

GEORGIA GULF CORP /DE/
Form 10-Q
August 10, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 1-9753

GEORGIA GULF CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

58-1563799
(I.R.S. Employer
Identification No.)

115 Perimeter Center Place, Suite 460,
Atlanta, Georgia
(Address of principal executive offices)

30346
(Zip Code)

(770) 395-4500

(Registrant's telephone number, including area code)

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

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

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

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Large accelerated
filer ☐

Accelerated
filer ☒

Non-accelerated
filer ☐

Smaller reporting
company ☐

(Do not check if a
smaller
reporting company)

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

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

Class	Outstanding as of August 5, 2009
Common Stock, \$0.01 par value	1,385,183

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GEORGIA GULF CORPORATION FORM 10-Q

QUARTERLY PERIOD ENDED JUNE 30, 2009

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GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)	June 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 104,300	\$ 89,975
Receivables, net of allowance for doubtful accounts of \$16,947 in 2009 and \$12,307 in 2008	165,872	117,287
Inventories	209,780	240,199
Prepaid expenses and other current assets	42,503	21,360
Income tax receivables	3,948	2,264
Deferred income taxes	21,421	22,505
 Total current assets	 547,824	 493,590
Property, plant and equipment, net	723,932	760,760
Goodwill	193,768	189,003
Intangible assets, net of accumulated amortization of \$10,492 in 2009 and \$9,988 in 2008	15,506	15,905
Other assets, net	138,619	150,643
Non-current assets held for sale	1,363	500
 Total assets	 \$ 1,621,012	 \$ 1,610,401
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current portion of long-term debt	\$ 55,760	\$ 56,843
Accounts payable	90,517	105,052
Interest payable	54,799	16,115
Income taxes payable	3,602	3,476
Accrued compensation	9,182	9,890
Liability for unrecognized income tax benefits and other tax reserves	9,103	27,334
Other accrued liabilities	53,797	49,693
 Total current liabilities	 276,760	 268,403
Long-term debt	1,289,058	1,337,307
Liability for unrecognized income tax benefits	56,366	34,592
Deferred income taxes	49,793	70,141
Other non-current liabilities	34,497	39,886
 Total liabilities	 1,706,474	 1,750,329
Commitments and contingencies (Note 10)		
Stockholders' deficit:		
Preferred stock \$0.01 par value; 75,000,000 shares authorized; no shares issued		
Common stock \$0.01 par value; 3,000,000 shares authorized; shares issued and outstanding: 1,385,183 in 2009 and 1,379,273 in 2008	14	14

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Additional paid-in capital	105,797	105,815
Accumulated deficit	(173,168)	(218,502)
Accumulated other comprehensive loss, net of tax	(18,105)	(27,255)
 Total stockholders' deficit	 (85,462)	 (139,928)
 Total liabilities and stockholders' deficit	 \$ 1,621,012	 \$ 1,610,401

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$ 524,343	\$ 849,843	\$ 931,674	\$ 1,562,304
Operating costs and expenses:				
Cost of sales	448,961	777,767	841,283	1,461,153
Selling, general and administrative expenses	50,247	38,606	82,861	86,363
Long-lived asset impairment charges	16,190	191	16,190	16,179
Restructuring costs	3,815	1,448	11,853	7,589
Loss (gain) on sale of assets, net		(31,271)	62	(27,315)
Total operating costs and expenses	519,213	786,741	952,249	1,543,969
Operating income (loss)	5,130	63,102	(20,575)	18,335
Gain on substantial modification of debt			121,033	
Interest expense, net	(41,347)	(33,237)	(76,519)	(65,876)
Foreign exchange (loss) gain	(955)	1,447	(933)	1,279
(Loss) income before income taxes	(37,172)	31,312	23,006	(46,262)
Provision (benefit) for income taxes	(34,221)	3,371	(22,327)	(4,711)
Net (loss) income	\$ (2,951)	\$ 27,941	\$ 45,333	\$ (41,551)
(Loss) earnings per share:				
Basic	\$ (2.13)	\$ 18.01	\$ 32.50	\$ (34.21)
Diluted	\$ (2.13)	\$ 18.01	\$ 32.38	\$ (34.21)
Weighted average shares:				
Basic	1,385	1,396	1,395	1,378
Diluted	1,385	1,396	1,400	1,378

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ 45,333	\$ (41,551)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	59,452	76,024
Non-cash accretion on fair value of Term Loan B	4,600	
Gain on substantial modification of debt	(121,033)	
Foreign exchange loss	666	
Deferred income taxes	(24,391)	247
Tax deficiency related to stock plans	(1,391)	(846)
Stock based compensation	1,399	1,688
Long-lived asset impairment charges and loss on sale of assets	16,252	19,323
Net gain on sale of property, plant and equipment, and assets held for sale		(26,246)
Payment of Quebec trust tax settlement		(20,073)
Other non-cash items	2,377	(2,155)
Change in operating assets, liabilities and other	(3,293)	(86,329)
Net cash used in operating activities	(20,029)	(79,918)
Cash flows from investing activities:		
Capital expenditures	(18,385)	(31,678)
Proceeds from sale of property, plant and equipment, and assets held-for sale	878	77,794
Proceeds from insurance recoveries related to property, plant and equipment	1,980	
Net cash (used in) provided by investing activities	(15,527)	46,116
Cash flows from financing activities:		
Net change in revolving line of credit	98,150	115,366
Repayment of long-term debt	(18,818)	(72,078)
Purchases and retirement of common stock	(25)	(110)
Fees paid to amend and exchange debt	(29,661)	
Dividends paid		(5,588)
Net cash provided by financing activities	49,646	37,590
Effect of exchange rate changes on cash and cash equivalents	235	(431)
Net change in cash and cash equivalents	14,325	3,357
Cash and cash equivalents at beginning of period	89,975	9,227
Cash and cash equivalents at end of period	\$ 104,300	\$ 12,584

See accompanying notes to unaudited condensed consolidated financial statements.

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GEORGIA GULF CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

1. BASIS OF PRESENTATION

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

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

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162*. The FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative for SEC registrants. This statement is effective for interim and annual reporting periods ending after September 15, 2009. All existing accounting standards are superseded as described in this statement. All other accounting literature not included in the Codification is nonauthoritative. The Codification is not expected to have a significant impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*, which amends the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity ("VIE") and requires enhanced disclosures to provide more information about an enterprise's involvement in a VIE. In addition, it requires an enterprise to perform an analysis to determine whether the enterprise's variable interest gives it a controlling interest in a VIE. The analysis identifies the primary beneficiary of the VIE as the enterprise that has both (a) the power to direct the activities of the VIE and (b) the obligation to absorb losses of the VIE. This statement will be effective for us beginning in the first quarter of 2010. We are currently evaluating the impact of this statement on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140*, which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in the transferred assets. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after

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

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. Among other things, this statement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. It is effective prospectively for interim and annual periods ending after June 15, 2009. The disclosures required by this statement are included in Note 19, "Subsequent Events."

In April 2009, the FASB issued FASB Staff Position ("FSP") SFAS 157-4, *"Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly."* This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This FSP was effective for the second quarter of 2009 and did not have a material impact on our consolidated financial statements.

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

In December 2008, the FASB issued FSP SFAS 132(R)-1, *"Employer's Disclosure about Postretirement Benefit Plan Assets,"* which amends Statement 132(R) to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new standard requires new disclosures only, and will have no impact on our consolidated financial statements. These new disclosures will be required for us for the year ending December 31, 2009. We are currently evaluating the impact of this statement on our consolidated financial statements.

3. DIVESTITURES

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

Further, in March 2008, we sold the assets and operations of our outdoor storage buildings business that were previously a part of our outdoor building products segment. The outdoor storage buildings business was sold for \$13.0 million and resulted in a loss of approximately \$4.6 million, which is included in

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restructuring costs on the condensed consolidated statement of operations for the six months ended June 30, 2008. In addition, in March 2008, we sold the land and building from our Winnipeg, Manitoba Window and Door Profiles business for \$4.5 million resulting in a nominal gain.

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

There were no significant divestitures in the three or six months ended June 30, 2009.

4. RESTRUCTURING ACTIVITIES

In March 2008, we initiated plans to permanently shut down the Oklahoma City, Oklahoma 500 million pound polyvinyl chloride ("PVC" or "vinyl resin") plant, the "Oklahoma City Restructuring Plan." The plant ceased operations in March 2008. We wrote down the plant's property, plant and equipment in accordance with SFAS No. 144, resulting in a \$15.5 million impairment charge and incurred additional termination benefits and closing costs of \$2.0 million that were expensed as incurred, in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. No significant costs related to the Oklahoma City Restructuring Plan were incurred in the six months ended June 30, 2009, and we do not expect there to be any future costs associated with the Oklahoma City Restructuring Plan.

Additionally, the restructuring costs for the six months ended June 30, 2008 include our divestiture and closure of our outdoor storage buildings business assets and operations. The outdoor storage building business was sold for \$13.0 million and resulted in a loss of approximately \$4.6 million ("Outdoor Storage Plan"). Total costs incurred in for the three and six months June 30, 2009 are noted in the table below.

In the fourth quarter of 2008, we initiated a restructuring plan (the "Fourth Quarter 2008 Restructuring Plan") that includes the permanent shut down of our 450 million pound PVC manufacturing facility, the exit of a recycled PVC compound manufacturing facility in Woodbridge, Ontario, the consolidation of various manufacturing facilities, and elimination of certain duplicative activities in our operations. In connection with the Fourth Quarter 2008 Restructuring Plan, we incurred costs related to termination benefits, including severance, pension and postretirement benefits, operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with SFAS No. 146 and related accounting standards. We expect to pay these termination benefits and other qualified restructuring activity costs through September 2009. Any costs incurred associated with the Fourth Quarter 2008 Restructuring Plan that will benefit future periods, such as relocation costs, will be expensed in the periods incurred. All restructuring expenses incurred for the three and six months ended June 30, 2009 are detailed in the tables below. Additionally, future costs for the Fourth Quarter 2008 Restructuring Plan are estimated to be approximately \$1.4 million, consisting primarily of future non-workforce related costs.

In May 2009, we initiated plans to further consolidate plants in our window and door profiles and mouldings products segment ("2009 Window and Door Consolidation Plan"). As a result we incurred restructuring costs, including impairment of the plants' fixed assets for the three and six months ended June 30, 2009. The detail of restructuring and impairment expenses incurred for the three and six months ended June 30, 2009 are noted in the tables below. Additional future costs for the 2009 Window and Door Consolidation Plan are estimated to be approximately \$1.4 million, consisting primarily of future non-workforce related costs.

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The expenses associated with the Fourth Quarter 2008 Restructuring Plan, the Outdoor Storage Plan and the 2009 Window and Door Consolidation Plan for the three and six months ended June 30, 2009 for severance and other exit costs totaled \$3.8 million and \$9.4 million, respectively, and are included in restructuring costs in the condensed consolidated statement of operations. A summary of our restructuring activities recognized as a result of the Fourth Quarter 2008 Restructuring Plan and the 2009 Window and Door Consolidation Plan, by reportable segment for the three and six months ended June 30, 2009 is as follows:

(In thousand)	Balance at March 31, 2009	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2009
<i>Chlorovinyls</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	\$ 1,929	\$ 148	\$ (376)	\$ 130	\$ 1,831
Exit costs	3,875	1,281	(1,397)	334	4,093
<i>Window and door profiles and mouldings products</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	2,264	377	(974)	192	1,859
Exit costs	1				1
<u>2009 Window and Door Consolidation Plan:</u>					
Involuntary termination benefits		1,717	(111)	(11)	1,595
<i>Outdoor building products</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	906	162	(895)	193	366
<u>Outdoor Storage Plan:</u>					
Involuntary termination benefits	346		(87)	(54)	205
Exit costs	3,403	117	(117)	282	3,685
<i>Corporate</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	32	13	(45)		
Total	\$ 12,756	\$ 3,815	\$ (4,002)	\$ 1,066	\$ 13,635

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(In thousand)	Balance at December 31, 2008	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at June 30, 2009
<i>Chlorovinyls</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	\$ 3,246	\$ 264	\$ (1,721)	\$ 42	\$ 1,831
Exit costs	4,185	3,202	(3,496)	202	4,093
<i>Window and door profiles and mouldings products</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	1,472	1,578	(1,446)	255	1,859
Exit costs	1				1
<u>2009 Window and Door Consolidation Plan:</u>					
Involuntary termination benefits		1,717	(111)	(11)	1,595
<i>Outdoor building products</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits	1,283	571	(1,647)	159	366
Exit costs					
<u>Outdoor Storage Plan:</u>					
Involuntary termination benefits	523	122	(238)	(202)	205
Exit costs	1,779	1,886	(117)	137	3,685
<i>Corporate</i>					
<u>Fourth Quarter 2008 Restructuring Plan:</u>					
Involuntary termination benefits		45	(45)		
Exit costs					
Total	\$ 12,489	\$ 9,385	\$ (8,821)	\$ 582	\$ 13,635

(In thousand)	Three and Six Months Ended June 30, 2009
<i>Chlorovinyls</i>	
<u>Fourth Quarter 2008 Restructuring Plan:</u>	
Impairment of long-lived assets	\$ 478
<i>Window and door profiles and mouldings products</i>	
<u>2009 Window and Door Consolidation Plan:</u>	
Impairment of long-lived assets	15,712
Total	\$ 16,190

In the first quarter of 2009, we engaged the services of several consultants to assist us in performance improvement, transportation management and indirect sourcing cost reduction initiatives among other areas of the business with the ultimate goal to restructure our businesses and improve and sustain profitability for the long-term. For the three and six months ended June 30, 2009, we incurred nil and \$2.5 million, respectively, related to fees paid to these consultants to advise us on the restructuring strategies noted above which are included in restructuring costs in the condensed consolidated statements of operations.

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

On March 17, 2009, we entered into a new Asset Securitization agreement pursuant to which we sell an undivided percentage ownership interest in a certain defined pool of our U.S. and Canadian trade accounts receivable on a revolving basis through a wholly owned subsidiary to a third party (the "New Securitization"). This wholly owned subsidiary is funded through advances on sold trade receivables and collections of these trade receivables and its activities are exclusively related to the New Securitization. Under the New Securitization agreement we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of \$175.0 million. As collections reduce accounts receivable included in the pool, we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of \$175.0 million, as permitted by the New Securitization. While the New Securitization adds the ability to sell an undivided percentage ownership in a certain defined pool of Canadian trade accounts receivable, we are in the process of establishing the administrative procedures and at June 30, 2009 we had not commenced the sale of Canadian trade accounts receivable. The New Securitization agreement expires on March 13, 2011. At June 30, 2009, the unpaid balance of accounts receivable in the defined pool was approximately \$141.1 million and the balance of receivables sold was \$87.8 million.

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

6. INVENTORIES

The major classes of inventories were as follows:

(In thousands)	June 30, 2009	December 31, 2008
Raw materials, work-in-progress, and supplies	\$ 87,610	\$ 94,618
Finished goods	122,170	145,581
Inventories	\$ 209,780	\$ 240,199

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Property, plant and equipment consisted of the following:

(In thousands)	June 30, 2009	December 31, 2008
Machinery and equipment	\$ 1,337,200	\$ 1,328,701
Land and land improvements	86,884	86,167
Buildings	199,874	197,481
Construction-in-progress	35,329	33,036
Property, plant and equipment, at cost	1,659,287	1,645,385
Accumulated depreciation	935,355	884,625
Property, plant and equipment, net	\$ 723,932	\$ 760,760

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

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

(In thousands)	June 30, 2009	December 31, 2008
Advances for long-term purchase contracts	\$ 76,283	\$ 85,310
Investment in joint ventures	14,412	16,104
Deferred financing costs, net	38,685	42,167
Long-term receivables	3,892	3,640
Other	5,347	3,422
Total other assets, net	\$ 138,619	\$ 150,643

In connection with the amendments to our senior secured credit facility to further increase our leverage ratio and to decrease our interest coverage ratio covenants for all of 2009 and our new asset securitization program, we incurred \$27.2 million of additional deferred financing costs, of which \$5.3 was accrued as of December 31, 2008. Also, in connection with the fifth amendment to our senior secured credit facility, on March 16, 2009 we wrote off \$21.4 million of deferred financing costs as part of the gain on substantial modification of debt (see Note 9, "Long-Term Debt").

Goodwill. At June 30, 2009, we had goodwill of \$173.9 million, \$18.2 million and \$1.7 million in our Chlorovinyls, Window & Door and Mouldings and Outdoor Building Products segments, respectively, with the changes from December 31, 2008 resulting from foreign currency translation adjustments. At December 31, 2008, we had goodwill of \$169.1 million, \$18.2 million and \$1.7 million in our Chlorovinyls, Window & Door and Mouldings and Outdoor Building Products segments, respectively.

Assets Held-For-Sale. Assets held for sale includes real estate totaling \$1.4 million and \$0.5 million at June 30, 2009 and December 31, 2008, respectively.

Indefinite-lived intangible assets-trade names. At June 30, 2009 and December 31, 2008, we had trade name assets related to the acquisition of Royal Group of \$4.3 million and \$4.2 million, respectively.

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

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Total
Gross carrying amounts at June 30, 2009:			
Customer relationships	\$ 199	\$ 11,422	\$ 11,621
Technology		11,867	11,867
Total	199	23,289	23,488
Accumulated amortization at June 30, 2009:			
Customer relationships	(124)	(4,699)	(4,823)
Technology		(5,669)	(5,669)
Total	(124)	(10,368)	(10,492)
Foreign currency translation adjustment at June 30, 2009:			
Customer relationships	(75)	(1,683)	(1,758)
Technology			
Total	(75)	(1,683)	(1,758)
Net carrying amounts at June 30, 2009:			
Customer relationships		5,040	5,040
Technology		6,198	6,198
Total	\$	\$ 11,238	\$ 11,238

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

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

(In thousands)	June 30, 2009	June 30, 2008
For the three months ended	\$ 252	\$ 1,191
For the six months ended	504	2,390

9. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	June 30, 2009	December 31, 2008
Senior Secured Credit Facility:		
Revolving credit facility expires 2011	\$ 227,810	\$ 125,762
Term loan B due 2013	210,813	350,350
7.125% notes due 2013	100,000	100,000
9.5% senior notes due 2014	497,421	497,240
10.75% senior subordinated notes due 2016	197,514	197,407
Lease financing obligation	96,341	91,473
Other	14,919	31,918
Total debt	\$ 1,344,818	\$ 1,394,150
Less current portion	(55,760)	(56,843)
Long-term debt	\$ 1,289,058	\$ 1,337,307

The current portion of long-term debt includes \$52.2 million on our revolving credit facility based on our estimate of the amount we will pay down over the next twelve months, as well as \$3.5 million of principal on our term loan B, which we are contractually obligated to pay. Therefore, we have classified this debt as current in our consolidated balance sheet as of June 30, 2009.

At June 30, 2009 and December 31, 2008, under our revolving credit facility we had a maximum available borrowing capacity of \$300.0 million (as adjusted by the fifth amendment to our senior secured credit facility as described below) and \$375.0 million, respectively. At June 30, 2009 we had \$7.7 million of revolving credit facility availability net of outstanding letters of credit of \$64.5 million and current borrowings of \$227.8 million and the \$75 million reserve described below. At June 30, 2009, the availability was subject to restrictive covenants requiring compliance with a maximum leverage ratio, a trailing twelve-month minimum consolidated EBITDA covenant and minimum interest coverage ratio. In addition, of the \$227.8 million revolver borrowings and \$64.5 million of letters of credit outstanding under the revolving credit facility at June 30, 2009, \$20.0 million relates to the commitment of Lehman Brothers, Inc, an entity that has filed for bankruptcy. Lehman Brothers, Inc. represents approximately \$25.0 million of our total senior secured credit facility commitments. Debt under the senior secured credit facility is secured by a majority of our consolidated assets, including real and personal property, inventory, accounts receivable and other intangibles. At June 30, 2009, we had about \$112.0 million of liquidity, consisting of \$104.3 million of cash and \$7.7 million of revolving credit availability.

Under our senior secured credit facility and our new asset securitization agreement, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, incur debt, grant liens, sell our assets and engage in certain other activities. Our ability to meet these covenants, satisfy our debt obligations and pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other

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factors, some of which are beyond our control. In September 2008 we began executing a series of amendments (the fourth through eighth amendments) to our senior secured credit facility to allow us more flexibility to improve our capital structure for the future. Commencing in March 2009, these amendments also permitted us to withhold about \$38.0 million in aggregate interest on our 7.125 percent, 9.5 percent, and 10.75 percent notes, which constituted defaults under the related indentures, in connection with the debt exchange detailed below. During this time we also obtained forbearances from certain of the note holders with respect to the withheld interest payments and the related defaults.

The Fifth Amendment to the senior secured credit facility was accounted for as an extinguishment of the Term loan B in accordance with Emerging Issues Task Force ("EITF") Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments* ("EITF 96-19"). As required by EITF 96-19, due to the fact that the Fifth Amendment and the Fourth Amendment were within the same consecutive twelve month period, the evaluation compared the present value of future cash flows under the terms of the Fifth Amendment to the present value of the remaining cash flows under the terms of the Term loan B agreement prior to the Fourth Amendment. We determined that the net present value of the Term loan B future cash flows under the terms of the Fifth Amendment was more than 10 percent different from the present value of the remaining cash flows under the terms of the Term loan B agreement prior to the Fourth Amendment. Due to the substantial difference, we determined an extinguishment of debt had occurred with the Fifth Amendment. Accordingly, we recorded the amended Term loan B at its estimated fair value of \$207.1 million at the date of extinguishment. The difference between the fair value of the amended Term loan B and the carrying value of the original Term loan B less the related financing cost at the date of debt extinguishment of \$121.0 million was recorded as a gain on substantial modification of debt in the condensed consolidated statement of operations for the six months ended June 30, 2009. The difference between the fair value and the carrying value of the Term loan B on the date of the modification was \$142.3 million and was recorded as a debt discount against the principal amount of the Term loan B.

The fair value of the Term loan B was estimated to be approximately 59.3 percent of par value by taking a weighted average of the bid prices in the broker market for the Term loan B during the period from March 17, 2009 through April 23, 2009 and debt pricing for recent new debt issuances for companies with comparable credit ratings. A weighted average approach was used due to the fact that the Term loan B is not widely traded on any given day, including March 17, 2009. The daily bid price from March 17, 2009 to April 23, 2009 ranged from 41.8 percent to 61.0 percent of par. We have weighted our estimate to the latter part of the thirty trading days after March 17, 2009 as we believe it took some time for the market to understand the extent of the Fifth Amendment and adjust the pricing accordingly. The average bid price during the twenty to twenty-five trade days and twenty-five to thirty trade days subsequent to the Fifth Amendment was 59.0 percent and 60.7 percent of par, respectively. The average pricing of recent publicly available new debt issuances for companies with comparable credit ratings was estimated to be approximately 61.0 percent of par. A 100 basis point difference relative to the outstanding par of our Term loan B is approximately \$3.5 million.

The \$142.3 million Term loan B debt discount is being accreted as interest expense through 2013, the maturity date of the Term loan B. As of June 30, 2009, the unamortized balance of the debt discount was \$137.7 million. During the three and six months ended June 30, 2009, we recorded additional interest expense of \$4.0 million and \$4.6 million, respectively, related to the accretion of the debt discount associated with the amended Term loan B. As of June 30, 2009, the principal amount of the Term loan B is \$348.6 million.

On March 31, 2009, we commenced private exchange offers for our outstanding 7.125 percent senior notes due 2013 (the "2013 notes"), 9.5 percent senior notes due 2014 (the "2014 notes"), and 10.75 percent senior subordinated notes due 2016 (the "2016 notes" and collectively with the 2013 notes and 2014 notes, the "notes"). After numerous extensions and amendments, on July 29, 2009, we consummated our private exchange of equity for approximately \$736.0 million, or 92.0 percent, in aggregate principal amount of the notes. The \$736.0 million was comprised of \$91.0 million of the \$100 million of 2013 notes, \$486.8 million

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of the \$500 million of 2014 notes, and \$158.1 million of the \$200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and 1.3 million shares of common stock were issued in exchange for the tendered notes after giving effect to a 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares. In exchange for each \$1,000 in principal amount of the 2013 notes and 2014 notes, the Company issued 47.30 shares of convertible preferred stock and 2.11 shares of common stock and in exchange for each \$1,000 in principal amount of the 2016 notes, the Company issued 18.36 shares of convertible preferred stock and 0.82 shares of common stock. Currently, approximately \$10.0 million of principal amount of notes, contractually committed to be exchanged, had not been delivered.

On July 2, 2009, we filed a current report on Form 8-K to update the historical financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008, to among other items, add footnote 23 to the consolidated financial statements to address the uncertainty about our ability to continue as a going concern since as of that date there was substantial doubt about our ability to continue as a going concern. This substantial doubt arose because in connection with the exchange offers discussed above, we withheld about \$38.0 million in aggregate interest on our 7.125 percent, 9.5 percent, and 10.75 percent notes, which constituted defaults under the related indentures. While we withheld the interest payment we obtained a series of amendments to our senior credit facility and obtained forbearances from certain of the note holders with respect to the withheld interest payments and the related defaults. Until we completed the exchange offers, there was uncertainty as to whether or not there would be an acceleration of indebtedness under any issue of the notes, which would have constituted cross defaults under the other note issues, our senior secured credit facility and our New Asset Securitization agreement. In the event we were not able to negotiate acceptable terms for and complete the exchange offers or obtain requisite future forbearances, we would have been required to explore alternatives, which could have included a potential reorganization or restructuring under the bankruptcy laws.

On July 29, 2009, the Company announced the completion of its debt for equity exchange offers and a long-term bank amendment to its senior secured credit facility. As a result, management believes that based on current and projected levels of operations and conditions in our markets, the effect of the previously mentioned senior secured credit facility amendment, the exchange offers, cash flow from operations, together with our cash and cash equivalents of \$104.3 million and the availability to borrow an additional \$7.7 million under the revolving credit facility at June 30, 2009, will be adequate for the foreseeable future to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements, meet the restrictive covenants and comply with the financial ratios of the senior secured credit facility and therefore the factors that gave rise to the substantial doubt about the Company's ability to continue as a going concern have been remediated. As of June 30, 2009, the Company is in compliance with all required debt covenants.

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

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Lease Financing Transaction. The lease financing obligation is the result of the sale and concurrent leaseback of certain land and buildings in Canada in 2007. In connection with this transaction, a collateralized letter of credit was issued in favor of the buyer lessor resulting in the transaction being recorded as a financing transaction rather than a sale, and the land and building and related accounts continue to be recognized in the condensed consolidated balance sheet. The future minimum lease payments under the terms of the related lease agreements at June 30, 2009 are \$3.1 million in 2009, \$6.2 million in 2010, \$6.4 million in 2011, \$6.5 million in 2012, \$6.7 million in 2013, and \$22.4 million thereafter. The change in the future minimum lease payments from the December 31, 2008 balance is due to monthly payments and the change in the Canadian dollar exchange rate during the six months ended June 30, 2009.

10. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

Interest Rate Risk Management. We maintain floating rate debt, which exposes us to changes in interest rates. Our policy is to manage our interest rate risk through the use of a combination of fixed and floating rate instruments and interest rate swap agreements. We designate interest rate derivatives as cash flow hedges. At June 30, 2009 and December 31, 2008, we had an interest rate swap designated as a cash flow hedge of underlying floating rate debt obligations, with a current liability of \$1.5 million and \$2.9 million, respectively. Our outstanding interest rate swap hedge at June 30, 2009 has an expiration date of November 2009. The effective portion of the mark-to-market effects of our cash flow hedge instruments is recorded in accumulated other comprehensive income ("AOCI") until the underlying interest payment affects income. The amount in our current liability reflects what we currently expect to be reflected in our results of operations once the interest rate swap is settled. Our interest rate swap contract is expected to settle in November 2009. We do not expect any hedge ineffectiveness and thus no related impact to operating results. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During the six months ended June 30, 2009 and 2008, the impact on the consolidated financial statements due to interest rate hedge ineffectiveness was immaterial.

12. EARNINGS PER SHARE

We calculate earnings per share in accordance with EITF Issue No. 03-6 *Participating Securities and the Two-Class Method under FASB Statement No. 128*, or EITF Issue No. 03-6, and FSP EITF 03-6-1 *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, or FSP EITF 03-6-1. In accordance with FSP EITF 03-6-1, share-based awards with non-forfeitable dividends are classified as participating securities. In calculating basic earnings per share, this method requires net income to be reduced by the amount of dividends declared in the current period for each participating security and by the contractual amount of dividends or other participation payments that are paid or accumulated for the current period. Undistributed earnings for the period are allocated to participating securities based on the contractual participation rights of the security to share in those current earnings assuming all earnings for the period are distributed. Recipients of our restricted stock awards have contractual participation rights that are equivalent to those of common stockholders. Therefore, we allocate undistributed earnings to restricted stock and common stockholders based on their respective ownership percentage, as of the end of the period.

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EITF Issue No. 03-6 also requires companies with participating securities to calculate diluted earnings per share using the two class method in accordance with the provisions of SFAS No. 128 *Earnings Per Share* ("SFAS No. 128"). The two-class method requires the denominator to include the weighted average restricted stock along with the additional share equivalents from the assumed conversion of stock options calculated using the treasury stock method, subject to the anti-dilution provisions of SFAS No. 128. EITF Issue No. 03-6 has been retroactively applied for all periods presented.

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

Basic and Diluted (Loss) Earnings Per Share Two-class Method	Three months ended June 30,	
	2009(a)	2008
In thousands, except per share data		
Basic (Loss) earnings per share		
Undistributed (loss) income	\$ (2,951)	\$ 25,146
Restricted stock ownership		% 1%
Restricted stock interest on undistributed income	\$	\$ 308
Weighted average restricted shares Basic	10	17
Total restricted shareholders basic earnings (loss) per share	\$	\$ 18.01
Undistributed (loss) income	\$ (2,951)	\$ 25,146
Common stock ownership	100%	99%
Common stockholders interest in undistributed (loss) income	\$ (2,951)	\$ 24,838
Weighted average common shares Basic	1,385	1,379
Total common shareholders basic (loss) earnings per share	\$ (2.13)	\$ 18.01
Diluted (Loss) Earnings per share		
Common stockholders interest in undistributed (loss) income	\$ (2,951)	\$ 24,838
Add: Undistributed earnings (loss) restricted stock		308
Undistributed (loss) income used in diluted earnings per share	\$ (2,951)	\$ 25,146
Weighted average common shares basic	1,385	1,379
Weighted average restricted shares-basic		17
Weighted average shares diluted	1,385	1,396
Total diluted (loss) earnings per share	\$ (2.13)	\$ 18.01

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Basic and Diluted Earnings (Loss) Per Share Two-class Method In thousands, except per share data	Six months ended June 30,	
	2009	2008(a)
Basic Earnings (Loss) per share		
Undistributed income (loss)	\$ 45,333	\$ (47,139)
Restricted stock ownership	1%	%
Restricted stock interest on undistributed income	\$ 385	\$
Weighted average restricted shares Basic	12	16
Total restricted shareholders basic earnings (loss) per share	\$ 32.50	\$
Undistributed income (loss)	\$ 45,333	\$ (47,139)
Common stock ownership	99%	100%
Common stockholders interest in undistributed income (loss)	\$ 44,948	\$ (47,139)
Weighted average common shares Basic	1,383	1,378
Total common shareholders basic earnings (loss) per share	\$ 32.50	\$ (34.21)
Diluted Earnings (Loss) per share		
Common stockholders interest in undistributed income (loss)	\$ 44,948	\$ (47,139)
Add: Undistributed earnings (loss) restricted stock	385	
Undistributed income (loss) used in diluted earnings per share	\$ 45,333	\$ (47,139)
Weighted average common shares basic	1,383	1,378
Weighted average restricted shares-basic	12	
Stock Options	5	
Weighted average shares diluted	1,400	1,378
Total diluted earnings (loss) per share	\$ 32.38	\$ (34.21)

(a)

In accordance with EITF Issue No. 03-6, undistributed losses have been entirely allocated to the common stockholders and corresponding common stockholders basic and diluted loss per share due to the fact that the restricted stock owners are not contractually obligated to share in the losses of the Company.

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

13. STOCK-BASED COMPENSATION

Under the 1998 and 2002 Equity and Performance Incentive Plans, we are authorized by our stockholders to grant awards for up to 280,000 shares of our common stock to employees and non-employee directors. As of June 30, 2009, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, and employee stock options.

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Stock Options. For the six months ended June 30, 2009 and 2008, we granted options to purchase 50,708 and 31,125 shares, respectively, to employees and non-employee directors. Option prices are equal to the closing price of our common stock on the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant.

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

	Stock Option Grants six months ended June 30,	
	2009	2008
Grant date fair value	\$ 17.02	\$ 57.75
Assumptions		
Risk-free interest rate	2.12%	2.86%
Expected life	6.0 years	6.0 years
Expected volatility	100%	53%
Expected dividend yield	0.00%	4.79%

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

	Shares	Six months ended June 30, 2009		
		Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2009	124,859	\$ 536.58		
Granted	50,708	21.46		
Exercised				
Forfeited	(563)	122.27		
Expired	(4,184)	1,065.20		
Outstanding on June 30, 2009	170,820	372.38	6.8	\$
Vested or expected to vest at June 30, 2009	169,722	374.12	6.8	
Exercisable on June 30, 2009	89,380	620.50	4.6	
Shares available on June 30, 2009 for options that may be granted	13,390			

Compensation expense, net of tax, for the six months ended June 30, 2009 and 2008 from stock options was approximately \$1.4 million and \$0.7 million, respectively.

Restricted and Deferred Stock. During the six months ended June 30, 2009 and 2008, we granted nil and 10,791 shares of restricted stock units, restricted stock and deferred stock units, respectively, to our key employees and non-employee directors. The restricted stock units and restricted stock vest over a three-year period and the deferred stock units vest over a one-year period. The weighted average grant date fair value per share of restricted and deferred stock units and restricted stock granted during the six

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months ended June 30, 2009 and 2008 was nil and \$169.25, respectively, which is based on the stock price as of the date of grant. Compensation expense, net of tax, for the six months ended June 30, 2009 and 2008 from restricted stock units, restricted stock and deferred stock units was \$0.6 million and \$0.8 million, respectively. A summary of restricted stock and deferred stock units and related changes therein is as follows:

	Shares	Six months ended June 30, 2009 Weighted Average Remaining Contractual Terms	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2009	17,927		\$ 330.57	
Granted				
Vested	(7,401)		386.09	
Forfeited	(113)		228.78	
Outstanding on June 30, 2009	10,413	1.0 years	\$ 292.18	\$ 7
Vested or expected to vest at June 30, 2009	10,224	1.0 years	\$ 295.99	\$ 6

As of June 30, 2009 and 2008, we had approximately \$2.7 million and \$5.0 million of total unrecognized compensation cost related to nonvested share-based compensation which we will record in our statements of operations over a weighted average recognition period of approximately two years. The total fair value of shares vested during the six months ended June 30, 2009 and 2008 was \$5.3 million and \$6.6 million, respectively. For additional information about our share-based payment awards, refer to Note 14 of the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008 and as reissued in our July 2, 2009 Form 8-K.

14. EMPLOYEE RETIREMENT PLANS

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

In thousands	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Components of net periodic benefit cost:				
Service cost	\$ 74	\$ 1,379	\$ 1,273	\$ 2,757
Interest cost	1,927	1,868	3,822	3,735
Expected return on assets	(2,137)	(2,760)	(4,223)	(5,519)
Amortization of:				
Prior service credit			(129)	
Curtailment gain		(132)	(4,302)	(264)
Actuarial loss (gain)	218	(3)	926	(6)
Total net periodic benefit (income) costs	\$ 82	\$ 352	\$ (2,633)	\$ 703

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

	Six months ended June 30,	
	2009	2008
Discount rate	6.50%	6.25%
Expected return on assets	8.75%	8.00%
Rate of compensation increase	4.51%	4.26%

In February 2009, upon approval by the Compensation Committee of the Board of Directors, we announced to our U.S. employees that we were freezing the benefits for the Georgia Gulf Corporation Retirement Plan (the "Plan") as of March 31, 2009. As a result, we recognized a \$4.3 million curtailment gain for the six months ended June 30, 2009. In addition, as a result of freezing the pension benefits on March 31, 2009, we changed the amortization methodology for gains and losses from the average expected future service period for active plan participants to the average expected future lifetime for all plan participants. This change in amortization method will decrease pension costs from April 1, 2009 through December 31, 2009 by approximately \$1.5 million.

In connection with the closure of our Sarnia, Ontario PVC resin manufacturing facility in December 2008, the Compensation Committee of the Board of Directors also approved the wind up of the Canadian Pension and Other Post-retirement Benefits Plans. As a result, a curtailment gain of approximately \$2.0 million will be recognized during the third quarter of 2009 when the remaining employees are released and the plant decommissioning is complete.

For the three and six months ended June 30, 2009, we made no contributions to the U.S. pension plan trust. We made contributions in the form of direct benefit payments for the U.S. pension plans in the six months ended June 30, 2009 and 2008 of approximately \$0.4 million and \$0.1 million, respectively.

15. COMPREHENSIVE INCOME (LOSS) INFORMATION

Our comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, unrealized gains and losses on derivative financial instruments designated as cash flow hedges, and adjustments to pension liabilities as required by SFAS No. 158. The components of accumulated other comprehensive income (loss) and total comprehensive income (loss) are shown as follows:

Accumulated other comprehensive loss net of tax

In thousands	June 30, 2009	December 31, 2008
Unrealized losses on derivative contracts	\$ (1,032)	\$ (1,661)
Pension liability adjustment including affect of SFAS No. 158	(18,194)	(18,908)
Cumulative currency translation adjustment	1,121	(6,686)
Accumulated other comprehensive loss	\$ (18,105)	\$ (27,255)

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

Total comprehensive income (loss)

In thousands	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net (loss) income	\$ (2,951)	\$ 27,941	\$ 45,333	\$ (41,551)
Unrealized losses on derivative contracts	1,862	1,937	629	(89)
Pension liability adjustment including affect of SFAS No. 158	478	(80)	714	(101)
Cumulative currency translation adjustment	12,380	2,349	7,807	(9,670)
Total comprehensive income (loss)	\$ 11,769	\$ 32,147	\$ 54,483	\$ (51,411)

16. INCOME TAXES

Our effective income tax rates for the three and six months ended June 30, 2009 were 92.0 percent and negative 97.1 percent, respectively, as compared to 10.8 percent and 10.2 percent, as reported for the three and six months ended June 30, 2008, respectively. The difference in the rate as compared to the U.S. statutory federal income tax rate in 2009 was primarily due to federal and state income tax credits including credits earned from timely repayment of the Mississippi Industrial Development Bond, and the valuation allowance in Canada. In 1994, we entered into an Industrial Revenue Bond agreement with the state of Mississippi. The terms of the bond provided that repayment of the bond principal and interest creates state income tax credits. The bond was fully repaid on in May 2009 resulting in significant state income tax credits being generated in 2009. The credits do not expire. The difference in the rate as compared to the U.S. statutory federal income tax rate in 2008 was primarily due to federal and state income tax credits, the reversal of the interest accrued on the Quebec Trust matter discussed below and the valuation allowance in Canada. As previously disclosed in Note 16 in the Notes to Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008 and as reissued in our July 2, 2009 Form 8-K, we are not recognizing a tax benefit for the net operating losses in Canada, as we have determined that we have not met the SFAS No. 109, *Accounting for Income Taxes*, criteria to allow us to realize such benefits.

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

Subsequent to the issuance of our interim financial statements for the period ended March 31, 2008, we identified a computational error in the calculation of the estimated 2008 effective income tax rate for our U.S. operations. This error resulted in an understatement of the previously reported income tax benefit for the quarter ended March 31, 2008 of \$4.4 million (\$0.13 per share) and an equal offsetting

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understatement of income tax expense for the three months ended June 30, 2008, the period in which the error was identified and corrected. We have evaluated this error in accordance with the pertinent GAAP guidance and determined that the impact of the \$4.4 million adjustment, which was corrected during the quarter ended June 30, 2008, was not material to our condensed consolidated balance sheet as of March 31, 2008 or our condensed consolidated statement of operations for the three months ended March 31, 2008 and June 30, 2008.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

SFAS No. 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. These levels, in order of highest to lowest priority are described below:

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

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

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

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

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

In thousands	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1				
Long-term debt:				
7.125% senior notes due 2013	\$ 100,000	\$ 28,000	\$ 100,000	\$ 30,000
9.5% senior notes due 2014	497,421	154,201	497,240	152,500
10.75% senior subordinated notes due 2016	197,514	19,258	197,407	48,000
Level 2				
Long-term debt:				
Revolving credit facility expires 2011	227,810	180,767	125,762	89,920
Term loan B due 2013	210,813	281,134	350,350	229,479
Derivative instruments:				
Interest rate swap contracts	(1,492)	(1,492)	(2,850)	(2,850)
Natural gas swap contracts	(168)	(168)	179	179

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

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

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

In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Eliminations, Unallocated and Other	Total
Three months ended June 30, 2009:						
Net sales	\$ 232,045	\$ 75,953	\$ 92,389	\$ 123,956	\$	\$ 524,343
Intersegment revenues	71,398		588	50	(72,036)	
Long-lived asset impairment charges	478		15,712			16,190
Restructuring costs	1,432		2,102	281		3,815
(Gain) loss on sale of assets, net			(24)	24		
Operating (loss) income	24,376	7,888	(15,984)	8,381	(19,531)	5,130
Depreciation and amortization	14,520	1,124	6,911	2,831	3,350	28,736
Three months ended June 30, 2008:						
Net sales	\$ 401,793	\$ 162,652	\$ 118,308	\$ 167,090	\$	\$ 849,843
Intersegment revenues	92,073		397		(92,470)	
Long-lived asset impairment charges	29		75	87		191
Restructuring costs	1,265		123	60		1,448
(Gain) loss on sale of assets, net	(2,325)		(34)	(82)	(28,830)	(31,271)
Operating (loss) income	38,793	(3,053)	(1,559)	5,165	23,756	63,102
Depreciation and amortization	18,401	1,569	11,722	3,797	1,732	37,221

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In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Eliminations, Unallocated and Other	Total
Six months ended June 30, 2009:						
Net sales	\$ 473,783	\$ 127,458	\$ 143,074	\$ 187,359	\$	\$ 931,674
Intersegment revenues	111,179		802	50	(112,031)	
Long-lived asset impairment charges	478		15,712			16,190
Restructuring costs	3,474		3,316	2,595	2,468	11,853
(Gain) loss on sale of assets, net			(24)	86		62
Operating (loss) income	44,892	8,362	(33,536)	(8,346)	(31,947)	(20,575)
Depreciation and amortization	30,671	2,259	13,734	5,471	7,317	59,452
Six months ended June 30, 2008:						
Net sales	\$ 742,970	\$ 350,661	\$ 204,077	\$ 264,596	\$	\$ 1,562,304
Intersegment revenues	135,770		1,890	1,731	(139,391)	
Long-lived asset impairment charges	15,979		75	125		16,179
Restructuring costs	1,711		1,208	4,670		7,589
(Gain) loss on sale of assets, net	(1,702)		1,270	1,947	(28,830)	(27,315)
Operating (loss) income	36,691	(2,826)	(15,382)	(14,810)	14,662	18,335
Depreciation and amortization	37,955	3,292	23,428	7,900	3,449	76,024

19. SUBSEQUENT EVENTS

On July 28, 2009 we effected a 1-for-25 reverse stock split of our common stock. This reverse stock split has been reflected in share data and earnings per share data contained herein for all periods presented. The par value of the stock remained at \$0.01 per share. Accordingly, adjustments from paid-in capital to common stock were made to preserve the par value of the post-split shares.

On July 29, 2009, we consummated a private exchange of our equity securities for approximately \$736.0 million, or 92.0 percent, in aggregate principal amount of our outstanding 7.125 percent Senior Notes due 2013 (the "2013 notes"), 9.5 percent Senior Notes due 2014 (the "2014 notes"), and 10.75 percent Subordinated Notes due 2016 (the "2016 notes"). The \$736.0 million was comprised of \$91.0 million of the \$100 million of 2013 notes, \$486.8 million of the \$500 million of 2014 notes, and \$158.1 million of the \$200 million of 2016 notes. An aggregate of approximately 30.2 million shares of convertible preferred stock and 1.3 million shares of common stock were issued in exchange for the tendered notes. In exchange for each \$1,000 in principal amount of the 2013 notes and 2014 notes, the Company issued 47.30 shares of convertible preferred stock and 2.11 shares of common stock and in exchange for each \$1,000 in principal amount of the 2016 notes, the Company issued 18.36 shares of convertible preferred stock and 0.82 shares of common stock. Currently approximately \$10.0 million of principal amount of notes, contractually committed to be exchanged, had not been delivered. The cancellation of debt impact of this debt for equity exchange has not been reflected in the operating results for the three or six months ended June 30, 2009.

In conjunction with the debt exchange we implemented the 1-for-25 reverse stock split, which reduced the outstanding common shares, before the issuance of common shares in the debt exchange, to approximately 1.4 million shares.

In conjunction with the acceptance of the private debt exchange offers, we obtained an amendment to our senior secured credit agreement that adjusts the financial covenants to reflect current market conditions as well as the impact of the private debt exchanges. The maximum leverage ratios and minimum interest covenant ratios were adjusted favorably for the Company through the term of the revolving credit facility. The amendment added a new minimum fixed charge coverage ratio covenant and a maximum

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senior secured leverage ratio covenant, and eliminated the minimum Consolidated EBITDA covenant. The capital expenditure limitations established by the amendment are \$45.0 million in 2010 and \$50.0 million per year thereafter. The amendment also allows us to use 50 percent of the first \$45.0 million of net cash proceeds from asset dispositions to make additional capital expenditures, subject to certain annual limitations and minimum EBITDA requirements. The amendment replaced the \$75.0 million minimum revolver availability requirement by permanently reducing the aggregate revolving commitments from \$375.0 million to \$300.0 million.

In connection with the exchange offers, our Board of Directors has approved, and will recommend for approval by our stockholders, an amendment to our charter to increase the number of shares of common stock to 100 million and a new equity incentive plan for the issuance of equity awards of the Company's common shares to Company employees. Upon approval of the charter amendment to increase the number of authorized common shares, the shares of convertible preferred stock issued in the exchange offers will automatically convert into shares of the Company's common stock on a one-for-one basis.

We have evaluated subsequent events through August 10, 2009 as such date is the last reasonably practical date prior to the issuance of these financial statements.

20. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

June 30, 2009

(Unaudited)

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$	\$ 26,306	\$ 77,994	\$	\$ 104,300
Receivables, net	24,100	280,272	199,628	(338,128)	165,872
Inventories		130,103	79,677		209,780
Prepaid expenses	3,969	33,218	5,316		42,503
Income tax receivable	(984)	3,352	1,580		3,948
Deferred income taxes	564	20,857			21,421
Total current assets	27,649	494,108	364,195	(338,128)	547,824
Property, plant and equipment, net	211	495,837	227,884		723,932
Long-term receivables affiliates	392,740			(392,740)	
Goodwill		97,571	96,197		193,768
Intangibles, net		13,392	2,114		15,506
Other assets, net	25,493	88,391	24,735		138,619
Non-current assets held-for-sale		1,363			1,363
Investment in subsidiaries	941,286	129,353		(1,070,639)	
Total assets	\$ 1,387,379	\$ 1,320,015	\$ 715,125	\$ (1,801,507)	\$ 1,621,012
Current portion of long-term debt	\$ 55,760	\$	\$	\$	\$ 55,760
Accounts payable	259,733	126,325	42,587	(338,128)	90,517
Interest payable	54,263		536		54,799
Income tax payable		2,208	1,394		3,602
Accrued compensation	503	3,820	4,859		9,182
Liability for unrecognized income tax benefits and other tax reserves		3,453	5,650		9,103
Other accrued liabilities	2,228	19,037	32,532		53,797
Total current liabilities	372,487	154,843	87,558	(338,128)	276,760
Long-term debt, less current portion	1,090,871	67	198,120		1,289,058
Long-term payables affiliates			392,740	(392,740)	
Liability for unrecognized income tax benefits		6,558	49,808		56,366
Deferred income taxes	4,888	44,286	619		49,793
Other non-current liabilities	4,595	27,256	2,646		34,497
Total liabilities	1,472,841	233,010	731,491	(730,868)	1,706,474
Total stockholders' deficit	(85,462)	1,087,005	(16,366)	(1,070,639)	(85,462)
Total liabilities and stockholders' deficit	\$ 1,387,379	\$ 1,320,015	\$ 715,125	\$ (1,801,507)	\$ 1,621,012

Table of Contents**Georgia Gulf Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information****December 31, 2008****(Unaudited)**

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