility as of December 31, 2006.

	<b>Principal Products</b>	<b>Location</b>
<i>Window and Door Profiles and Mouldings Products</i>	Window and Door Profiles and Mouldings	Woodbridge, ON (7 plants)
	Products and Other Custom Extrusion	Laval, PQ (3 plants 2 leased) St. Laurent, PQ St. Hubert, PQ Boucherville, PQ* McCarren, NV Delmont, PA Everett, WA Winnipeg, MA Marion, VA (2 plants) Bristol, TN Waco, TX*
<i>Outdoor Building Products</i>	Cellular Vinyl Profiles, Trims and Mouldings	Woodbridge, ON*
	Vinyl Siding	Woodbridge, ON Newbern, TN*
	Aluminum Siding Accessories	Concord, ON Ste. Foy, PQ*
	Pipe and Pipe Fittings	Shelby Township, MI Surrey, BC*
	Deck, Fence and Rail and Outdoor Storage	Woodbridge, ON (4 plants)(1) Abbotsford, BC Woodbridge, ON (2 plants)* Milford, IN
	Royal Building Systems(2)	Woodbridge, ON Mexico Colombia

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\* Leased facility.

(1) One of these plants has ceased operations since December 31, 2006.

(2) All of these plants have ceased operations since December 31, 2006.

Certain of the above facilities are also used as distribution centers. In addition, we operate a number of distribution locations, most of which are leased, to serve our home improvement building products customers, primarily in Canada, which represented a total of about 740,000 square feet as at December 31, 2006.

**Other**

We lease office space for our principal executive offices in Atlanta, Georgia, and for information services in Baton Rouge, Louisiana. Additionally, space is leased for sales and marketing offices in Houston, Texas and for numerous storage terminals throughout the United States and also one storage terminal in the Netherlands.

Substantially all of our facilities are pledged as security under our senior secured credit facility.

### **Legal Proceedings**

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). We are currently working with TCEQ to resolve any such possible noncompliance issues. Penalties, if any, for such possible noncompliance may exceed \$100,000. However, 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.

In October 2004 the USEPA notified us that we have been identified as a 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 PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. We b