GEORGIA GULF CORP /DE/
Form 10-K
March 17, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from to

Commission file number 1-9753

GEORGIA GULF CORPORATION

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

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

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

Aggregate market value of the common stock held by non-affiliates of the registrant, computed using the closing price on the New York Stock Exchange for the registrant's common stock on June 30, 2008 was $99,980,014.

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

Class	Outstanding at March 12, 2009
Common Stock, $0.01 par value	34,493,664 shares

DOCUMENTS INCORPORATED BY REFERENCE

(To the Extent Indicated Herein)

Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2009, in Part III of this Form 10-K.

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PART I

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PART I

Item 1. BUSINESS.

General

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

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

Segment Information

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

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

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

Dispositions of Assets

In 2008, we divested certain non-core operations and assets and executed sale-leaseback transactions for certain assets. In March, 2008, we sold the assets and operations of our outdoor storage buildings business that were previously part of our outdoor buildings products segment. Also, in March 2008, we executed a sale-leaseback transaction for certain real estate in Vaughn, Ontario. In April 2008, we sold the land and building at our Winnipeg, Manitoba window profile manufacturing facility. In June 2008, we sold and leased back equipment in our chlorovinyls segment. Also, in June 2008, we sold undeveloped land in Pasadena, Texas, for net proceeds of $36.5 million. In December 2008, we sold the production assets of the Oklahoma City polyvinyl chloride ("PVC" or "vinyl resin") manufacturing plant.

Plant Closings and Temporary Plant Idlings

In response to declining demand for PVC, we closed our 500 million pound Oklahoma City, Oklahoma PVC manufacturing plant in March 2008 and we closed our 450 million pound Sarnia, Ontario PVC manufacturing plant in December 2008.

The phenol industry suffered from industry-wide supply and demand imbalance primarily as a result of capacity that was brought online in 1999 and 2000. Rather than continue running both of our phenol/acetone plants of our aromatics segment at lower capacity utilization rates, management temporarily idled the Pasadena, Texas phenol/acetone plant in the second quarter of 2002. Subsequently, we have been able to continue to meet all of our customers' needs with phenol/acetone production from our Plaquemine, Louisiana plant. We intend to restart the Pasadena, Texas phenol/acetone plant when market conditions warrant. The net book value of our idled Pasadena, Texas phenol/acetone plant was approximately $0.4 million as of December 31, 2008 and is included in property, plant and equipment on our consolidated balance sheet.

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Products and Markets

Chlorovinyls

The chlorovinyls segment is a highly integrated chain of products, which includes chlorine, caustic soda, VCM, vinyl resins and vinyl compounds. We have leading market positions in our key chemical products. In North America, we are one of the largest producers of VCM, vinyl resins, and vinyl compounds. The following table shows our total annual production capacities as of December 31, 2008, in our chlorovinyls product line:

Product Line	Capacity
Vinyl Compounds	1.4 billion pounds
Vinyl Resins	2.7 billion pounds
VCM	3.1 billion pounds
Caustic Soda	500,000 tons
Chlorine	450,000 tons
Compound Additives	162 million pounds
Plasticizers	22 million pounds

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

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

Vinyl Resins. Vinyl resins are among the most widely used plastics in the world today, and we supply numerous grades of vinyl resins to a broad number of end-use markets. During 2008, approximately 66 percent of Georgia Gulf's vinyl resins production was sold into the merchant market where our vinyl resins were used in a wide variety of flexible and rigid vinyl end-use applications. In 2008 the largest end-uses of our products were pipe and pipe fittings, siding and window profiles. Approximately 34 percent of our vinyl resins are used internally in the manufacture of our vinyl compounds and vinyl building products.

VCM. During 2008, we used about 98 percent of our VCM production in the manufacture of vinyl resins in our PVC manufacturing operations. VCM production not used internally is sold to other vinyl resins producers in domestic and international markets. As a result of the Royal Group acquisition, we purchased VCM to support vinyl resins production at the Sarnia plant until it was shut down in December 2008.

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

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Window and Door Profiles and Mouldings

In our window and door profiles and mouldings segment, we currently operate 13 manufacturing facilities located in Canada and the U.S. In addition we operate distribution centers, some of which are co-located with manufacturing plants. The window and door profiles and mouldings segment consists of extruded vinyl window and door profiles as well as interior and exterior mouldings, in which we have leading market positions.

Window and Door Profiles. Our window and door profiles products represent the largest portion of revenues within our building and home improvement products lines. We manufacture and extrude vinyl window profiles including frames, sashes, trim and other components, as well as vinyl patio door components and fabricated patio doors, which are sold primarily to window and door fabricators. Our sales are primarily to the custom segment of the vinyl window profile market with the profile design customized to a window fabricator's specific requirements. Royal Group also offers a series of innovative window profile systems, which are sold to multiple fabricators. One such product is a high wind impact resistant window profile system, known as Royal Guard , which was developed to meet the growing demand for wind impact resistant windows, particularly in southern coastal areas of the United States.

Mouldings. We manufacture and market extruded decorative mouldings and millwork. Our decorative trim products are used for interior mouldings, such as crown, base and chair rail. For exterior mouldings, our products are used in applications such as brick mouldings, and as components used in the fabrication of doors, windows and spas. This product line includes a series of offerings, such as bendable trim and paintable/stainable trim. One of our latest offerings includes a series of trim boards, known as Royal TrimBoard . These boards are intended as a lower maintenance alternative to wood products, in applications such as fascia, soffit and window/door framing.

Outdoor Building Products

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

Siding. In our siding business, we manufacture vinyl siding, and we also offer a wide range of complementary accessories including vinyl soffit, aluminum soffit, fascia and trim and molded vent mounts and exterior shutters. We have a broad product offering of vinyl siding styles, including a premium vinyl siding that includes rich, dark, color-fast shades as well as a siding system, which enables siding panels to withstand harsh wind conditions. In addition, we offer Royal DuraPlank vinyl siding that is designed to simulate the look and feel of real wood.

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

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

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Aromatics

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

The following table shows our total annual production capacities as of December 31, 2008 in our aromatics product line:

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

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

Cumene. Cumene is used as an intermediate to make phenol and acetone. About 48 percent of our cumene was consumed internally during 2008 to produce phenol and acetone. Cumene production not used internally is sold to other phenol and acetone manufacturers in domestic and international markets as well as an additive in gasoline blending.

Phenol. Our phenol is sold to a broad base of customers who are producers of a variety of phenolic resins, engineering plastics and specialty chemicals. Phenolic resins are used as adhesives for wood products such as plywood and Oriented Strand Board, or OSB. Engineering plastics are used in compact discs, digital video discs, automobiles, household appliances, electronics and protective coating applications. We also sell phenol for use in insulation, electrical parts, oil additives and chemical intermediates. In 2008, the largest sales segment of our phenol was the chemical/specialty chemical sector.

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

Production, Raw Materials and Facilities

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

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

The significant raw materials we purchase from third parties include ethylene, benzene, natural gas, propylene, compound additives and chlorine. After acquiring Royal Group, we purchased VCM to support vinyl resins production until the shutdown of the Sarnia plant in December 2008. The majority of our purchases of ethylene and chlorine are made under long-term supply agreements, and we purchase natural gas, benzene and propylene in both the open market and under long-term contracts. We believe we have reliable sources of supply for our raw materials under normal market conditions. We cannot, however, predict the likelihood or impact of any future raw material shortages. Any shortages could have a material adverse impact on our results of operations.

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

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

Lake Charles, Louisiana Facilities. We produce VCM at our Lake Charles, Louisiana facility and through our manufacturing joint venture, PHH Monomers, LLC, which is located in close proximity to our Lake Charles VCM facility. PHH Monomers is a joint venture with PPG Industries, Inc. that entitles us to 50 percent of the VCM production. Virtually all of the chlorine and ethylene needs of our Lake Charles VCM facility and PHH Monomers facility are supplied by pipeline. VCM from these facilities supplies our Aberdeen, Mississippi facility. On occasion, a small portion of VCM produced at the Lake Charles facilities is sold on spot sales to third parties. In November 2007, the Lake Charles facility was damaged by fire and under repair until September 2008. The total capital cost of the repairs was approximately $12.0 million, of which $7.5 million was covered by insurance.

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

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

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

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

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

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

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

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

Seasonality

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

Inventory Practices and Product Returns

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

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

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

Sales and Marketing

No single customer accounted for more than 6 percent of our consolidated revenues for the years ended December 31, 2008, 2007 and 2006. In addition to our domestic sales, we export some of our products.

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

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

Competition

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

In our chemicals business, we face competition from numerous manufacturers of chemicals and vinyl resins and compounds. In our building and home improvement products business, we face competition for each of our products from other manufacturers of vinyl products as well as numerous manufacturers of traditional building materials. We believe that our vinyl building and home improvement products are preferred by builders and homeowners because of their durability and ease of installation and maintenance as compared to traditional building materials. In the window and door profile market, we face competition from manufacturers of wood, aluminum and fiberglass products. In the siding market, we face competition

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from manufacturers of cement, brick, wood, stucco, stone, concrete and aluminum products. We face competition from manufacturers of concrete and metal products in the pipe and pipe fittings market. Similarly, we face competition from manufacturers of composite materials, wood and metal products in the deck, fence and rail markets. In addition, competition for certain price sensitive products from countries such as China is increasing.

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

Environmental Regulation

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

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

There are several serious environmental issues concerning the VCM facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site has been conducted, and groundwater contamination was first identified in 1981. Groundwater remediation through the installation of groundwater recovery wells began in 1984. The site currently contains 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 potentially responsible parties ("PRPs") associated with the estuary contamination. CONDEA Vista is included among these parties with respect to its Lake Charles facilities, including the VCM facility we acquired. The estimated cost for investigation and remediation of the estuary is unknown and could be quite costly. Also, Superfund statutes may impose joint and several liability for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the waste, transported the waste to the disposal site, selected the disposal site, or presently or formerly owned, leased or operated the disposal site or a site otherwise contaminated by hazardous substances. Any or all of the responsible parties may be required to bear all of the costs of cleanup regardless of fault, legality of the original disposal or ownership of the disposal site.

Currently, we discharge our wastewater to CONDEA Vista, which has a permit to discharge treated wastewater into the estuary.

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

At our Lake Charles VCM facility, CONDEA Vista will continue to conduct the ongoing remediation at its expense until November 12, 2009. After November 12, 2009, we will be responsible for remediation costs up to about $150,000 of expense per year, as well as costs in any year in excess of this annual amount up to an aggregate one-time amount of about $2.3 million. As part of our ongoing assessment of our environmental contingencies, we determined these remediation costs to be probable and estimable. Our estimated liability for these remediation costs is $2.2 million as of December 31, 2008.

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

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

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

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

Employees

As of December 31, 2008 and 2007, we had 4,463 and 5,249, respectively, full-time employees. The decrease in number of employees represents part of management's continuing cost reduction strategy. We employ approximately 476 employees under collective bargaining agreements that expire at various times from 2009 through 2012. We believe our relationships with our employees are good.

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Available Information

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

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached as Exhibits 31 and 32 to this annual report. We also filed with the NYSE in 2008 the required certificate of our Chief Executive Officer certifying that he was not aware of any violation by Georgia Gulf of the NYSE corporate governance listing standards.

Item 1A. RISK FACTORS.

Risk Factors

Our business and financial results and condition may be adversely affected by the risk factors described below, as well as the other risks discussed in this Form 10-K.

If we cannot comply with the financial covenants in our senior secured credit agreement or the covenants in our asset securitization agreement, or obtain waivers or other relief therefrom from our lenders, we may default which could result in loss of our sources of liquidity and acceleration of our indebtedness.

Under our senior secured credit facility we are subject to certain restrictive covenants that require us to maintain certain financial ratios. Under our asset securitization agreement, (the "securitization"), we are subject to certain restrictive covenants related primarily to operation of the securitization set forth therein in addition to the restrictive covenants set forth in our senior secured credit facility. We have sought and obtained waivers of, and amendments to, the covenants in our senior secured credit agreement that we originally entered into in October 2006 on five occasions and obtained related relief from the lenders under the securitization as required. The latest amendment to our senior secured credit facility was executed on March 16, 2009, ("fifth amendment"), to, among other things, increase our leverage ratio and decrease our interest coverage ratio each quarter ended beginning March 31, 2009 through December 31, 2009. The fifth amendment also establishes a trailing twelve-month minimum consolidated EBITDA threshold to be measured quarterly and reduces our annual capital expenditures limitation to $35.0 million in 2009 and $55.0 million in 2010. Applicable per annum interest rates increased by approximately 1.0% for both the LIBOR loans and the agent bank rate loans.

We may not be able to meet the restrictive covenants and may not be able to maintain compliance with certain financial ratios in our senior secured credit facility that become more restrictive effective March 31, 2010. In that event, we would need to seek another amendment to, or a refinancing of, our senior secured credit facility and related relief under the securitization. There can be no assurance that we can obtain any amendment or waiver of, or refinance either facility and, even if we do, it is likely that such relief would only last for a specified period, potentially necessitating additional amendments, waivers or refinancing in the future. In the event we do not maintain compliance with the covenants under the senior secured credit facility, our lenders under such facility could cease making loans to us and accelerate and declare due all outstanding loans under the facility, which, in turn, could result in cross defaults under our securitization facility and our indentures. In the event we are not able to meet the restrictive covenants in the securitization, including those primarily related to the operation of the facility, which do not apply to the senior secured credit facility, the lenders have the ability to terminate the securitization. In the event that the securitization was terminated, although we would not be required to repurchase previously sold receivables, we would be prevented from selling additional receivables under the facility. As a result, we would have to source these funding requirements with availability under our senior secured credit facility or obtain alternative financing. Because the securitization requires compliance with the covenants in the senior secured credit facility, in the event of noncompliance, we would likely lose our access to funding under both agreements, which would adversely impact our ability to operate our business.

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

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

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

We cannot assure you that these restrictions will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A failure to comply with any of these restrictions could result in a default in respect of the related indebtedness.

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

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

As a result of the financing transactions in connection with the acquisition of Royal Group, we have substantial indebtedness. At December 31, 2008, under our revolving credit facility we had a maximum borrowing capacity of $375.0 million, and net of outstanding letters of credit for $99.7 million and current borrowings of $125.8 million, (and giving effect to $6.6 million that is unavailable to us due to the Lehman Brothers bankruptcy) availability under the revolving credit facility of $142.9 million. Our high level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations on the 9.5 percent, 10.75 percent, and 7.125 percent notes;

make it more difficult for us to satisfy our obligations under our senior secured credit facility, exposing us to the risk of defaulting on our secured debt, which could result in a foreclosure on our assets, which, in turn, would negatively affect our ability to operate as a going concern;

require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flow for other purposes, such as capital expenditures, acquisitions, dividends and working capital;

limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate and will operate;

increase our vulnerability to general adverse economic and industry conditions;

place us at a disadvantage compared to our competitors that have less debt;

expose us to fluctuations in the interest rate environment because the interest rates of our senior secured credit facility are at variable rates; and limit our ability to borrow additional funds.

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

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

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

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

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

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

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

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

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

The commodity chemical industry is highly competitive. Many of our competitors are larger and have greater financial and other resources and less debt than us. Moreover, barriers to entry, other than capital availability, are low in most product segments of our commodity chemical business. Capacity additions or technological advances by existing or future competitors also create greater competition, particularly in pricing. We cannot provide assurance that we will have access to the financing necessary to upgrade our facilities in response to technological advances or other competitive developments.

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

Our common stock may be delisted from the New York Stock Exchange.

Our common stock is currently listed on the New York Stock Exchange ("NYSE"). On February 20, 2009, the NYSE notified us that we were not in compliance with one of the continued listing requirements of the NYSE because our total market capitalization had been less than $75 million over a 30 trading-day period and our shareholders' equity was less than $75 million at December 31, 2008. In addition, the NYSE's continued listing standards require that the average closing price of our common stock not fall below $1.00 over a consecutive 30 day trading period, although the NYSE has temporarily suspended that requirement until June 30, 2009. If we do not submit an acceptable plan, within 45 days of notice of non-compliance, to regain compliance, and do not in fact comply, with the requirement regarding market capitalization and shareholders equity within 18 months of the NYSE notice, the NYSE will commence suspension and delisting procedures. Further, if after the $1.00 minimum rule is reinstated, we fail to meet that requirement and do not regain compliance for at least 30 trading days within six months; the NYSE will commence suspension and delisting procedures.

Although we intend to take actions designed to bring our market capitalization, shareholders' equity and stock price within the required compliance levels within the NYSE's specified timeframes, we cannot assure that our plans will be successful within those time frames or at all. If we are not able to come into compliance with the NYSE continued listing standards, which we presently do not comply with, and cannot know if we will be able to in the future, we likely would seek to list the common stock on another exchange, in the event we were able to comply with the applicable listing standards of that other exchange. Delisting would have an adverse effect on the liquidity of our common stock and, as a result, the market price for our common stock might become lower. Delisting could also make it more difficult for us to raise additional capital. On March 12, 2009, our market capitalization was $7.6 million and the closing price of our stock was $0.22.

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

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

Also, some environmental laws, such as the federal Superfund statute, may impose joint and several liability for the cost of investigations and remedial actions on any company that generated the waste, arranged for disposal of the waste, transported the waste to the disposal site, selected the disposal site, or presently or formerly owned, leased or operated the disposal site or a site otherwise contaminated by hazardous substances. Any or all of the responsible parties may be required to bear all of the costs of cleanup, regardless of fault, legality of the original disposal or ownership of the disposal site. A number of environmental liabilities have been associated with the facilities at Lake Charles, Louisiana that we acquired as part of the acquisition of the vinyls business of CONDEA Vista Company ("CONDEA Vista," which is now known as Sasol North America, Inc.) and which may be designated as Superfund sites. Although CONDEA Vista retained financial responsibility for certain environmental liabilities that relate to the facilities that we acquired from it and that arose before the closing of our acquisition of the vinyls business of CONDEA Vista in November 1999, there can be no assurance that CONDEA Vista will be able to satisfy its obligations in this regard, particularly in light of the long period of time in which environmental liabilities may arise under the environmental laws. If CONDEA Vista fails to fulfill its obligation regarding their environmental liabilities, then we could be held responsible. Furthermore, any environmental liabilities relating to Royal Group will not have the benefit of any third party indemnification, including liabilities resulting from Royal Group's operations prior to our acquisition of the company.

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

Hazards associated with manufacturing may occur, which could adversely affect our results of operations.

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

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

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

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

We are exposed to product liability risk and the risk of negative publicity if our building products do not meet customer expectations. Although we intend to maintain insurance for products liability claims, the amount and scope of such insurance may not be adequate to cover a products liability claim that is successfully asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available to us on commercially reasonable terms or at all. There can be no assurance that we will be able to obtain or maintain adequate insurance coverage against possible products liability claims at commercially reasonable levels, or at all.

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

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

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

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

Implementation of New ERP Information Systems

We are highly dependent on our information systems infrastructure in order to process orders, track inventory, ship products in a timely manner, prepare invoices to our customers and otherwise carry on our business in the ordinary course. We currently operate on multiple Enterprise Resource Planning, or ERP, information systems. Additionally, when acquired, Royal Group was in the process of implementing new ERP systems. If we experience significant problems with the implementation of these systems, the resulting disruption could adversely affect our business, sales, results of operations and financial condition. The transition to new ERP systems involves numerous risks, including:

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

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

We intend to continue to pursue the disposition of certain assets and anticipate that proceeds would be used to repay some of our indebtedness. However, we cannot assure you that we will be able to dispose of these assets at anticipated prices, or at all, or that any such sale will occur during our anticipated time frame. A failure to dispose of these assets would mean any indebtedness that could have been paid down would have to remain outstanding unless it could be repaid from funds generated from operations. In addition, we may engage in additional business combinations, purchases or sales of assets, or contractual arrangements or joint ventures. To the extent permitted under our senior secured credit facility, our indentures and our other debt agreements, some of these transactions may be financed by additional

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borrowings by us. If the expected efficiencies and synergies of the transactions are not fully realized, our results of operations could be adversely affected, at least in the short term, because of the costs associated with such transactions. Other transactions may advance future cash flows from some of our businesses, thereby yielding increased short-term liquidity, but consequently resulting in lower cash flows from these operations over the longer term.

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

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

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

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

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

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

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

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

Royal Group was under investigation by the Royal Canadian Mounted Police ("RCMP") regarding its prior public disclosures, including financial and accounting matters. In October 2005, Royal Group advised the Ontario Securities Commission, the RCMP and the SEC of emails and documents authored by a former finance employee of Royal Group that relate to certain financial accounting and disclosure matters. Royal Group understands that the SEC made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents and in May 2008, Royal Group was advised that it is no longer a target of the RCMP's investigation.

Damages, liabilities and costs Royal Group will incur in respect of each of the foregoing and related matters may exceed the amounts anticipated by us in respect thereof, and to the extent they do, our financial condition, results of operations and cash flows, could be materially adversely affected.

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

We cannot be sure that we will be able to further integrate successfully Royal Group's and our operations without substantial costs, delays or other problems. The integration of any business we acquire, including Royal Group has been and may continue to be disruptive to our business and has been and may continue to result in a significant diversion of management attention and operational resources. Additionally, we may suffer a loss of key employees, customers or suppliers, loss of revenues, increases in costs or other difficulties. Further, there is no assurance that we will be able to achieve anticipated cost savings and operational efficiencies in amounts anticipated or on our anticipated timetable. Further, management's attention may be diverted by potential dispositions. We also face these risks integrating any other business we may acquire.

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

Forward-Looking Statements

This Form 10-K and other communications to stockholders may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, our outlook for future periods, supply and demand, pricing trends and market forces within the chemical industry, cost reduction strategies and their results, planned capital expenditures, long-term objectives of management and other statements of expectations concerning matters that are not historical facts.

Predictions of future results contain a measure of uncertainty. Actual results could differ materially due to various factors. Factors that could change forward-looking statements are, among others, those contained in the "Risk Factors" section above as well as continued compliance with covenants in our senior secured credit facility, our ability to negotiate covenant relief and waivers from our lenders under the senior secured credit facility and availability of funds thereunder, changes in the general economy, changes in demand for our products or increases in overall industry capacity that could affect production volumes and/or pricing, changes and/or cyclicality in the industries to which our products are sold, availability and pricing of raw materials, technological changes affecting production, difficulty in plant operations and product transportation, governmental and environmental regulations and other unforeseen circumstances. A number of these factors are discussed in this Form 10-K and in our other periodic filings with the Securities and Exchange Commission.

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Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

We believe current capacity will adequately meet anticipated demand requirements.

Chemical Production

Our chemical manufacturing sites are located in the U.S. and Canada. During 2008, our chlorovinyls and aromatics production facilities operated at approximately 63 percent of capacity. The following table sets forth the location of each chemical manufacturing facility we own, products manufactured at each facility and the approximate production capacity of each product, assuming normal plant operations, as of December 31, 2008.

	Location	Products	Annual Capacity
Chlorovinyls	Plaquemine, LA	Chlorine	450,000 tons
	Plaquemine, LA	Caustic Soda	500,000 tons
	Plaquemine, LA Lake Charles, LA (two locations) (1)	VCM VCM	3.1 billion pounds
	Plaquemine, LA Aberdeen, MS	Vinyl Resins Vinyl Resins	2.7 billion pounds
	Aberdeen, MS Gallman, MS Madison, MS Prairie, MS Vaughan, ON Bradford, ON	Vinyl Compounds Vinyl Compounds Vinyl Compounds Vinyl Compounds Vinyl Compounds Vinyl Compounds	1.4 billion pounds
	Bradford, ON	Compound Additives	162 million pounds
	Aberdeen, MS	Plasticizers	22 million pounds
Aromatics			
	Pasadena, TX	Cumene	2.0 billion pounds
	Plaquemine, LA Pasadena, TX (2)	Phenol Phenol	660 million pounds
	Plaquemine, LA Pasadena, TX (2)	Acetone Acetone	408 million pounds

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

(2) This plant is temporarily idled. See item 1. Business.

Our chemical manufacturing facilities are located near major water and/or rail transportation terminals, facilitating efficient delivery of raw materials and prompt shipment of finished products. In addition, our chemical operations have a fleet of about 3,987 railcars that are leased pursuant to operating leases with varying terms through the year 2018. The total lease expense for these railcars and other transportation equipment was approximately $16.4 million for 2008, $20.1 million for 2007, and $18.3 million for 2006.

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Home Improvement and Buildings Products

The following table sets forth the location of each home improvement and building products manufacturing facility we own or lease and the principal products manufactured at each facility as of December 31, 2008.

	Principal Products	Location
Window and Door Profiles and Mouldings Products	Window and Door Profiles Products and Other Custom Extrusion	Vaughan, ON (3 plants)* Laval, PQ Lachenaie, PQ St. Laurent, PQ St. Hubert, PQ McCarren, NV Delmont, PA Everett, WA
	Mouldings Products	Marion, VA (2 plants) Bristol, TN
Outdoor Building Products	Vinyl Siding	Vaughan, ON* Newbern, TN
	Aluminum Siding Accessories	Concord, ON* Ste. Foy, PQ*
	Pipe and Pipe Fittings	Shelby Township, MI Surrey, BC* Vaughan, ON (3 plants) Abbotsford, BC
	Deck, Fence and Rail	Newbern, TN Milford, IN

*Leased.

Certain of the above facilities are also used as distribution centers. In addition, we operate a number of distribution locations, most of which are leased, to serve our home improvement building products customers, primarily in Canada, which represented a total of about 460,000 square feet at December 31, 2008.

Other

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

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

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Item 3. LEGAL PROCEEDINGS.

In October 2004, the United States Environmental Protection Agency ("USEPA") notified us that we have been identified as a potential responsible party ("PRP") for a Superfund site in Galveston, Texas. The site is a former industrial waste recycling, treatment and disposal facility. Over one thousand PRPs have been identified by the USEPA. We contributed a relatively small proportion of the total amount of waste shipped to the site. In the notice, the USEPA informed us of the agency's willingness to settle with us and other PRPs that contributed relatively small proportions of the total quantity of waste shipped to the Superfund site. In the fourth quarter of 2007, we accepted a settlement offer from USEPA. Under the terms of this settlement, we would be required to pay approximately $64,000 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 must still be signed by USEPA officials, and then filed with, and approved by, a federal district court.

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

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

During the first quarter of 2007, we voluntarily disclosed possible noncompliance with environmental requirements, including hazardous waste management and disposal requirements, at our Pasadena facility to the Texas Commission on Environmental Quality ("TCEQ"). In the second quarter of 2008, we entered into an Agreed Order with TCEQ to resolve certain issues related to the voluntary disclosure. Under the Agreed Order, we paid a required fine of $23,608. We do not expect any further enforcement action to result from this voluntary disclosure. However, if any 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 was under investigation by the Royal Canadian Mounted Police ("RCMP") regarding its prior public disclosures, including financial and accounting matters. In October 2005, Royal Group advised the Ontario Securities Commission, the RCMP and the SEC of emails and documents authored by a former finance employee of Royal Group that relate to certain financial accounting and disclosure matters.

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Royal Group understands that the SEC made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents. In May 2008, Royal Group was advised that it is no longer a target of the RCMP's investigation.

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% 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 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 bank credit agreement was required for the consent fee payment and the Indenture amendment.

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Georgia Gulf Corporation's common stock is listed on the New York Stock Exchange under the symbol "GGC." At March 12, 2009, there were 463 stockholders of record. The following table sets forth the New York Stock Exchange high, low and closing stock prices and dividend payments for Georgia Gulf's common stock for the periods indicated.

	High	Low	Close	Dividends
2008				
First quarter	**9.00**	**3.12**	**6.93**	**$ 0.08**
Second quarter	**8.16**	**2.85**	**2.90**	**0.08**
Third quarter	**4.84**	**1.96**	**2.50**	**0.08**
Fourth quarter	**3.32**	**1.01**	**1.07**	
2007				
First quarter	21.54	16.21	16.21	$ 0.08
Second quarter	19.06	15.03	18.11	0.08
Third quarter	20.78	13.90	13.90	0.08
Fourth quarter	14.03	6.36	6.62	0.08

Since the fourth quarter of 2008, we have suspended the quarterly cash dividends on our common stock. They may be paid when, and if our board of directors deems appropriate, subject to covenants in our senior secured credit facility and our indentures which limit our ability to pay cash dividends (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources").

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PERFORMANCE GRAPH

This graph below is a comparison of the five-year cumulative total return for us, Standard & Poor's SmallCap 600 Index and Standard & Poor's Chemical Smallcap Index. Stock performances, including our stock performance, were calculated using the assumption that all dividends, including distributions of cash, were reinvested in common stock. In March 2009, Standard & Poors announced that Georgia Gulf Corporation was being replaced on the Standard & Poor's SmallCap 600 index since its market capitalization has fallen below the minimum requirement.

Pursuant to SEC rules, the foregoing "Performance Graph" section of this Annual Report on Form 10-K is not deemed "filed" with the SEC and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Total Shareholder Returns (Indexed)
GGC vs S&P SmallCap 600 & S&P 600 Chemical SmallCap

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Item 6. SELECTED FINANCIAL DATA.

Five-Year Selected Financial Data

(In thousands, except per share data, percentages and employees)	Year Ended December 31, 2008*	2007*	2006*	2005	2004
Results of Operations:					
Net sales	**$ 2,916,477**	$ 3,157,270	$ 2,427,843	$ 2,273,719	$ 2,206,239
Cost of sales	**2,717,409**	2,851,426	2,152,571	2,049,510	1,955,095
Selling, general and administrative expenses	**168,572**	225,607	119,151	61,444	60,721
Goodwill, intangibles and other long-lived asset impairment charges	**175,958**	158,960			
Restructuring costs	**21,973**	3,659			
(Gains) losses on sale of assets	**(27,282)**	1,304			
Operating (loss) income	**(140,153)**	(83,686)	156,121	162,765	190,423
Interest expense	**(134,513)**	(134,568)	(51,648)	(20,527)	(23,778)
Foreign exchange (loss) gain	**(4,264)**	6,286	(21,543)		
Interest income	**1,308**	805	369	120	115
(Loss) income from continuing operations before taxes	**(277,622)**	(211,163)	83,299	142,358	166,760
(Benefit) provision for income taxes (1)	**(19,979)**	44,000	31,497	46,855	60,868
(Loss) income from continuing operations	**$ (257,643)**	$ (255,163)	$ 51,802	$ 95,503	$ 105,892
Loss from discontinued operations, net of tax		(10,864)	(3,263)		
Net (loss) income	**$ (257,643)**	$ (266,027)	$ 48,539	$ 95,503	$ 105,892
Basic (loss) earnings per share:					
(Loss) income from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.52	$ 2.82	$ 3.21
Loss from discontinued operations		(0.32)	(0.10)		
Net (loss) income	**$ (7.48)**	$ (7.75)	$ 1.42	$ 2.82	$ 3.21
Diluted earnings (loss) per share:					
(Loss) income from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.51	$ 2.79	$ 3.17
Loss from discontinued operations		(0.32)	(0.10)		
Net (loss) income	**$ (7.48)**	$ (7.75)	$ 1.41	$ 2.79	$ 3.17
Dividends per common share	**0.24**	0.32	0.32	0.32	0.32
Financial Highlights:					
Working capital	**$ 225,187**	$ 200,745	$ 202,955	$ 62,330	$ (69,358)
Property, plant and equipment, net	**760,760**	967,188	1,023,004	401,412	425,734
Total assets	**1,610,401**	2,201,664	2,458,227	1,000,953	963,830
Total debt	**1,394,150**	1,382,008	1,498,134	278,639	318,483
Asset securitization	**111,000**	147,000	128,000	141,000	165,000
Net cash provided by operating activities	**41,392**	128,557	250,577	71,145	135,967
Depreciation and amortization	**143,718**	150,210	85,019	63,101	64,554
Capital expenditures	**62,545**	83,670	90,770	32,044	23,441
Maintenance expenditures	**109,130**	111,187	80,464	79,584	79,750
Other Selected Data:					
Earnings before interest, taxes, depreciation and amortization and other non-cash charges from continuing	**$ 165,771**	$ 211,405	$ 215,272	$ 224,469	$ 252,398

operations ("EBITDA") (2)					
Weighted average shares outstanding basic	**34,458**	34,347	34,093	33,867	32,965
Weighted average shares outstanding diluted	**34,458**	34,347	34,386	34,193	33,439
Common shares outstanding	**34,482**	34,392	34,390	34,238	33,925
Return on sales	**(8.8)%**	(8.4)%	2.0%	4.2%	4.8%
Employees	**4,463**	5,249	6,654	1,123	1,207

*

Includes Royal Group financial data as of December 31, 2008 and 2007 and from October 3, 2006, the date of the acquisition. The years ended December 31, 2007 and 2006, include additional cost of sales of $2.0 million and

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$18.0 million, respectively, as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in accordance with accounting standards related to business combinations.

(1) Provision for income taxes for 2008 and 2007 includes the effect of a $55.5 million and $52.1 million, respectively, valuation allowance on deferred tax assets in Canada.

(2) EBITDA is commonly used by us and our investors to measure our ability to service our indebtedness. EBITDA is not a measurement of financial performance under generally accepted accounting principles in the United States ("GAAP") and should not be considered as an alternative to net income as a measure of performance or to net cash flows provided by operations as a measure of liquidity. In addition, our calculation of EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited. For 2006, the write-off of deferred debt issuance costs has been included as interest expense. For 2007 and 2008, the impairment of goodwill, intangibles and other long-lived assets have been included as non-cash charges added back to our calculation of EBITDA. We believe that the closest GAAP measure of financial performance to EBITDA is net cash provided by operating activities. The following is a reconciliation of EBITDA to net cash provided by operating activities. Note that "Tax benefit related to stock plans" and "Stock based compensation" are included in change in operating assets, liabilities and other.

	Year Ended December 31,				
(In thousands)	**2008**	**2007**	**2006**	**2005**	**2004**
EBITDA	**$ 165,771**	$ 211,405	$ 215,272	$ 224,469	$ 252,398
Interest expense, net	**(133,205)**	(133,763)	(51,279)	(20,407)	(23,663)
Benefit from (provision for) income taxes	**19,979**	(44,000)	(31,497)	(46,855)	(60,868)
Provision for deferred income taxes	**(23,435)**	26,832	(21,189)	(15,067)	3,686
Amortization of debt issuance costs	**6,896**	6,252	2,242	1,397	2,579
Change in operating assets, liabilities and other	**5,386**	61,831	137,028	(72,392)	(38,165)
Net cash provided by operating activities	**$ 41,392**	$ 128,557	$ 250,577	$ 71,145	$ 135,967

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

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

Acquisition of Royal Group

On October 3, 2006, we completed the acquisition of Royal Group Technologies Limited, which was subsequently renamed Royal Group, Inc. ("Royal Group"). Royal Group's core businesses now consist of five product lines: (i) window and door profiles; (ii) mouldings; (iii) siding; (iv) pipe and pipe fittings; and (v) deck, fence and rail products. The Royal Group acquisition furthered our chlorovinyls forward integration strategy by providing a growth platform that leverages Georgia Gulf's vinyl resins and vinyl compounds formulation expertise, which we have refined over the last 20 years, with Royal Group's experience and innovative product development. We completed the acquisition of all of the outstanding common stock of Royal Group for a total purchase price, including assumed debt and debt retired in conjunction with the closing, of approximately $1.5 billion. The acquisition was financed entirely with new debt, including $500.0 million in aggregate principal amount of our unsecured 9.5 percent senior notes due 2014, $200.0 million in aggregate principal amount of our unsecured 10.75 percent senior subordinated notes due 2016 and $800.0 million principal amount of floating interest rate term debt under our senior secured credit facility due 2013.

Vinyl-Based Building and Home Improvement Products Business Overview

Our vinyl-based building and home improvement products are used primarily in new residential and industrial construction, municipality infrastructure and residential remodeling. Our sales revenue by geographic area for our building and home improvement products for 2008 was about 43 percent in the U.S. and the remainder in Canada. All of our building and home improvement products are ultimately sold to external customers.

Demand for our building and home improvement products declined during 2008 as compared to 2007 primarily as a result of U.S. housing starts decreasing by about 33 percent according to a report furnished jointly by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development in January 2009. U.S. housing starts have declined from a rate of about 1.0 million annualized units at December 2007 to a rate of about 0.6 million annualized units at December 2008. Housing starts in Canada were down 8 percent from 2007 to 2008 with an average annualized rate in 2008 of about 0.2 million units. The weakness in the U.S. residential housing industry was the primary cause of the industry sales decrease for extruded windows and doors of 19 percent, rigid pipe of 21 percent and siding of 13 percent, according to American Chemistry Council Plastics Industry Producers Statistics Group ("PIPS"). The decrease in demand for our building and home improvement products occurred despite an increase in U.S. public construction spending on sewage, waste disposal and water supply of about 6% from 2007 to 2008.

Chemical Business Overview

Our chemical business consists of two integrated chemical product lines, chlorovinyls and aromatics. Our primary chlorovinyls products include chlorine, caustic soda, VCM, vinyl resins and vinyl compounds.

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For the year ended December 31, 2008, we consumed all of our chlorine production in making VCM, we consumed 4 percent of our caustic soda production, we consumed 93 percent of our VCM production in manufacturing vinyl resins, we consumed 35 percent of our vinyl resins in the manufacture of vinyl compounds and we consumed about 32 percent of our vinyl compounds in the manufacture of fabricated products. The remainder of our caustic soda, VCM, vinyl resins and vinyl compounds were sold to third parties. Our primary aromatic products include cumene, phenol and acetone. For the year ended December 31, 2008, approximately 52 percent of our cumene was sold to third parties with the remainder used internally to manufacture phenol and acetone. All of our phenol and acetone was sold to third parties. Our products are used primarily by customers as raw materials to manufacture a diverse range of products, which serve numerous consumer markets for durable and non-durable goods and construction.

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

Global capacity also materially affects the prices of chemical products. Generally, in periods of high operating rates, prices rise, and as a result new capacity is announced. Since world-scale size plants are generally the most cost-competitive, new increases in capacity tend to be on a large scale and are often undertaken by existing industry participants. Usually, as new capacity is added, prices decline until increases in demand improve operating rates and the new capacity is absorbed, or in some instances, until less efficient producers withdraw capacity from the market. As the additional supply is absorbed, operating rates rise, prices increase and the cycle repeats. As an example, significant phenol capacity added in 1999 and 2000 was only absorbed enough by demand and plant closures to allow for improved industry margins in 2004.

Purchased raw materials and natural gas costs account for the majority of our cost of sales and can also have a material effect on our profitability and margins. Some of our primary raw materials, including ethylene, benzene and propylene, are crude oil and natural gas derivatives and therefore follow the oil and gas industry price trends. Chemical Market Associates, Incorporated ("CMAI") reported annual U.S. industry prices for crude oil and natural gas increased 38 percent and 32 percent, respectively, from 2007 to 2008. From 2006 to 2007, CMAI reported U.S. industry prices for crude oil increased 9 percent and natural gas decreased 3 percent.

Significant volatility in raw material costs tends to put pressure on product margins as sales price increases can lag behind raw material cost increases. Conversely, product margins may suffer from a sharp decline in raw material costs due to the time lag between the purchase of raw materials and the sale of the finished goods manufactured using those raw materials. Chemical Data Inc. ("CDI") reported U.S. industry prices for crude oil and natural gas decreased 62 percent and 18 percent, respectively from September 2008 to December 2008.

In 2008 our chlorovinyls segment experienced decreased demand compared to 2007, primarily as a result of a continued weakness in the U.S. residential housing market. When comparing 2007 to 2008, North American industry vinyl resins sales volume decreased about 12 percent as a result of a domestic sales decline of 16 percent partially offset by a 27 percent increase in export sales. The domestic vinyl resins volume decrease resulted from declines in most end-use markets, according to PIPS. CMAI reported an industry price increase for our feedstocks ethylene of 20 percent and natural gas of 32 percent from 2007 to 2008, while chlorine decreased about 15 percent for the same time period. Industry vinyl resin sales prices increased 24 percent from 2007 to 2008 due to increased feedstock costs. Industry operating rates in 2008 decreased to approximately 77 percent after averaging above 87 percent in 2007, according to Chemical Data Inc. ("CDI").

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Our aromatics segment demand decreased in 2008 compared to 2007. According to CDI, North American operating rates for phenol and acetone decreased from about 88 percent in 2007 to about 76 percent in 2008. North American cumene industry operating rates remained about 75 percent for both 2007 and 2008. In addition, CDI reported that industry prices for our feedstock benzene remained about flat and propylene increased 15 percent, from 2007 to 2008. Increased feedstock costs enabled the industry to increase sales prices for phenol, acetone and cumene by 2 percent, 14 percent and 4 percent, respectively, from 2007 to 2008, according to CDI. During the fourth quarter of 2008, the aromatics industry experienced a sharp decline in feedstock and product prices. CDI reported U.S. industry prices for benzene and propylene decreased 76 percent and 79 percent, respectively, from September 2008 to December 2008. Consequently, most producers were unable to fully recover previously purchased raw materials costs in a declining sales price environment due to the time lag between the purchase of raw materials and the sale of the related finished goods. During the fourth quarter of 2008, we experienced a $24.8 million operating loss due to a sharp decline in feedstock and product prices and the time lag between the purchase of raw materials and the sale of the related finished goods.

Results of Operations

The following table sets forth our consolidated statement of operations data for each of the three years ended December 31, 2008, 2007 and 2006, and the percentage of net sales of each line item for the years presented.

	Year Ended December 31,					
(Dollars in millions)	**2008**		**2007**		**2006**	
Net sales	$2,916.5	100.0%	$ 3,157.3	100.0%	$ 2,427.8	100.0%
Cost of sales	2,717.4	93.2	2,851.5	90.3	2,152.5	88.7
Gross margin	199.1	6.8	305.8	9.7	275.3	11.3
Goodwill, intangibles and other long-lived asset impairments	175.9	6.0	159.0	5.0		
Restructuring costs	22.0	0.7	3.6	0.1		
(Gains) losses on sale of assets	(27.3)	(0.9)	1.3	0.0		
Selling, general and administrative expenses	168.6	5.8	225.6	7.2	119.2	4.9
Operating (loss) income	(140.1)	(4.8)	(83.7)	(2.6)	156.1	6.4
Interest expense, net	133.2	4.6	133.8	4.2	51.3	2.1
Foreign exchange (gain) loss	4.3	0.1	(6.3)	(0.2)	21.5	0.9
Provision for (benefit from) income taxes	(20.0)	(0.7)	44.0	1.4	31.5	1.3
(Loss) income from continuing operations	(257.6)	(8.8)	(255.2)	(8.1)	51.8	2.1
Loss from discontinued operations, net of tax			(10.8)	(0.3)	(3.3)	(0.1)
Net (loss) income	$ (257.6)	(8.8)%	$ (266.0)	(8.4)%	$ 48.5	2.0%

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

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The following table sets forth certain financial data by reportable segment for each of the three years ended December 31, 2008, 2007 and 2006, and the percentage of total net sales or gross margin by segment for each line item.

	Year Ended December 31,					
(Dollars in millions)	2008		2007		2006	
Net sales						
Chlorovinyls	$1,380.0	47.3%	$ 1,409.1	44.6%	$ 1,642.8	67.7%
Window and door profiles and mouldings products	408.9	14.0	508.0	16.1	117.0	4.8
Outdoor building products	508.8	17.5	573.3	18.2	108.9	4.5
Aromatics	618.8	21.2	666.9	21.1	559.1	23.0
Total net sales	$2,916.5	100.0%	$ 3,157.3	100.0%	$ 2,427.8	100.0%
Gross margin						
Chlorovinyls	$ 165.5	12.0%	$ 150.3	10.7%	$ 271.1	16.5%
Window and door profiles and mouldings products	23.7	5.8	68.7	13.5	9.3	7.9
Outdoor building products	41.0	8.1	72.0	12.6	7.0	6.4
Aromatics	(31.1)	(5.0)	14.8	2.2	(12.1)	(2.2)
Total gross margin	$ 199.1	6.8%	$ 305.8	9.7%	$ 275.3	11.3%

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

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

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

Window and door profiles and mouldings products segment net sales totaled $408.9 million for the year ended December 31, 2008, a decrease of 20 percent (20 percent decrease on a constant currency basis) compared to $508.0 million last year. Our overall sales volumes decreased 20 percent. North American vinyl resin extruded window and door industry sales volumes declined about 19 percent

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reflecting the decline in the U.S. housing and construction markets. We experienced a minimal currency impact on our sales in Canada resulting from the change of the Canadian dollar against the U.S. dollar from 2007 to 2008. During 2008, our window and door profiles and mouldings segment generated about 57 percent of its revenue in the U. S. and the remainder in Canada.

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

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

Gross Margin. Total gross margin decreased from 9.7 percent of sales for the year ended December 31, 2007, to 6.8 percent of sales for the year ended December 31, 2008. This $106.7 million decrease is due to lower overall sales volumes and higher feedstock costs and was partially offset by an increase in overall sales prices and cost reduction initiatives. Some of our primary raw materials and natural gas costs in our chemical segments normally track crude oil and natural gas industry prices. Crude oil and natural gas industry prices experienced increases of 38 percent and 32 percent, respectively, from 2007 to 2008. We have implemented several cost savings initiatives during 2008 including reducing our cost structure by the permanent closure and consolidation of six manufacturing plants into other facilities. We have also reduced total headcount by about 15 percent resulting in a decrease in labor cost related to cost of sales of about $37.1 million in 2008 compared to 2007. In addition, we sold our outdoor storage buildings business, which also reduced our cost structure.

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

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

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and door profile fabrication plants and moved the production requirements of our customers to our other manufacturing locations.

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

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

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

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

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Goodwill, Intangibles and Other Long Lived Asset Impairments. As a result of our annual impairment testing performed during the fourth quarter of 2008 and the property plant and equipment impairments, resulting from our restructuring activity, we recorded non-cash impairment charges of $176.0 million for the year ended December 31, 2008 as compared to $159.0 million for the year ended December 31, 2007 to write down goodwill, other intangible assets and long-lived assets. The additional impairment during 2008 is due to the continued deterioration of the U.S. housing and construction markets. The 2008 non-cash impairment charges by reportable segment are as follows: Window and Door Profiles and Mouldings reportable segment are $63.4 million of goodwill and $47.2 million of other intangible assets and $2.3 million of other long-lived assets. Outdoor Building Products reportable segment are $0.1 million of other intangible assets and $0.6 million of other long-lived assets and Chlorovinyls reportable segment is $1.4 million of other intangible assets and $61.1 million of other long-lived assets. The Chlorovinyls reportable segment other long-lived assets write down of $61.1 million is primarily due to ceasing all operations and permanent shut down of the Oklahoma City, Oklahoma and Sarnia, Ontario vinyl resin manufacturing plants during 2008.

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

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

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

Provision for (Benefit from) Income Taxes. The benefit from income taxes from continuing operations was $20.0 million for the year ended December 31, 2008, compared with an income tax provision for continuing operations of $44.0 million for the year ended December 31, 2007. Loss from continuing operations before income taxes increased $66.5 million from 2007 to 2008. Our effective tax rate for continuing operations for 2008 and 2007 was 7.2 percent and negative 20.8 percent, respectively. The difference in the rates was due to the routine accrual of interest on Financial Accounting Standard Board Interpretation No. 48 ("FIN 48") liabilities, the reversal of interest accrued on the Quebec tax trust settlement, (described below), and a portion of our valuation allowance for deferred tax assets in Canada, which was realized as a result of the Quebec Trust Settlement, the impact of non-deductible goodwill, intangibles and other long-lived assets and the impact of the valuation allowance resulting from not recognizing a tax benefit for the deferred tax assets in Canada as we determined that we did not meet the Statement of Financial Accounting Standard ("SFAS") No. 109, *Accounting for Income Taxes*, criteria to realize such benefits.

In March 2008, we reached a settlement with the provinces of Quebec and Ontario and the Canada Customs and Revenue Agency with respect to their assessments resulting from the retroactive application of tax law changes promulgated by Bill 15, which amended the Quebec Taxation Act and other legislative

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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. We recognized an income tax benefit of $9.2 million related to the reversal of $5.8 million in interest accrued on this liability and the reversal of $3.4 million in a previously established valuation allowance for net operating loss carryforwards, the value of which was realized via this settlement. In addition, we reduced goodwill by $16.5 million as a result of the settlement of this preacquisition tax contingency.

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

Year Ended December 31, 2007, Compared With Year Ended December 31, 2006

Net Sales. For the year ended December 31, 2007, net sales were $3.2 billion, an increase of 30 percent compared to $2.4 billion for 2006. This increase was a result of the Royal Group acquisition on October 3, 2006, which increased net sales by 36 percent, more than offsetting a decline in our chemical business net sales of 7 percent. Our chemical business overall average sales prices and volumes decreased 2 percent and 5 percent, respectively, primarily as a result of decreases in the prices and volumes of vinyl resins and vinyl compounds. The significant decrease of U.S. residential construction permits of 26 percent from 2006 to 2007 was the primary driver of the decrease in sales.

Chlorovinyls segment net sales totaled $1.4 billion for the year ended December 31, 2007, a decrease of 14 percent compared with net sales of $1.6 billion for the same period last year. Our overall average sales price decreased by 8 percent, primarily as a result of decreases in the prices of vinyl resins of 14 percent and vinyl compounds of 5 percent. The vinyl resin price decrease reflects the decline in U.S. housing that started during 2006, and which has not recovered. Our overall chlorovinyls sales volumes were down 9 percent compared to the North America PVC industry sales volume decrease of 2 percent also due to the slowdown in U.S. residential housing construction, partially offset by an increase in exports.

Window and door profiles and mouldings products net sales totaled $508.0 million for the year ended December 31, 2007 compared to $117.0 million for the same period last year. The increase in this segment reflects the full year results of operations related to Royal Group as compared to only the fourth quarter of last year. During 2007, our window and door profiles and mouldings segment sold about 40 percent of its products in Canada and the remainder in the U.S.

Outdoor building products net sales totaled $573.3 million for the year ended December 31, 2007, compared to $108.9 million for the same period last year. The increase in this segment reflects the full year results of operations related to Royal Group as compared to only the fourth quarter of last year. About 61 percent of our 2007 sales of outdoor building products were sold in Canadian markets and the remainder was sold in U.S. markets. Most of our pipe sales were in the Canadian construction markets.

Aromatics segment net sales were $666.9 million for the year ended December 31, 2007, an increase of 19 percent compared to $559.1 million in 2006. Our overall average selling prices increased 10 percent as a result of increases in the prices of cumene of 11 percent, phenol of 10 percent and acetone of 14 percent. The cumene and phenol price increases reflect higher costs for the feedstocks benzene and propylene. The North American phenol industry operating rate was approximately 88 percent for the year of 2007, or about 4 percent higher than the same period last year due to planned and unplanned outages in Europe and Asia. The North American cumene industry operating rate was approximately 76 percent during 2007, or about 2 percent higher than the same period last year. Our overall aromatics sales volumes increased 9 percent as a result of phenol and acetone sales volume increases of 14 percent and 16 percent, respectively. Sales volume increases are a result of our increased market share due to several competitors' unscheduled plant outages along with a strong export market, which more than offset the downturn in U.S. residential housing market.

Gross Margin. Total gross margin decreased from 11 percent of sales for the year ended December 31, 2006, to 10 percent of sales for the year ended December 31, 2007. This $30.5 million decrease was due to a $106.6 million decrease in our legacy chemical operations gross margin primarily due to lower chlorovinyls sales prices and volumes and higher benzene and ethylene costs offset by an increase in the Royal Group contribution of $151.4 million for the full year of 2007 compared to $14.2 million for the fourth quarter of last year. Some of our primary raw materials and natural gas costs in our chemical segments normally track crude oil and natural gas industry prices, where crude oil increased 9 percent and natural gas decreased 3 percent, from 2006 to 2007.

Chlorovinyls segment gross margin decreased from 17 percent of sales for the year ended December 31, 2006, to 11 percent of sales for the year ended December 31, 2007. This $120.8 million decrease primarily reflects decreases in sales prices and volumes for most of our chlorovinyls products and increases in our raw materials costs. Our overall raw materials and natural gas costs in 2007 increased 7 percent compared to 2006. Our chlorovinyls operating rate decreased from about 85 percent for 2006 to about 81 percent for 2007.

Window and door profiles and mouldings segment gross margin totaled $68.7 million for the year ended December 31, 2007, compared to $9.3 million for the year ended December 31, 2006. The increase in this segment reflects the full year results of operations related to Royal Group as compared to only the fourth quarter of last year.

Outdoor building segment gross margin totaled $72.0 million for the year ended December 31, 2007, compared to $7.0 million for the year ended December 31, 2006. The increase in this segment reflects the full year results of operations related to Royal Group as compared to only the fourth quarter of last year.

Aromatics segment gross margin increased from negative 2 percent of sales for year ended December 31, 2006, to 2 percent of sales for the year ended December 31, 2007. This $26.9 million increase from last year is due primarily to increases in sales prices and volumes for all of our aromatics products more than offsetting increases in our raw materials prices. Overall raw material costs increased 9 percent primarily as a result of increases in benzene and propylene costs year over year.

Goodwill, Intangibles and Other Long-Lived Asset Impairments. As a result of our annual impairment testing performed during the fourth quarter of 2007, and the property plant and equipment impairments, resulting from our restructuring activity, we recorded non-cash impairment charges of $159.0 million to write down goodwill, other intangible assets and long-lived assets primarily as a result of the deteriorating U.S. housing construction markets. An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The non-cash impairment charges by reportable segment are as follows: Window and Door Profiles and Mouldings reportable segment are $50.4 million of goodwill and $10.7 million of other intangible assets and $0.8 million of other long-lived assets; Outdoor Building Products reportable segment are $19.8 million of goodwill, $12.7 million of other intangible assets and $9.1 million of other long-lived assets and Chlorovinyls reportable segment is $55.5 million of goodwill.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled $225.6 million for the year ended December 31, 2007, an increase of $106.4 million from the $119.2 million for the year ended December 31, 2006. This increase was largely due to incremental selling, general and administrative expenses of $115.3 million resulting from the Royal Group acquisition, offset by cost savings initiatives.

Interest Expense, Net. Interest expense, net increased to $133.8 million for the year ended December 31, 2007, from $51.3 million for the year ended December 31, 2006. This increase of $82.5 million was primarily attributable to the increased debt issued October 3, 2006 to fund the acquisition of the Royal Group.

Foreign Exchange (Gain) Loss. In 2007, we had an overall $6.3 million gain on foreign exchange primarily due to our intercompany note receivable denominated in Canadian dollars. During 2007, the Canadian dollar strengthened against the U.S. dollar, which resulted in this gain. In June 2006, we entered into Canadian dollar foreign currency forward contracts with a notional amount of Canadian dollar $1.5 billion to effectively hedge the entire purchase price of Royal Group. Since this was a hedge of the foreign currency exchange risk of a business combination, we were not permitted to designate it as a cash flow hedge under the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Therefore, we recorded the change in the fair value of the derivative and the hedged item to earnings. During 2006, we recorded $21.5 million of losses related to these foreign currency forward contracts.

Provision for Income Taxes. The provision for income taxes from continuing operations was $44.0 million for the year ended December 31, 2007, compared with $31.5 million for the year ended December 31, 2006. The change in our 2007 taxes and our effective tax rate of negative 21 percent compared to 38 percent for the same period in 2006 is due primarily to non-deductibility for tax purposes of the impairment charges of approximately $159.0 million, a $52.1 million valuation allowance recognized against the deferred tax assets in Canada and the impact of accruing interest on FIN 48 liability.

Loss from Discontinued Operations. Subsequent to the Royal Group acquisition, we began to exit several non-core businesses. As of December 31, 2007, these businesses qualified as discontinued operations under generally accepted accounting principles and incurred a net loss of $10.8 million, for the year ended December 31, 2007, compared with a net loss of $3.3 million, for the year ended December 31, 2006.

Liquidity and Capital Resources

Operating Activities. For the year ended December 31, 2008, cash flows provided by operating activities from continuing operations were $41.4 million compared with $128.2 million for the year ended December 31, 2007. The major use of cash flow for fiscal year 2008 was a $20.1 million payment in connection with the settlement of our Quebec tax trust tax contingency. The major source of cash flow for fiscal year 2008 was a $13.7 million increase in cash provided by other current operating assets and liabilities. Operating activities were also impacted by the non-cash impairment charge to write down goodwill, intangibles and other long-lived assets of $176.0 million primarily as a result of the deteriorating North America housing and construction markets and restructuring programs. Total working capital at December 31, 2008 was $225.2 million versus $200.7 million at December 31, 2007, an increase of $24.5 million. The significant increase in working capital for fiscal year 2008 includes an $80.7 million dollar increase in cash partially offset by a $32.6 million increase in our current portion of long-term debt, primarily due to the issues regarding the availability on our revolver discussed below in "Financing Activities;" and decreases in accounts payable, accrued compensation, and liability for unrecognized tax benefits of $127.4 million, $23.0 million and $52.1 million, respectively. The decrease in payables was primarily attributable to production volume decreases and shorter credit terms from certain vendors, some of whom required prepayments, as a result of certain vendors' concern over the alleged notice of default on our 7.125 percent notes that was resolved on July 15, 2008. These significant increases in working capital for fiscal year 2008 were partially offset by a decrease in inventories of $126.3 million. The majority

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of our inventory decrease was mainly due to lower prices in our raw materials and adjusting our levels to the decrease in current demand.

For the year ended December 31, 2007, we generated $128.2 million of cash flow from operating activities from continuing operations as compared with $254.7 million during the year ended December 31, 2006. The major use of cash flow for fiscal year 2007 was approximately $19.0 million paid towards involuntary employee termination benefits. The major source of cash flow in 2007 was a $40.2 million increase in cash provided by other current operating assets and liabilities. Operating activities were also impacted by the non-cash impairment charge to write down goodwill, intangibles and other long-lived assets by $159.0 million primarily as a result of the deteriorating U.S. housing and construction markets and a non-cash charge of $52.1 million related to a valuation allowance against our Canadian deferred tax assets. Total working capital at December 31, 2007 was $200.7 million versus $203.0 million at December 31, 2006.

Investing Activities. Net cash provided by investing activities was $24.6 million and $21.6 million for the years ended December 31, 2008 and 2007, respectively. Net cash used in investing activities was $1.1 billion for the year ended December 31, 2006, primarily related to the acquisition of Royal Group and reinvestment in equipment to improve our operating efficiencies. We incurred maintenance expense for our production facilities of $109.1 million, $111.2 million and $80.5 million during the years ended December 31, 2008, 2007, and 2006, respectively. During 2008, we received cash proceeds from sales of property, plant and equipment and assets held for sale of $79.8 million. These proceeds relate primarily to the sale of the outdoor storage business for $13.0 million, a sale of real estate in Ontario, Canada for $12.6 million, a sale of real estate in Manitoba, Canada for $4.5 million, the sale of a vacant tract of land along the Houston ship channel in Pasadena, Texas for net proceeds of $36.5 million, and the sale and lease back of equipment for $10.6 million. During 2007, we received cash proceeds from sales of property, plant and equipment, assets held for sale and discontinued operations of $105.3 million. These proceeds primarily relate to the sale of Royal Group's corporate headquarters and three manufacturing facilities located in Vaughan, Ontario. During 2007, we used cash of $83.7 million primarily for our Plaquemine, Louisiana PVC modernization project and our Bristol, Tennessee window and door profile plant expansion. We estimate total capital expenditures for 2009 will be in the range of $30.0 million to $35.0 million.

Financing Activities. Cash provided by financing activities was $15.4 million for the year ended December 31, 2008. Cash provided by financing activities was impacted by our adjustment of our cash management activities to maximize our financial flexibility during this time of uncertainty in the global credit markets. Specifically, Lehman Commercial Paper, Inc., a subsidiary of Lehman Brothers Inc. (collectively "Lehman Brothers"), is a participant in our revolving line of credit facility, representing about 12 percent of our $375.0 million revolving line of credit facility. Due to their failure to fund revolver draws, we now have about $6.6 million of our revolving line of credit that is not available to us. As a result we maintained a higher cash balance partially due to $105.8 million of net additional borrowings on our revolving line of credit that was partially offset by the repayment of $74.0 million of long-term debt. Long-term debt repayments were primarily funded by proceeds from the sale of under utilized assets. During fiscal year 2008, we increased our total debt by $33.3 million due primarily to the above noted issues with Lehman Brothers and the impact on the availability of our revolving line of credit. Had the revolving line of credit been fully available we could have decreased total debt during fiscal 2008 by $46.7 million by applying approximately $80.0 million of the $90.0 million of cash and cash equivalents on hand at December 31, 2008 towards our outstanding revolving line of credit balance as we generally maintain and have working capital cash requirements of approximately $10.0 million. The $21.2 million reduction in our lease financing obligation is due exclusively to the change in the Canadian dollar foreign exchange rate.

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

Cash provided in financing activities was $825.0 million for the year ended December 31, 2006. On October 3, 2006, in connection with the acquisition of Royal Group we entered into a new senior secured credit facility and issued $500.0 million of unsecured 9.5 percent senior notes due 2014 and $200.0 million of unsecured 10.75 percent senior subordinated notes due 2016. The senior secured credit facility includes a tranche B term loan of $800.0 million and revolving credit facilities of up to $375.0 million. The net proceeds from these transactions were used to fund the acquisition of Royal Group, replace the previously existing revolving credit facility, and pay related debt issuance costs of $38.0 million. Old revolver debt issuance costs of $3.0 million were written-off in the fourth quarter of 2006 as we entered into a new revolver. Finance fees associated with a bridge financing related to the Royal Group acquisition of $2.3 million were expensed in the fourth quarter of 2006 as this bridge facility expired. From October 3, 2006 to December 31, 2006, we paid down debt of approximately $274.0 million with approximately $135.0 million generated through consideration from asset sales of certain non-core assets of Royal Group and approximately $139.0 million generated through cash flow from operations. In addition to the $274.0 million debt reduction, we reduced the amount of receivables sold under our accounts receivable securitization program by $34.0 million.

On December 31, 2008, our balance sheet debt consisted of $350.4 million of term debt and $125.8 million of borrowings under our revolving credit facility under our senior secured credit facility, $100.0 million of unsecured 7.125 percent senior notes due 2013, $497.2 million of unsecured 9.5 percent senior notes due 2014, $197.4 million of unsecured 10.75 percent senior subordinated notes due 2016, $91.5 million of lease financing obligations and $31.9 million in other debt. At December 31, 2008, under our revolving credit facility, we had a maximum borrowing capacity of $375.0 million, with $6.6 million through Lehman Commercial Paper Inc., a subsidiary of Lehman Brothers, Inc. that is unavailable due to their current bankruptcy filing, and net of outstanding letters of credit of $99.7 million and current borrowings of $125.8 million, we had remaining availability of $142.9 million. The availability is subject to restrictive covenants requiring compliance with a maximum leverage ratio and minimum interest coverage ratio. In addition, of the $125.8 million revolver borrowings and $99.7 million of letters of credit outstanding under the revolving credit facility at December 31, 2008, $39.7 million relates to Lehman Brothers commitment, and would not be available to us if we paid down the revolver or reduced the related outstanding letters of credit. We are working towards securing other lenders to replace the Lehman Commercial Paper Inc. portion of our revolving credit facility. Over the next twelve months, we expect to pay off $56.8 million of borrowings, including $36.3 million on our revolving credit facility, $3.5 million of principal on our tranche B term loan, that we are contractually obligated to pay, and $17.0 million for our Industrial Revenue Bond which is due in May 2009. Therefore, we have classified this debt as current in our consolidated balance sheet as of December 31, 2008. Debt under the senior secured credit facility is secured by a majority of our assets, including real and personal property, inventory, accounts receivable and other intangibles.

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Under our senior secured credit facility and the indentures related to the 7.125 percent, 9.5 percent, and 10.75 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, incur debt, grant liens, sell our assets and engage in certain other activities. Our ability to meet these covenants, satisfy our debt obligations and pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other factors, some of which are beyond our control. On March 14, 2007, we entered into an amendment to our senior secured credit facility, which temporarily waived our interest coverage ratio for the year ended December 31, 2006, and through May 31, 2007. On May 10, 2007, we executed another amendment to our senior secured credit facility to increase our leverage ratio and to decrease our interest coverage ratio each quarter generally through December 31, 2009. In addition, this amendment reduced our capital expenditures limitation to $100.0 million in 2007, $90.0 million in 2008 and $135.0 million in 2009. On September 11, 2008 we executed the fourth amendment to our senior secured credit facility to further increase our leverage ratio and to decrease our interest coverage ratio for the second half of 2008 and the first quarter of 2009. Applicable per annum interest rates increased by approximately 2.5% for the fourth quarter of 2008 and 3.0% thereafter for both the London Interbank Offered Rate, or LIBOR, loans and the administrative agent bank's base rate loans. The capital expenditure limit set forth in the senior secured credit facility was decreased from $90.0 million to $65.0 million in 2008, and from $135.0 million to $65.0 million in 2009. As of December 31, 2008, we were in compliance with all of the financial covenants under our senior secured credit facility and the indentures related to the 7.125 percent, 9.5 percent and 10.75 percent notes. On March 16, 2009, we executed the fifth amendment to our senior secured credit facility to, among other things, increase our leverage ratio and to decrease our interest coverage ratio each quarter ended beginning March 31, 2009 through December 31, 2009. The fifth amendment also establishes a trailing twelve-month minimum consolidated EBITDA threshold to be measured quarterly. In addition, the fifth amendment reduces our annual capital expenditures limitation to $35.0 million in 2009 and $55.0 million in 2010. Applicable per annum interest rates increased by approximately 1.0% for both the LIBOR loans and the administrative agent bank's base rate loans. Finally, the fifth amendment permits us to grant a second lien on substantially all of our assets, which provides us flexibility to improve our capital structure in the future.

Management believes that based on current and projected levels of operations and conditions in our markets, planned sales of assets, tax refunds, other non-operating transactions and the effect of the previous amendments, cash flow from operations, together with our cash and cash equivalents of $90.0 million and the availability to borrow an additional $142.9 million under the revolving credit facility at December 31, 2008, we will have adequate funds to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements for the next twelve months. However, based on recent trends and our current assumptions regarding our operations, future level of debt repayment, and non-core asset sales and other non-operating transactions, we may not be able to meet the restrictive covenants and may not be able to maintain compliance with certain financial ratios in our senior secured credit facility which become more restrictive effective March 31, 2010. As a result, we are continuing to evaluate our capital structure and to explore options including the possibility of seeking an amendment or refinancing of our senior secured credit facility to obtain a structure with greater flexibility. Although we have successfully negotiated covenant relief and refinanced our debt in the past, recent unfavorable global economic conditions have led to a tightening in the global credit markets, a low level of liquidity in many financial markets and extreme volatility in the credit and equity markets thus increasing the difficulty of accessing the credit markets and therefore, there can be no assurance we can do so in the future.

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

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Off-Balance Sheet Arrangement. We have an agreement pursuant to which we sell an undivided percentage ownership interest in a defined pool of our U.S. trade receivables on a revolving basis through a wholly owned subsidiary to a third party (the "Securitization"). Our Securitization provides us one of our cheapest sources of funds and enables us to reduce our annual interest expense. The funded balance has the effect of reducing accounts receivable and short-term liabilities by the same amount. As collections reduce accounts receivable included in the pool, we sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization in effect through March 17, 2009. The balance in the interest of receivables sold at December 31, 2008, 2007 and 2006, was $111.0 million, $147.0 million and $128.0 million, respectively. As of December 31, 2008, we were in compliance with all covenants in the Securitization. On March 17, 2009, we entered into a new asset securitization agreement pursuant to which we will sell an undivided percentage ownership interest in a certain defined pool of our U.S. and Canadian trade accounts receivables on a revolving basis through a wholly owned subsidiary to a third party, (the "New Asset Securitization"). Under the New Asset Securitization agreement we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. The New Asset Securitization agreement expires in March 2011.

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 that may be periodically amended. 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.

Contractual Obligations. Our aggregate future payments under contractual obligations by category as of December 31, 2008, were as follows:

(In millions)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and thereafter**
Contractual obligations:							
Long-term debt principal	$1,311	$ 21	$ 4	$ 129	$100	$357	$ 700
Long-term debt interest	662	132	117	114	106	95	98
Lease financing obligations	51	6	6	6	6	6	21
Operating lease obligations	93	26	18	12	10	8	19
Purchase obligations	4,545	392	1,263	754	668	518	950
Uncertain income tax positions	20	20					
Other	11						11
Total	$6,693	$597	$1,408	$1,015	$890	$984	$ 1,799

Long-Term Debt. Long-term debt includes principal and interest payments based upon our interest rates as of December 31, 2008. Long-term debt obligations are listed based on when they are contractually due.

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

Operating Lease Obligations. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2014. We did not have significant capital lease obligations as of December 31, 2008.

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Purchase Obligations. Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. We have certain long-term raw material supply contracts and energy purchase agreements with various terms extending through 2014. These commitments are designed to assure sources of supply for our normal requirements. Amounts are based upon contractual raw material volumes and market rates as of December 31, 2008.

Uncertain Income Tax Positions. We have recognized a liability for our unrecognized income tax benefits of approximately $54.5 million as December 31, 2008. We have included in the table above any liability for our unrecognized income tax benefits related to audits and other tax matters that we are likely to pay within a twelve month period. The ultimate resolution and timing of payment for remaining matters remains uncertain and are therefore excluded from the above table.

Outlook

We based our 2009 operating plan on conservative assumptions to account for the limited visibility in the current economic environment. This plan assumes continued softness in the North American housing and construction markets through 2009. We forecast that feedstock and energy costs will remain volatile on a percentage basis but due to lower prices, the magnitude of the impact on our financial results will be less significant than it was in 2008. We believe the ECU value leveled off at the end of 2008 and may decline in 2009, but will remain at a historically high level due to continued weakness in chlorine derivative demand.

In addition to these macroeconomic assumptions, our plan gives effect to the expected impact of a number of factors related specifically to Georgia Gulf. Savings related to closing the Sarnia PVC resin plant, the Oklahoma City PVC resin plant, and four other manufacturing facilities in 2008 are expected to reduce operating expenses by $47 million. Additionally, the headcount, salary, and pension changes announced in the first quarter of 2009 will further reduce expenses. These cost reductions will be partially offset by costs associated with temporary closure or idling of the caustic chlorine plant and the Plaquemine VCM plant for maintenance in 2009. We also expect less contribution from asset sales in 2009 compared to 2008.

Our forecast indicate that we should generate enough cash to cover interest costs, fund normal capital expenditures and pay down debt in 2009.

See Item 1A. "Risk Factors Forward-Looking Statements"

Inflation

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

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement also affects other accounting pronouncements that require or permit fair value measurements. Recently, the FASB Staff Position ("FSP") SFAS 157-1 was issued removing leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*, and related guidance from the scope of SFAS No. 157. Also, FSP SFAS 157-2, *Effective Date of FASB Statement No. 157*, was issued, deferring the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The effective date for all other fair value measurements is for fiscal years beginning January 1, 2008. Our adoption of SFAS No. 157 as of January 1, 2008 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *"Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132(R)."* We adopted all provisions of SFAS No. 158 as of December 31, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The adoption of the measurement provisions of SFAS No. 158 on December 31, 2008 did not have any impact on our consolidated financial statements as we measure our pension and postretirement benefits as of our fiscal year end.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement permits all entities to choose, at specified election dates, to measure eligible items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided the entity also elects to apply the provisions of SFAS No. 157. The adoption of SFAS No. 159 on January 1, 2008 did not have a material impact on our consolidated financial statements.

The FASB recently completed the second phase of the multiphase project to reconsider the accounting for business combinations. The first phase resulted in the issuing of SFAS No. 141, *Business Combinations,* and SFAS No. 142, *Goodwill and Other Intangibles*. In connection with the second phase the FASB has issued SFAS No. 141(R), *Business Combinations,* and SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements An Amendment of ARB No. 51*. These statements will require more assets and liabilities assumed to be measured at fair value as of the acquisition date; liabilities related to contingent consideration to be remeasured at fair value in each subsequent period; an acquirer in preacquisition periods to expense all acquisition-related costs; and noncontrolling interests in subsidiaries initially to be measured at fair value and classified as a separate component of equity. Additionally, SFAS No. 141(R) will require, subsequent to the acquisition period, changes in the valuation allowances for deferred taxes, and liabilities for unrecognized tax benefits related to an acquisition to be recognized as a part of income tax expense. Both statements are effective for fiscal years beginning on or after December 15, 2008. The FASB does not permit early adoption. We are currently evaluating the impact, if any, of both statements on our financial position and results of operations.

On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement 133*. SFAS No. 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: a) an entity uses derivative instruments; b) derivative instruments and related hedged items are accounted for under the FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; and c) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On April 25, 2008, the FASB issued FSP SFAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), *Business Combinations*, and other U.S. generally accepted accounting principles ("GAAP"). This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On May 9, 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles.* SFAS No. 162 reorganizes the GAAP hierarchy in order to improve financial reporting by providing a consistent framework for determining what accounting principles should be used when preparing U.S. GAAP financial statements. SFAS No. 162 will be effective 60 days following the Securities and Exchange Commission's ("SEC's") approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. We do not believe the adoption of SFAS No. 162 will have a material impact on our consolidated financial statements.

On June 16, 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") No. 03-6-1, which addresses whether instruments granted in share-based payment awards are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method of SFAS No. 128, *Earnings Per Share*. This FSP affects entities that accrue cash dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the awards. This FSP is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

In June 2008, the EITF reached a consensus on EITF Issue No. 08-3 *Accounting by Lessees for Maintenance Deposits Under Lease Arrangements*. EITF Issue No. 08-3 resolves that all nonrefundable maintenance deposits that are contractually and substantively related to maintenance of the leased asset are accounted for as deposit assets. The lessee's deposit asset is expensed or capitalized as part of a fixed asset (depending on the lessee's maintenance accounting policy) when the underlying maintenance is performed. When the lessee determines that it is less than probable that an amount on deposit will be returned to the lessee (and thus no longer meets the definition of an asset), the lessee must recognize an additional expense for that amount. EITF Issue No. 08-3 is effective for fiscal years beginning after December 15, 2008 and must be applied by recognizing the cumulative effect of the change in accounting principle in the opening balance of retained earnings as of the beginning of the fiscal year in which this EITF issue is initially applied. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On September 24, 2008, the EITF reached a consensus on EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations*, which requires an entity to account for equity method investments by calculating the difference between the cost of an equity method investment and the underlying equity in the net assets of that investee as if the investee were a consolidated subsidiary. The initial carrying value of an equity method investment should be determined by applying a cost accumulation model and for subsequent measurements; share issuances by the investee should be accounted for as if the equity method investor had sold a proportionate share of its investment. Additionally, an entity should use an other-than-temporary impairment model when testing equity method investments for impairment. EITF Issue No. 08-6 is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On December 11, 2008, the FASB issued FSP No.140-4, which requires public companies to provide disclosures similar to those proposed in the pending amendments to SFAS No.140. FSP No.140-4 requires additional disclosures about transfers of financial assets in order to improve transparency in the current market environment. These additional disclosure requirements primarily focus on the transferor's continuing involvement with transferred financial assets and the related risks retained. The transferor must disclose (1) whether it provided financial or other support to the transferee that it was not previously contractually required to provide, including the primary reasons for providing the support, and (2) details of any arrangements that could require any future financial support. Future financial support is defined as financial support that may result from explicit written arrangements, communications between the transferor and transferee or its beneficial interest holders, and unwritten arrangements customary in similar transfers. FSP No.140 is effective for the first reporting period that ends December 15, 2008 and calendar year-end companies must provide the required disclosures in their December 31, 2008 annual filings and in all subsequent annual and quarterly financial statements. The disclosures required by FSP No. 140-4 relate to our accounts receivable securitization program (see Note 5 of the Notes to Consolidated Financial Statements).

In December 2008, the FASB issued FSP FAS 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 standard requires new disclosures only, and will have no impact on our consolidated financial positions, results of operations or cash flows. These new disclosures will be required for us beginning in our Form 10-K for the year ending December 31, 2009.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective, or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. We have evaluated the accounting policies used in the preparation of the accompanying consolidated financial statements and related notes and believe those policies to be reasonable and appropriate. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 for a complete listing of our accounting policies. We believe the following to be our most critical accounting policies applied in the preparation of our financial statements.

Allowance for Doubtful Accounts. In our determination of the allowance for doubtful accounts and consistent with our accounting policy, we estimate the amount of accounts receivable that we believe are unlikely to be collected and we record an expense for that amount. Estimating this amount requires us to analyze the financial strength of our customers by analyzing leverage and coverage ratios, as well as Dun and Bradstreet ratings. In our analysis, we combine the use of historical collection experience, our accounts receivable aged trial balance and specific collectibility analysis. By its nature, such an estimate is highly subjective, and it is possible that the amount of accounts receivable that we are unable to collect may be different than the amount initially estimated. Our allowance for doubtful accounts on December 31, 2008 and 2007 was $12.3 million and $12.8 million, respectively. No individual customer accounts for greater than 10 percent of our trade accounts receivable as of December 31, 2008 and 2007. To the extent the actual collectibility of our accounts receivable differs from our estimated allowance by 10 percent, our net income would be higher or lower by approximately $1.0 million, on an after-tax basis, depending on whether the actual collectibility was better or worse than the estimated allowance.

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

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Valuation of Goodwill and Other Intangible Assets. Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in purchase accounting for business combinations. Other identifiable intangible assets are intangible assets such as customer lists, trade names and technology that are identified during acquisitions. Our carrying value of our goodwill and indefinite lived intangible assets are tested for impairment annually on October 1 and are tested for impairment between annual impairment tests if an event occurs or circumstances change that would indicate the carrying amounts may be impaired. Indicators include, but are not limited to significant declines in the markets and industries which buy our products, changes in the estimated future cash flows of our reporting units, changes in capital markets and changes in our market capitalization. Impairment testing for goodwill and indefinite lived intangible assets is a two-step test performed at a reporting unit level. Our reporting units subject to such testing are window and door profiles; mouldings; deck, fence and rail products and compounds (vinyl and additives). The initial step requires the carrying value of each reporting unit to be compared with its estimated fair value. The second step to evaluate a reporting unit for impairment is only required if the carrying value of the reporting unit exceeds the estimated fair value in the initial step. We use a discounted cash flow analysis and market approaches to determine the estimated fair value of a reporting unit, which requires judgment and assumptions including estimated future cash flows and discount rates. Our weighting of the discounted cash flow and market approaches vary by reporting unit based on factors specific to those reporting units. Our weighting of the two approaches ranges from 50% to 100% of discounted cash flows and nil to 50% of the market approach. An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. Actual impairment charges incurred could vary significantly from amounts that we estimate if different assumptions or methods are used in the estimate for fair value of the reporting units.

Inherent in our fair value determinations are certain judgments and estimates relating to future cash flows, including interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans with regard to our operations. A change in such assumptions may cause a change in the results of the analyses performed. In addition, to the extent significant changes occur in market conditions, overall economic conditions or our strategic operational plan, it is possible that goodwill not currently impaired may become impaired in the future. Based on the results of our evaluation in connection with our goodwill impairment test as of October 1, 2008 and 2007, we recorded a non-cash impairment charge to write down goodwill and other intangible assets by $112.1 million and $149.4 million, in 2008 and 2007, primarily as a result of the deteriorating North America housing and construction markets. We experienced a significant decline in our market capitalization from October 1, 2008 to December 31, 2008, which we determined was not primarily due to company-specific factors, but rather, due to macroeconomic conditions, including rising unemployment levels, turmoil in the credit markets, and deteriorating consumer confidence. However, given the decrease in market capitalization at December 31, 2008, we reconsidered our cash flow projections utilized in our impairment test as of October 1, 2008, including an assessment of our actual results for the fourth quarter of 2008 as compared to our projections for such period, and also assessed whether the discount rates used in our October 1, 2008 impairment test remained appropriate as of December 31, 2008. We further evaluated our reporting units with significant goodwill using a 100 basis point increase in our discount rates above those that were supported by our valuation work. On the basis of our reconsideration of the cash flow projections and associated discount rates, we determined that it was not more likely than not that the estimated fair value of our reporting units with goodwill was reduced below its carrying value. See Note 9 of the Notes to Consolidated Financial Statements for further details of the 2008 goodwill and other intangible asset impairment test results. The impairment tests we performed as of October 1, 2006 indicated no goodwill impairment.

Valuation of Long-Lived Assets. Our long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and assumptions for operational performance of our businesses. The assumptions used to estimate our future undiscounted cash flows are predominately identified from our financial forecasts. The actual impairment charge incurred could vary significantly from amounts that we estimate. Additionally, future events could cause us to conclude that impairment indicators exist and that associated long-lived assets of our businesses are impaired.

We assessed our Oklahoma City, Oklahoma and Sarnia, Ontario resin plants for impairment, and have recorded impairment charges of $15.5 million and $42.3 million, respectively in 2008. The Oklahoma City, Oklahoma plant ceased operations in March 2008 and the Sarnia plant closed in December 2008. We noted no impairment for these assets in 2007 and 2006.

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

The discount rate reflects the rate at which pension benefit obligations could be effectively settled. We determined our discount rate by matching the expected cash flows of our pension obligations to a yield curve generated from a broad portfolio of high-quality fixed rate debt instruments. The discount rate assumption used for determining annual pension expense for our U.S. pension plans in 2008 was 6.25 percent. At December 31, 2008, this rate was 6.50 percent for determining 2009 annual pension expense for our U.S. pension plans. A 25 basis point increase or decrease in this discount rate would decrease or increase our annual pre-tax pension expense by $0.1 million for our U.S. pension plans. In addition to the expense, a 25 basis point increase in our discount rate would decrease our year-end benefit obligations by $3.5 million, whereas a 25 basis point decrease would increase our year-end benefit obligations by $3.7 million for our U.S. pension plans.

The expected long-term rate of return on plan assets assumption is based on historical and projected rates of return for current and planned asset classes in the plan's investment portfolio. Our weighted average asset allocation as of December 31, 2008, is 53.9 percent equity securities, 23.2 percent debt securities, 2.9 percent real estate and 20.0 percent other. Assumed projected rates of return for each of the plan's projected asset classes were selected by us after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. The expected long-term rate of return assumption used for determining annual pension expense for 2008 was 8.0 percent for our U.S. pension plans. At December 31, 2008, this rate was 8.8 percent for determining 2009 annual pension expense for our U.S. pension plans. A 25 basis point increase or decrease in the long-term rate of return on plan assets assumption would decrease or increase our annual pre-tax pension expense by $0.3 million, for our U.S. pension plans. A 25 basis point increase or decrease in the expected long-term rate of return assumption for our foreign pension plans is not material.

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

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the enactment date. At December 31, 2008 and 2007, we had a net deferred tax liability balance of $47.6 million and $109.4 million, respectively.

In evaluating the ability to realize our deferred tax assets we rely principally on forecasted taxable income using historical and projected future operating results and the reversal of existing temporary differences. At December 31, 2008 and 2007, we had deferred tax assets for state tax credit carryforwards of $4.6 million and $4.0 million, respectively, which carryforward indefinitely. We believe we will achieve taxable income in the related jurisdictions in order to realize the deferred tax assets for state tax credit carryforwards. In addition, at December 31, 2008 we had deferred tax assets for net operating loss carryforwards in the U.S. and Canada of $28.5 million and $28.7 million, respectively, of which we have a $32.9 million valuation allowance to record these deferred tax assets related to net operating losses at their estimated realizable values.

In 2008 and 2007, we recorded a $55.5 million and $52.1 million valuation allowance, respectively, on certain deferred tax assets in Canada that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income and tax-planning strategies available to the company in making this assessment. In order to fully realize the deferred tax assets, we will need to generate future taxable income before the expiration of the deferred tax assets governed by the tax code. Based on the level of historical cumulative losses, management believes that it is more likely than not that the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008. Our ability to reduce future taxable income through the utilization of the U.S. federal net operating loss carryforwards acquired is subject to the change in ownership restrictions under Internal Revenue Code Section 382. In February 2008, the Company experienced a change in control within the meaning of Internal Revenue Code section 382. We do not expect our U.S. federal or state net operating loss carry-forwards to expire, notwithstanding the change in ownership, before we are able to use them.

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

In addition, we have accrued a reserve for non-income tax contingencies of $7.4 million and $8.1 million, at December 31, 2008 and 2007, respectively. The decrease in the reserve is related primarily to the changes in the Canadian dollar exchange rates offset by the accrued interest related to these matters. We accrue for non-income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The non-income tax contingency reserves are adjusted for, among other things, changes in facts and circumstances, receipt of tax assessments, expiration of statutes of limitations, interest and settlements and additional uncertainties.

Stock-Based Compensation We account for share-based payments in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment*. SFAS No. 123R requires all share-based payments to employees and non-employee directors, including grants of stock options, restricted and deferred stock units, restricted stock and employee stock purchase rights, to be recognized in our financial statements based on their respective grant date fair values. Under SFAS No. 123R, the fair value of each share-based payment award is estimated on the date of grant using an option-pricing model that meets certain requirements. We currently use the Black-Scholes option-pricing model to estimate the fair value of our share-based payment awards. The Black-Scholes model meets the requirements of SFAS No. 123R; however, the fair values generated by the model may not be indicative of the actual fair values of our awards as it does not consider certain factors important to our awards, such as continued employment, periodic vesting requirements and limited transferability. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards to employees or we assume unvested equity awards in connection with acquisitions. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We use the historical volatility for our stock, as we believe that historical volatility is more representative than implied volatility. The expected life of the awards is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on our historical dividend yield and expectation of future dividend payouts. The fair value of our restricted and deferred stock units and restricted stock are based on the fair market value of our stock on the date of grant. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense recognized in our financial statements is based on awards that are ultimately expected to vest. We evaluate the assumptions used to value our awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

Environmental

Our operations are subject to increasingly stringent federal, state, and local laws and regulations relating to environmental quality. These regulations, which are enforced principally by the United States Environmental Protection Agency ("USEPA") and comparable state agencies, govern the management of solid hazardous waste, emissions into the air and discharges into surface and underground waters, and the manufacture of chemical substances. Our Canadian operations are subject to similar laws and regulations.

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

See Item 1. Business, Item 3. Legal Proceedings, and Item 8. Financial Statements and Supplementary Data, Note 11 of the Notes to the Consolidated Financial Statements for additional information related to environmental matters.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to certain market risks related to long-term financing and related derivative financial instruments, foreign currency exchange rates and raw material commodity prices. These financial exposures are managed as an integral part of our risk management program, which seeks to reduce the potentially adverse effect that the volatility of the interest rate, exchange rate, raw material commodity and

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natural gas markets may have on our operating results. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes.

Interest Rate Risk Management. The following table is "forward-looking" information that provides information about our debt obligations and other significant financial instruments that are sensitive to changes in interest rates. Our policy is to manage interest rates through use of a combination of fixed and floating rate debt instruments. At times, we may utilize interest rate swap agreements to help manage our interest rate risk. As of December 31, 2008 and 2007, we had interest rate swaps with notional amounts totaling $75.0 million and $300.0 million, respectively, to fix the interest rate on $75.0 million and $300.0 million, respectively, of our variable LIBOR based term debt. We currently estimate that a 100 basis point change in prevailing market interest rates or our variable rate debt would impact our related annual pre-tax income by $5.4 million. The table presents principal cash flows and related weighted average interest rates by expected maturity dates for the financial instruments.

	Principal (Notional) Amounts by Expected Maturity Date							
(In thousands)	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**Total**	**Fair value at 12/31/08**
Financial instruments:								
Fixed rate principal	$	$	$	$14,919	$100,000	$ 700,000	$814,914	$ 230,500
Average interest rate	%	%	%	6.53%	7.13%	9.86%	9.46%	
Variable rate principal	$131,490	$3,456	$129,183	$77,961	$262,021	$	$604,111	$ 447,398
Average interest rate	4.58%	8.00%	7.60%	8.00%	8.00%	0.00%	7.17%	
Interest rate swaps	$ 75,000	$	$	$	$	$	$ 75,000	$ (2,850)
Average interest rate	5.32%	%	%	%	%	%	5.32%	

Foreign Currency Exchange Risk Management. Our international operations require active participation in foreign exchange markets. We may or may not enter into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures.

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, from time to time, we may enter into forward swap contracts, which are generally less than one year in duration. We designate forward swap contracts with financial counter-parties as cash flow hedges. Any outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes, and any material hedge ineffectiveness is recognized in cost of goods sold. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. The fair value of our natural gas swap contract was a $0.2 million liability at December 31, 2008 and December 31, 2007.

We also have other long-term supply contracts for raw materials, which are at prices not in excess of market, designed to assure a source of supply and not expected to be in excess of our normal manufacturing operations requirements. Historically, we have taken physical delivery under these contracts and we intend to take physical delivery in the future. Therefore, at inception we designate these contracts as normal purchase agreements and account for them under the normal purchase provision of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and related amendments.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Georgia Gulf Corporation and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Georgia Gulf Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As described in Note 16, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainties in Income Taxes an Interpretation of FASB Statement No. 109*, on January 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Atlanta, GA
March 17, 2009

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Georgia Gulf Corporation and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share data)

	December 31,	
	2008	**2007**
Assets		
Cash and cash equivalents	**$ 89,975**	$ 9,227
Receivables, net of allowance for doubtful accounts of $12,307 in 2008 and $12,815 in 2007	**117,287**	211,613
Inventories	**240,199**	366,545
Prepaid expenses	**21,360**	19,999
Income tax receivables	**2,264**	15,837
Deferred income taxes	**22,505**	25,049
Total current assets	**493,590**	648,270
Property, plant and equipment, net	**760,760**	967,188
Goodwill	**189,003**	282,282
Intangible assets, net of accumulated amortization of $9,988 in 2008 and $6,147 in 2007	**15,905**	75,789
Other assets, net	**150,643**	196,262
Non-current assets held for sale	**500**	31,873
Total assets	**$ 1,610,401**	$ 2,201,664
Liabilities and Stockholders' Equity		
Current portion of long-term debt	**$ 56,843**	$ 24,209
Accounts payable	**105,052**	232,477
Interest payable	**16,115**	17,752
Income taxes payable	**3,476**	1,094
Accrued compensation	**9,890**	32,882
Liability for unrecognized income tax benefits and other tax reserves	**27,334**	79,431
Other accrued liabilities	**49,693**	59,680
Total current liabilities	**268,403**	447,525
Long-term debt	**1,337,307**	1,357,799
Liability for unrecognized income tax benefits	**34,592**	37,874
Deferred income taxes	**70,141**	134,464
Other non-current liabilities	**39,886**	27,201
Total liabilities	**1,750,329**	2,004,863
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock $0.01 par value; 75,000,000 shares authorized; no shares issued		
Common stock $0.01 par value; 75,000,000 shares authorized; shares issued and outstanding: 34,481,827 in 2008 and 34,392,370 in 2007	**345**	344
Additional paid-in capital	**105,484**	103,238
Retained (deficit) earnings	**(218,502)**	44,730
Accumulated other comprehensive (loss) income, net of tax	**(27,255)**	48,489
Total stockholders' (deficit) equity	**(139,928)**	196,801

Total liabilities and stockholders' equity	**$ 1,610,401**	$ 2,201,664

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share data)

	Year Ended December 31,		
	2008	**2007**	**2006**
Net sales	**$ 2,916,477**	$ 3,157,270	$ 2,427,843
Operating costs and expenses:			
Cost of sales	**2,717,409**	2,851,426	2,152,571
Selling, general and administrative expenses	**168,572**	225,607	119,151
Goodwill, intangibles and other long-lived asset impairment charges	**175,958**	158,960	
Restructuring costs	**21,973**	3,659	
(Gains) losses on sale of assets	**(27,282)**	1,304	
Total operating costs and expenses	**3,056,630**	3,240,956	2,271,722
Operating (loss) income	**(140,153)**	(83,686)	156,121
Other (expense) income:			
Interest expense	**(134,513)**	(134,568)	(51,648)
Foreign exchange (loss) gain	**(4,264)**	6,286	(21,543)
Interest income	**1,308**	805	369
(Loss) income from continuing operations before income taxes	**(277,622)**	(211,163)	83,299
(Benefit) provision for income taxes	**(19,979)**	44,000	31,497
(Loss) income from continuing operations	**(257,643)**	(255,163)	51,802
Loss from discontinued operations, net of tax of $1,524 in 2007 and $1,821 in 2006		(10,864)	(3,263)
Net (loss) income	**$ (257,643)**	$ (266,027)	$ 48,539
(Loss) earnings per share:			
Basic:			
(Loss) income from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.52
(Loss) from discontinued operations		(0.32)	(0.10)
Net (loss) income	**$ (7.48)**	$ (7.75)	$ 1.42
Diluted:			
(Loss) income from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.51
(Loss) from discontinued operations		(0.32)	(0.10)
Net (loss) income	**$ (7.48)**	$ (7.75)	$ 1.41
Weighted average common shares basic	**34,458**	34,347	34,093
Weighted average common shares diluted	**34,458**	34,347	34,386

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

(In thousands)

	Common Stock		**Additional Paid-In**	**Unearned**	**Retained Earnings**	**Accumulated Other Comprehensive**	**Total Stockholders' Equity**
	Shares	**Amount**	**Capital**	**Compensation**	**(Deficit)**	**Income (Loss)**	**(Deficit)**
Balance, January 1, 2006	34,238	$ 342	$ 81,782	$ (5,377)	$ 286,464	$ (199)	$ 363,012
Comprehensive income:							
Net income					48,539		48,539
Minimum pension liability adjustment, net of taxes of $17						29	29
Foreign currency translation adjustments, net of taxes of $12,098						(21,390)	(21,390)
Unrealized loss on derivatives, net of tax of $417						(725)	(725)
Total comprehensive income							26,453
Adjustment to initially apply SFAS No. 158, net of taxes of $1,736						(2,589)	(2,589)
Employee stock purchase and stock compensation plans, net of forfeitures	187	2	10,520	5,377			15,899
Retirement of common stock	(35)		(1,032)				(1,032)
Tax benefit from stock purchase and stock compensation plans			1,432				1,432
Tax benefit from transfer of subsidiary to parent			1,344				1,344
Dividends					(10,996)		(10,996)
Balance, December 31, 2006	34,390	344	94,046		324,007	(24,874)	393,523
Comprehensive income (loss):							
Net loss					(266,027)		(266,027)
Adjustment to initially apply FIN No. 48					(2,151)		(2,151)
Pension liability adjustment including effect of SFAS No. 158, net of taxes of $4,288						6,964	6,964
Foreign currency translation adjustments, net of taxes of $39,477						68,344	68,344
Unrealized loss on derivatives, net of tax of $1,201						(1,945)	(1,945)
Total comprehensive loss							(194,815)
Employee stock purchase and stock compensation plans, net of forfeitures	39		10,856				10,856
Retirement of common stock	(37)		(685)				(685)
Tax deficiency from stock purchase and stock compensation plans			(979)				(979)
Dividends					(11,099)		(11,099)
Balance, December 31, 2007	34,392	$ 344	$ 103,238		44,730	48,489	196,801
Comprehensive income (loss):							
Net loss					**(257,643)**		**(257,643)**
Pension liability adjustment including effect of SFAS No. 158, net of taxes of $16,519						**(23,113)**	**(23,113)**
						(53,640)	**(53,640)**

Foreign currency translation adjustments, net of taxes of $32,025							
Unrealized loss on derivatives, net of tax of $609						1,009	1,009
Total comprehensive loss							(333,387)
Employee stock purchase and stock compensation plans, net of forfeitures	106	1	3,301				3,302
Retirement of common stock	(16)		(110)				(110)
Tax benefit (deficiency) from stock purchase and stock compensation plans			(945)				(945)
Dividends					(5,589)		(5,589)
Balance, December 31, 2008	34,482	$ 345	$ 105,484	$	$ (218,502)	$ (27,255)	$ (139,928)

See accompanying notes to consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2008	**2007**	**2006**
Operating activities:			
Net (loss) income	**$ (257,643)**	$ (266,027)	$ 48,539
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	**143,718**	150,210	85,019
Foreign exchange (gain) loss	**7,108**	(10,357)	20,843
Deferred income taxes	**(23,435)**	29,695	(21,189)
Tax deficiency related to stock plans	**(945)**	(1,142)	
Goodwill, intangibles and other long-lived asset impairment charges	**175,958**	158,960	
Stock based compensation	**3,302**	10,856	12,704
(Gains) losses on sale of assets	**(27,282)**	1,304	
Other non-cash items	**12,433**	23,456	14,780
Change in operating assets and liabilities, net of effects from acquisitions:			
Receivables	**117,591**	43,038	114,889
Securitization of trade receivables	**(36,000)**	19,000	(13,000)
Inventories	**97,704**	541	75,526
Prepaid expenses and other current assets	**(2,472)**	11,381	2,605
Accounts payable	**(117,437)**	8,628	(84,556)
Interest payable	**(1,637)**	(3,494)	20,019
Accrued income taxes	**8,603**	6,728	(19,335)
Accrued compensation	**(20,996)**	(7,238)	(2,675)
Other accrued liabilities	**(31,627)**	(38,358)	(20,836)
Other	**(5,551)**	(9,022)	21,393
Net cash provided by operating activities from continuing operations	**41,392**	128,159	254,726
Net cash provided by (used in) operating activities from discontinued operations		398	(4,149)
Net cash provided by operating activities	**41,392**	128,557	250,577
Investing activities:			
Acquisition, net of cash acquired			(1,075,396)
Settlement of foreign exchange contracts			(20,843)
Proceeds from insurance recoveries related to property, plant and equipment	**7,308**		
Capital expenditures	**(62,545)**	(83,670)	(90,770)
Proceeds from sale of assets	**79,806**	105,259	106,092
Net cash provided by (used in) used in investing activities	**24,569**	21,589	(1,080,917)
Financing activities:			
Net change in revolving line of credit	**107,718**	(7,241)	(123,400)
Long-term debt payments	**(74,004)**	(224,505)	(497,374)
Long-term debt proceeds		95,865	1,493,543
Fees paid for bridge financing			(2,325)
Fees paid to amend or issue debt facilities	**(9,823)**	(3,241)	(38,020)
Proceeds from issuance of common stock			3,194
Tax benefits from employee share-based exercises			1,432
Purchase and retirement of common stock	**(110)**	(685)	(1,032)
Dividends	**(8,379)**	(11,099)	(10,996)
Net cash provided by (used in) financing activities	**15,402**	(150,906)	825,022

Effect of exchange rate changes on cash and cash equivalents	**(615)**	346	661
Net change in cash and cash equivalents	**80,748**	(414)	(4,657)
Cash and cash equivalents at beginning of year	**9,227**	9,641	14,298
Cash and cash equivalents at end of year	**$ 89,975**	$ 9,227	$ 9,641

See accompanying notes to consolidated financial statements.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

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

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

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

Reclassifications. Certain prior period balances have been reclassified to conform to the current year presentation. The Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2007 included approximately $3.2 million of goodwill, intangible and other long-lived asset impairments that were previously included in other non-cash items. Additionally, for the year ended December 31, 2007, there were costs of $8.2 million, which historically were, reflected in the consolidated statement of operations as selling, general and administrative expenses, which have been reclassified as $3.2 million goodwill, intangibles and other long-lived asset impairments, $3.7 million as restructuring and $1.3 million as (gains) losses on sale of assets.

Foreign Currency Translation and Transactions. Our subsidiaries that operate outside the United States use their local currency as the functional currency. The functional currency is translated into U.S. dollars for balance sheet accounts using the month end exchange rates in effect as of the balance sheet date and average exchange rate for revenues and expenses for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within accumulated other comprehensive income (loss), net of tax where applicable. Gains or losses resulting from transactions denominated in foreign currencies are reported in the same financial statement captions as the underlying transactions in the consolidated statements of operations. We recorded a loss of $2.3 million, $5.4 million and $2.7 million, in fiscal years 2008, 2007 and 2006, respectively, within operating (loss) income in the consolidated statement of operations. The change in the gain/loss recognized is due to the fluctuation in the exchange rate from year to year.

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

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

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Revenue Recognition. We recognize revenue in accordance with generally accepted accounting principles as outlined in the Securities and Exchange Commission's ("SEC's"), Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition," which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonably assured; and (iv) product delivery has occurred. We primarily recognize revenue as products are shipped based on free on board ("FOB") terms when title passes to customers, and the customer takes ownership and assumes risk of loss.

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

Shipping Costs. All amounts billed to a customer in a sale transaction related to shipping are classified as revenue. Shipping fees billed to customers and included in sales and cost of goods sold were $74.0 million in 2008, $90.3 million in 2007, and $85.1 million in 2006.

Advertising Costs. Advertising costs and promotion expenses generally relate to our vinyl-based building and home improvement products marketed under the Royal Group brand names and are charged to earnings during the period in which they are incurred. Advertising and promotion expenses are included in selling, general and administrative expenses and were $8.3 million, $11.7 million and $3.8 million, in 2008, 2007 and 2006, respectively.

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

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred, and major renewals and improvements are capitalized. Interest expense attributable to funds used in financing the construction of major plant and equipment is capitalized. Interest expense capitalized during 2008, 2007 and 2006, was $0.4 million, $5.7 million, and $2.2 million, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense totaled approximately $128.2 million, $134.8 million and $77.6 million, for the years ended December 31, 2008, 2007, and 2006, respectively. The net book value of our idled Pasadena, Texas phenol/acetone plant and our closed Sarnia Resin plant equipment was approximately $0.4 million and $1.4 million, respectively, as of December 31, 2008, and is included in property, plant and equipment on our consolidated balance sheet. The estimated useful lives of our assets are as follows:

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Asset Retirement Obligation. We account for asset retirement obligations in accordance with Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*, which requires the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, we capitalize the cost by increasing the carrying value of the related long-lived asset. The liability is accreted to its future value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded. We had $2.2 million and $2.4 million of asset retirement obligations recorded in other non-current liabilities in the consolidated balance sheets as of December 31, 2008 and 2007.

Other Assets. Other assets primarily consist of advances for long-term raw materials purchase contracts (see Note 11), our investment in joint ventures (see Notes 8 and 12) and unamortized debt issuance costs (see Note 8). Other assets also include prepaid pension costs at December 31, 2007 (see Note 15). At December 31, 2008, we have a pension liability (see Note 15). Advances for long-term raw materials purchase contracts are being amortized as additional raw materials costs over the life of the related contracts in proportion to raw materials delivery or related contract terms. Debt issuance costs are being amortized to interest expense using the effective interest rate and straight-line methods over the term of the related debt instruments.

Goodwill and Other Intangible Assets. We account for our goodwill and other intangible assets in accordance with SFAS No. 142 *Goodwill and Other Intangible Assets.* Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in purchase accounting for business combinations. Our other identifiable intangible assets are intangible assets such as customer lists, trade names and technology that were identified during acquisitions. We test the carrying value of our goodwill and other intangible assets with indefinite lives for impairment on an annual basis on October 1. The carrying value will be tested for impairment between annual impairment tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Indicators include, but are not limited to, significant declines in the markets and industries that buy our products, changes in the estimated future cash flows of our reporting units, changes in capital markets and changes in our market capitalization. Impairment testing for goodwill and indefinite lived intangible assets is a two-step test performed at a reporting unit level. Our reporting units subject to such testing are window and door profiles; mouldings; deck, fence and rail products and compounds (vinyl and additives). An impairment loss may be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives. See Note 9 for a summary of goodwill and other intangible assets by reportable segment.

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

We adopted Financial Accounting Standard Board Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, effective January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. See Note 16, "Income Taxes," for further explanation of our adoption of FIN 48.

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

Warranty Costs. We provide warranties for certain building and home improvement products against defects in material, performance and workmanship. We accrue for warranty claims at the time of sale based on historical warranty claims experience. Prior to the October 3, 2006 acquisition of Royal Group, we did not offer any warranties. Our warranty liabilities are included in other accrued liabilities in the

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

consolidated balance sheets. Activity in our warranty liabilities for the years ended December 31, 2008, 2007 and 2006 were as follows:

In thousands	2008	2007	2006
January 1,	**$ 12,160**	$ 7,664	$
Warranty provisions	**2,189**	6,728	1,938
Estimated fair value of warranty liability assumed in Royal Group acquisition		5,224	7,344
Foreign currency translation	**(1,659)**	874	
Warranty claims paid	**(5,192)**	(8,330)	(1,618)
December 31,	**$ 7,498**	$ 12,160	$ 7,664

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

Derivative Financial Instruments. Derivatives that are not hedges must be adjusted to fair value through earnings in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities and its related amendments*. If the derivative is a hedge, depending on the nature of the hedge, changes in its fair value are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. We engage in activities that expose us to market risks, including the effects of changes in interest rates, foreign currency and changes in commodity prices. Financial exposures are managed as an integral part of our risk management program, which seeks to reduce the potentially adverse effect that the volatility of the interest rate, foreign currency, and commodity markets may have on operating results. We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. Long-term supply agreements that meet the appropriate criteria are accounted for under the normal purchase provisions within SFAS No. 133 and its amendments.

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

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

Accumulated Other Comprehensive (loss) Income. Accumulated other 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. Amounts recorded in accumulated other comprehensive income (loss), net of tax, on the consolidated statements of stockholders' equity as of December 31, 2008 and 2007 are as follows:

	December 31,	
In thousands	**2008**	**2007**
Unrealized gain (loss) on derivative contracts	**$ (1,661)**	$ (2,670)
Pension liability adjustment including affect of SFAS No. 158	**(18,908)**	4,205
Currency translation adjustment	**(6,686)**	46,954
Total accumulated other comprehensive (loss) income	**$ (27,255)**	$ 48,489

Stock-Based Compensation. On January 1, 2006, we adopted SFAS No. 123R, *Share Based Payment,* using the modified prospective method of adoption. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and shares purchased under an employee stock purchase plan ("ESPP") to be recognized in the financial statements based on their fair values.

Upon our adoption of SFAS No. 123R, we began recording compensation cost related to the continued vesting of all stock options that were unvested as of January 1, 2006, as well as for all new stock option grants after our adoption date. The compensation cost to be recorded is based on the fair value at the grant date. The adoption of SFAS No. 123R did not have an effect on our recognition of compensation expense relating to restricted stock grants. SFAS No. 123R required the elimination of unearned compensation (contra-equity account) related to earlier awards against the appropriate equity accounts, additional paid-in capital, in our circumstance. SFAS No. 123R requires tax benefits relating to excess share-based compensation deductions to be prospectively presented in the statements of cash flows as a financing activity cash inflow.

(Loss) Earnings Per Share. We apply the provisions of SFAS No. 128, *Earnings per Share* ("EPS"), which requires companies to present basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS 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 and ESPP rights are included in the diluted EPS calculation using the treasury stock method. In computing diluted loss per share for the years ended December 31, 2008 and 2007, all common stock equivalents were excluded as a result of their anti-dilutive effect. Options to purchase common stock and restricted stock

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

totaling 1.5 million shares for the year ended December 31, 2006, were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect.

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

	Year Ended December 31,		
In thousands, except per share data	**2008**	**2007**	**2006**
(Loss) income from continuing operations	**$ (257,643)**	$ (255,163)	$ 51,802
Loss from discontinued operations, net of tax of $1,524 in 2007 and $1,821 in 2006		(10,864)	(3,263)
Net (loss) income	**$ (257,643)**	$ (266,027)	$ 48,539
Weighted average shares outstanding basic	**34,458**	34,347	34,093
Plus incremental shares from assumed conversions:			
Options and restricted stock awards			277
Employee stock purchase plan rights			16
Weighted average shares outstanding diluted	**34,458**	34,347	34,386
Basic earnings (loss) per share			
(Loss) earnings from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.52
Loss from discontinued operations		(0.32)	(0.10)
(Loss) earnings per share	**$ (7.48)**	$ (7.75)	$ 1.42
Diluted (loss) earnings per share			
(Loss) earnings from continuing operations	**$ (7.48)**	$ (7.43)	$ 1.51
Loss from discontinued operations		(0.32)	(0.10)
(Loss) earnings per share	**$ (7.48)**	$ (7.75)	$ 1.41

Concentration of Employees. As of December 31, 2008 and 2007, we had 4,463 and 5,249, respectively, full-time employees. The decrease in number of employees represents part of management's continuing cost reduction strategy. We employ approximately 476 employees under collective bargaining agreements that expire at various times from 2009 through 2012.

2. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement also affects other accounting pronouncements that require or permit fair value measurements. Recently, the FASB Staff Position ("FSP") SFAS 157-1 was issued removing leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*, and related guidance from the scope of SFAS No. 157. Also, FSP SFAS 157-2, *Effective Date of FASB Statement No. 157*, was issued, deferring the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The effective date for all other fair value measurements is for fiscal years beginning January 1, 2008. Our adoption of SFAS No. 157 as of January 1, 2008 did not have a material impact on our consolidated financial statements.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In September 2006, the FASB issued SFAS No. 158, *"Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132(R)."* We adopted all provisions of SFAS No. 158 as of December 31, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The adoption of the measurement provisions of SFAS No. 158 on December 31, 2008 did not have any impact on our consolidated financial statements as we measure our pension and postretirement benefits as of our fiscal year end.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement permits all entities to choose, at specified election dates, to measure eligible items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided the entity also elects to apply the provisions of SFAS No. 157. The adoption of SFAS No. 159 on January 1, 2008 did not have a material impact on our consolidated financial statements.

The FASB recently completed the second phase of the multiphase project to reconsider the accounting for business combinations. The first phase resulted in the issuing of SFAS No. 141, *Business Combinations,* and SFAS No. 142, *Goodwill and Other Intangibles*. In connection with the second phase the FASB has issued SFAS No. 141(R), *Business Combinations,* and SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements An Amendment of ARB No. 51*. These statements will require more assets and liabilities assumed to be measured at fair value as of the acquisition date; liabilities related to contingent consideration to be remeasured at fair value in each subsequent period; an acquirer in preacquisition periods to expense all acquisition-related costs; and noncontrolling interests in subsidiaries initially to be measured at fair value and classified as a separate component of equity. Additionally, SFAS No. 141(R) will require, subsequent to the acquisition period, changes in the valuation allowances for deferred taxes, and liabilities for unrecognized tax benefits related to an acquisition to be recognized as a part of income tax expense. Both statements are effective for fiscal years beginning on or after December 15, 2008. The FASB does not permit early adoption. We are currently evaluating the impact, if any, of both statements on our financial position and results of operations.

On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement 133*. SFAS No. 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: a) an entity uses derivative instruments; b) derivative instruments and related hedged items are accounted for under the FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; and c) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On April 25, 2008, the FASB issued FSP SFAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), *Business Combinations*, and other U.S.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

generally accepted accounting principles ("GAAP"). This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On May 9, 2008, the FASB issued SFAS No. 162 *The Hierarchy of Generally Accepted Accounting Principles.* SFAS No. 162 reorganizes the GAAP hierarchy in order to improve financial reporting by providing a consistent framework for determining what accounting principles should be used when preparing U.S. GAAP financial statements. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. We do not believe the adoption of SFAS No. 162 will have a material impact on our consolidated financial statements.

On June 16, 2008, the FASB issued FSP EITF No. 03-6-1, which addresses whether instruments granted in share-based payment awards are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method of SFAS No. 128, *Earnings Per Share*. This FSP affects entities that accrue cash dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the awards. This FSP is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

In June 2008, the EITF reached a consensus on EITF Issue No. 08-3 *Accounting by Lessees for Maintenance Deposits Under Lease Arrangements*. EITF Issue No. 08-3 resolves that all nonrefundable maintenance deposits that are contractually and substantively related to maintenance of the leased asset are accounted for as deposit assets. The lessee's deposit asset is expensed or capitalized as part of a fixed asset (depending on the lessee's maintenance accounting policy) when the underlying maintenance is performed. When the lessee determines that it is less than probable that an amount on deposit will be returned to the lessee (and thus no longer meets the definition of an asset), the lessee must recognize an additional expense for that amount. EITF Issue No. 08-3 is effective for fiscal years beginning after December 15, 2008 and must be applied by recognizing the cumulative effect of the change in accounting principle in the opening balance of retained earnings as of the beginning of the fiscal year in which this EITF issue is initially applied. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

On September 24, 2008, the EITF reached a consensus on EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations*, which requires an entity to account for equity method investments by calculating the difference between the cost of an equity method investment and the underlying equity in the net assets of that investee as if the investee were a consolidated subsidiary. The initial carrying value of an equity method investment should be determined by applying a cost accumulation model and for subsequent measurements, share issuances by the investee should be accounted for as if the equity method investor had sold a proportionate share of its investment. Additionally, an entity should use an other-than-temporary impairment model when testing equity method investments for impairment. EITF Issue No. 08-6 is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact, if any, of this statement on our financial position and results of operations.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

On December 11, 2008, the FASB issued FSP No.140-4, which requires public companies to provide disclosures similar to those proposed in the pending amendments to SFAS No.140. FSP No.140-4 requires additional disclosures about transfers of financial assets in order to improve transparency in the current market environment. These additional disclosure requirements primarily focus on the transferor's continuing involvement with transferred financial assets and the related risks retained. The transferor must disclose (1) whether it provided financial or other support to the transferee that it was not previously contractually required to provide, including the primary reasons for providing the support, and (2) details of any arrangements that could require any future financial support. Future financial support is defined as financial support that may result from explicit written arrangements, communications between the transferor and transferee or its beneficial interest holders, and unwritten arrangements customary in similar transfers. FSP No.140 is effective for the first reporting period that ends December 15, 2008 and calendar year-end companies must provide the required disclosures in their December 31, 2008 annual filings and in all subsequent annual and quarterly financial statements. The disclosures required by FSP No. 140-4 relate to our accounts receivable securitization program and are included in Note 5.

In December 2008, the FASB issued FSP FAS 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 positions, results of operations or cash flows. These new disclosures will be required for us beginning in our Form 10-K for the year ending December 31, 2009.

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

Acquisition. On October 3, 2006, we completed the acquisition of Royal Group, a building and home improvement products company. We acquired all of the outstanding common stock of Royal Group for a total purchase price, including assumed debt and debt retired in conjunction with the closing, of approximately $1.5 billion consisting of approximately $1.1 billion of cash paid for Royal Group common stock and assumed debt of $374.9 million, which was repaid in connection with the acquisition. The acquisition was financed entirely with new debt, including $500 million in aggregate principal amount of our 9.5 percent senior unsecured notes due 2014 (the "Senior Notes"), $200.0 million in aggregate principal amount of 10.75 percent senior subordinated notes due 2016 (the "Senior Subordinated Notes" and together with the Senior Notes, the "New Notes"), and a new senior secured credit agreement that includes a tranche B term loan of $800.0 million and revolving credit facilities of up to $375.0 million (the "Senior Secured Credit Facility"). See Note 10 for a further description of the debt instruments put in place to finance the acquisition of Royal Group.

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The Royal Group acquisition was accounted for by the purchase method and, accordingly, the results of operations and cash flows since the October 3, 2006 acquisition date have been included in our consolidated results of operations and cash flows. The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net identifiable assets acquired of approximately $301.9 million was recorded as goodwill. The significant change in the allocation to goodwill for the year ended December 31, 2008 is primarily due to the reduction of the preliminary allocation to goodwill from the Royal Group acquisition by $16.5 million as a result of our settlement of the Quebec Trust preacquisition tax contingency (see Note 16).

The following table summarizes the final estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, excluding cash acquired of $27.7 million.

(In thousands)	As of October 3, 2006
Current assets, net of cash acquired	$ 475,339
Property, plant and equipment	609,793
Investments and other assets	27,705
Goodwill	301,900
Identifiable intangible assets finite lived	84,000
Identifiable intangible assets indefinite lived	16,000
Deferred taxes	20,286
Net assets held for sale	217,613
Total assets acquired	$ 1,752,636
Current liabilities	302,310
Debt assumed*	374,930
Total liabilities assumed	677,240
Net assets acquired	$ 1,075,396

* This debt assumed was retired subsequent to the acquisition of Royal Group.

Discontinued Operations Outdoor Building Products Segment. As part of our strategic plan for the acquired Royal Group businesses, we exited certain non-core businesses included in our outdoor building products segment. There were no results of discontinued operations for the year ended December 31,

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

2008. The results of all discontinued operations in our outdoor building products segment for the years ended December 31, 2007 and 2006 were as follows:

(In thousands)	December 31, 2007	December 31, 2006
Net sales	$ 19,039	$ 24,051
Operating (loss) from discontinued operations	(12,388)	(5,084)
Benefit from income taxes	1,524	1,821
Total loss from discontinued operations	$ (10,864)	$ (3,263)

The assets of the discontinued operations in our outdoor building products segment as of December 31, 2007, consisted of $2.9 million of property, plant and equipment. There were no assets of the discontinued operations in our outdoor building products segment as of December 31, 2008.

Assets Held-For-Sale. As part of our strategic plan, we also continue to sell certain non-core assets and businesses. Assets held for sale include U.S. real estate totaling $0.5 million at December 31, 2008 and Canadian and U.S. real estate totaling $29.0 million at December 31, 2007. In March 2008, we executed a contingent sale agreement and received net proceeds of $12.6 million for certain Canadian real estate. The contingency was based on the buyer satisfying certain property zoning conditions. The contingency was resolved in June 2008. This transaction resulted in a $3.3 million loss recorded in March 2008. In June 2008, we sold property for $3.2 million and received $1.2 million in cash and a short-term note for $2.0 million. Both gains and losses resulting from each transaction are included in (gains) losses on sale of assets in the accompanying consolidated statement of operations for the year ended December 31, 2008.

Divestitures. In March 2008, we sold the assets and operations of our outdoor storage buildings business that were previously a part of our outdoor building products segment. The outdoor storage buildings business was sold for $13.0 million and resulted in a loss of approximately $4.6 million. We sold the land and building at our Winnipeg, Manitoba Window and Door Profiles business for $4.5 million, resulting in a recognized gain of $0.3 million in March 2008. In June 2008, we sold land for net proceeds of $36.5 million, which resulted in a gain of $28.8 million. Additionally, in June 2008, we sold and leased back equipment for $10.6 million resulting in a $2.2 million currently recognized gain, a short-term deferred gain of $0.8 million and a non-current deferred gain of $7.2 million as of December 31, 2008. The deferred gain will be recognized ratably over the term of the equipment leases. In addition we sold the Oklahoma City, Oklahoma PVC plant in December 2008 for $1.3 million. See Note 10.

4. RESTRUCTURING ACTIVITIES

In the fourth quarter of fiscal 2006, we initiated plans to restructure the operations of Royal Group to eliminate certain duplicative activities, focus our resources on operations with future growth opportunities and reduce our cost structure. In connection with the restructuring plan, we incurred costs related to termination benefits for employee positions that were eliminated. Pursuant to EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, involuntary termination costs related to the Royal Group acquisition have been recognized as a liability assumed as of the consummation date of the acquisition and included in the purchase price allocation. At December 31, 2008 and

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

December 31, 2007, we had a remaining liability of nil and approximately $1.0 million, respectively. This liability is included in other accrued liabilities on the December 31, 2007 consolidated balance sheet. During the year ended December 31, 2008, cash payments and adjustments to the accrual of $1.0 million were made under this plan. A summary of our restructuring activities by reportable segment for the years ended December 31, 2007 and 2006 are as follows:

(In thousand)	Balance at December 31, 2006	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at December 31, 2007
Chlorovinyls					
Involuntary termination benefits	$ 1,468	$	$ (1,124)	$ (344)	**$**
Window and door profiles and mouldings products					
Involuntary termination benefits	3,293		(4,207)	1,443	**529**
Outdoor building products					
Involuntary termination benefits	10,729		(7,287)	(3,442)	
Other, including unallocated corporate					
Involuntary termination benefits	5,897		(6,347)	871	**421**
Total	$ 21,387	$	$ (18,965)	$ (1,472)	**$ 950**

(In thousand)	Balance at December 31, 2005	Royal Acquisition	Cash Payments	Foreign Exchange and Other Adjustments	Balance at December 31, 2006
Chlorovinyls					
Involuntary termination benefits	$	$ 1,878	$ (339)	$ (71)	$ 1,468
Window and door profiles and mouldings products					
Involuntary termination benefits		5,844	(2,329)	(222)	3,293
Outdoor building products					
Involuntary termination benefits		15,016	(3,728)	(559)	10,729
Other, including unallocated corporate					
Involuntary termination benefits		12,514	(6,142)	(475)	5,897
Total	$	$ 35,252	$ (12,538)	$ (1,327)	$ 21,387

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*, and included in restructuring costs during the year ended December 31, 2008. We do not expect there to be any future costs associated with the Oklahoma City Restructuring Plan as of December 31, 2008.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

In the fourth quarter of 2008, we initiated a restructuring plan, "the Fourth Quarter 2008 Restructuring Plan," that includes the permanent shut down of the Sarnia, Ontario 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 healthcare benefits; operating lease termination costs, asset impairment charges, relocation and other exit costs and have recognized these costs in accordance with SFAS No. 146. 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. The expenses charged during the fiscal year 2008 for severance and exit costs and impairment of long-lived assets totaled $22.0 million and $47.0 million, respectively. The restructuring costs associated with the Fourth Quarter 2008 Restructuring Plan are included in restructuring costs on the consolidated statement of operations for the year ended December 31, 2008. We incurred severance and other exit costs for the year ended December 31, 2007 associated with a 2007 restructuring plan, which is included in the table below.

A summary of our restructuring activities, including impairment charges recognized as a result of the plan, by reportable segment for the year ended December 31, 2008 is as follows:

(In thousand)	Balance at December 31, 2007	Additions	Cash Payments	Foreign Exchange and Other Adjustments	Balance at December 31, 2008
Chlorovinyls					
Involuntary termination benefits	$	$ 3,468	$ (256)	$ 34	**$ 3,246**
Exit costs		4,902	(751)	34	**4,185**
Other		1,184			**1,184**
Window and door profiles and mouldings products					
Involuntary termination benefits	2,328	1,600	(2,096)	(360)	**1,472**
Exit costs	690	(83)	(568)	(38)	**1**
Other		1,459			**1,459**
Outdoor building products					
Involuntary termination benefits	370	3,031	(1,395)	(200)	**1,806**
Exit costs		4,814	(2,854)	(181)	**1,779**
Other		508			**508**
Other, including unallocated corporate					
Involuntary termination benefits		1,090	(1,131)	41	
Exit costs					
Other					
Total	$ 3,388	$ 21,973	$ (9,051)	$ (670)	**$ 15,640**

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. RESTRUCTURING ACTIVITIES (Continued)

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

The $47.0 million total impairment of long-lived assets for the year ended December 31, 2008 is included in goodwill, intangibles and other long-lived asset impairment charges in the consolidated statement of operations.

5. ACCOUNTS RECEIVABLE SECURITIZATION

We have an agreement pursuant to which we sell 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 is funded through advances on sold trade receivables and collections of these trade receivables and its activities are exclusively related to the Securitization. As collections reduce accounts receivable included in the pool, we sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $165.0 million, as permitted by the Securitization. The Securitization agreement expires on September 18, 2009. In connection with the amendment of our Senior Secured Credit Facility on September 11, 2008, we executed an amendment to our Securitization since the Securitization agreement incorporates certain defined terms from the Senior Secured Credit Agreement. The primary purpose of the amendment was to further increase our leverage ratio and to decrease our interest coverage ratio for the second half of 2008 and the first quarter of 2009. We also increased applicable per annum discount rates by approximately 1.8% for the fourth quarter of 2008 and 2.3% thereafter.

In conjunction with the sale of receivables, we recorded losses of $7.1 million, $8.2 million and $8.4 million for fiscal years 2008, 2007 and 2006, respectively, which are included as selling, general and administrative expenses in the accompanying consolidated statements of operations. The losses were determined by applying a discount factor, as prescribed under the relevant Securitization, to the monthly balance in the ownership interests sold.

At December 31, 2008, 2007, and 2006, the uncollected balance of accounts receivable in the defined pool was approximately $158.2 million, $244.2 million, and $219.4 million, respectively. We continue to service these receivables and maintain a subordinated interest in the receivables. We have not recorded a servicing asset or liability since the cost to service the receivables approximates the servicing income. The balance of receivables sold at December 31, 2008, 2007 and 2006, was $111.0 million, $147.0 million and $128.0 million, respectively. Our Securitization has been accounted for as a sale in accordance with the provisions of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments*

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

5. ACCOUNTS RECEIVABLE SECURITIZATION (Continued)

of Liabilities, and therefore, the receivables sold are not included in the debt and related accounts receivable accounts on our consolidated balance sheets. We continue to provide an allowance for doubtful accounts related to these receivables based on our historical experience and aging of the accounts receivable. At December 31, 2008, 2007 and 2006, we had a subordinated interest of approximately $47.2 million, $97.2 million and $91.4 million, respectively, in the defined pool of receivables, which represents the excess of receivables sold over the amount funded to us. The fair value of the retained interest approximates the carrying amount because of the short period of time it takes for the portfolio to be liquidated. From December 31, 2007 to December 31, 2008, we reduced the balance of receivables sold from $147.0 million to $111.0 million, which resulted in a net decrease of cash flow of $36.0 million. From December 31, 2006 to December 31, 2007, we increased the balance of receivables sold from $128.0 million to $147.0 million, which resulted in a net increase of cash flow of $19.0 million. As of December 31, 2008, we were in compliance with all covenants in the Securitization.

On March 17, 2009, we entered into a new Asset Securitization agreement pursuant to which we will sell an undivided percentage ownership interest in a certain defined pool of our U.S. and Canadian trade accounts receivables on a revolving basis through a wholly owned subsidiary to a third party, (the "New Asset Securitization"). Under the New Asset Securitization agreement we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. The New Asset Securitization agreement expires in March 2011.

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 that may be periodically amended. 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:

	December 31,	
(In thousands)	**2008**	**2007**
Raw materials, work-in-progress, and supplies	**$ 94,618**	$ 153,256
Finished goods	**145,581**	213,289
Inventories	**$ 240,199**	$ 366,545

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

	December 31,	
(In thousands)	**2008**	**2007**
Machinery and equipment	**$ 1,328,701**	$ 1,437,902
Land and land improvements	**86,167**	99,364
Buildings	**197,481**	231,290
Construction-in-progress	**33,036**	27,875
Property, plant and equipment, at cost	**1,645,385**	1,796,431
Accumulated depreciation	**884,625**	829,243
Property, plant and equipment, net	**$ 760,760**	$ 967,188

8. OTHER ASSETS, NET

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

	December 31,	
(In thousands)	**2008**	**2007**
Advances for long-term purchase contracts	**$ 85,310**	$ 99,789
Investment in joint ventures	**16,104**	20,308
Debt issuance costs, net	**42,167**	36,316
Prepaid pension costs		28,867
Long-term receivables	**3,640**	6,263
Other	**3,422**	4,719
Total other assets, net	**$ 150,643**	$ 196,262

In connection with the fourth amendment to our Senior Secured Credit Facility on September 11, 2008, to further increase our leverage ratio and to decrease our interest coverage ratio covenants for the second half of 2008 and the first quarter of 2009 and amendments to our asset securitization and our indenture relating to our 7.125% notes. We incurred $14.3 million of total debt issuance costs, of which $12.8 million is included in other assets, net, as of December 31, 2008. Debt issuance costs amortized as interest expense during 2008, 2007 and 2006 were $6.9 million, $5.8 million, and $2.2 million, respectively.

As discussed in Note 15, as a result of the decision to change the Salaried Employees Retirement Plan ("SERP") to a cash balance plan, we remeasured the assets and liabilities of the SERP as of September 30, 2007. The remeasurement resulted in an increase to prepaid pension cost of approximately $14.0 million. The significant decline of the underlying investments comprising the plans' assets for the year ended December 31, 2008 has resulted in a pension liability of $19.1 million, which is included in other non-current liabilities in the consolidated balance sheet as of December 31, 2008 (see Note 15).

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Impairment Charges. Goodwill impairment charges totaled $63.4 million and $125.7 million in 2008 and 2007, respectively. There were no impairment charges in 2006. We performed our annual impairment testing for goodwill and other intangible assets in accordance with SFAS No. 142 "*Accounting for Goodwill*

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

and Other Intangible Assets." Our reporting units subject to such testing are window and door profiles; mouldings; deck, fence and rail products and compounds (vinyl and addititives). We evaluate goodwill and other intangible assets for impairment using the two-step process prescribed by SFAS No. 142. The first step is to identify potential impairment by comparing the fair value of the reporting unit to the book value, including goodwill. If the fair value of the reporting unit exceeds the book value, goodwill is not considered impaired. If the book value exceeds the fair value, the second step of the process is performed to measure the amount of impairment. Our goodwill evaluations utilized discounted cash flow analyses and market approaches in estimating fair value. Our weighting of the discounted cash flow and market approaches varies by each reporting unit based on factors specific to each reporting unit. Our weighting of the two approaches ranges from 50% to 100% of discounted cash flows and nil to 50% of the market approach. Inherent in our fair value determinations are certain judgments and estimates relating to future cash flows, including interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans. Based on the results of our evaluation, we recorded a non-cash impairment charge to write down goodwill and other intangible assets by $112.1 million, primarily as a result of the deteriorating U.S. housing and construction markets. We experienced a decline in our market capitalization from October 1, 2008 (our annual testing date) to December 31, 2008, which we determined was not primarily due to company-specific factors but rather macroeconomic conditions, including rising unemployment levels, turmoil in the credit markets, and deteriorating consumer confidence. However, given the decrease in market capitalization at December 31, 2008, we reconsidered our cash flow projections utilized in our impairment test as of October 1, 2008, including an assessment of our actual results for the fourth quarter of 2008 as compared to our projections for such period, and also assessed whether the discount rates used in our October 1, 2008 impairment test remained appropriate as of December 31, 2008. On the basis of our reconsideration of the cash flow projections and associated discount rates, we determined that it was not more likely than not that the estimated fair value of our reporting units with goodwill was reduced below its carrying value. Further change in assumptions may cause a change in the results of the analyses performed. In addition, to the extent significant changes occur in market conditions, overall economic conditions or our strategic operational plan, it is possible that goodwill not currently impaired may become impaired in the future.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

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

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Outdoor Building Products	Total
Goodwill at December 31, 2006	$ 221,357	$ 135,756	$ 20,011	$ 377,124
Adjustments to preliminary purchase allocation of Royal Group	860	4,155	(1,383)	3,632
Impairment charges	(55,487)	(50,430)	(19,820)	(125,737)
Foreign currency translation adjustment	23,990	(61)	3,334	27,263
Goodwill at December 31, 2007	$ 190,720	$ 89,420	$ 2,142	$ 282,282
Settlement of pre-acquisition tax contingency and other	$	$ (14,128)	$ (262)	$ (14,390)
Impairment charges		(63,380)		(63,380)
Foreign currency translation adjustment	(21,569)	6,269	(209)	(15,509)
Goodwill at December 31, 2008	$ 169,151	$ 18,181	$ 1,671	$ 189,003

Indefinite lived intangible assets. At December 31, 2008 and 2007, we held trade names related to the acquisition of Royal Group. The impairment charges in 2008 and 2007 are primarily a result of the deteriorating U.S. housing and construction markets. The following table provides the detail of the changes made to indefinite-lived intangible assets by reporting segment during years ended December 31, 2008 and 2007.

Indefinite-lived intangible assets-trade names

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Outdoor Building Products	Total
Balance at December 31, 2006	$ 962	$ 12,507	$ 1,924	$ 15,393
Impairment charges		(4,247)	(1,702)	(5,949)
Foreign currency translation adjustment	173	1,386	237	1,796
Balance at December 31, 2007	$ 1,135	$ 9,646	$ 459	$ 11,240
Impairment charges	(608)	(5,023)	(93)	(5,724)
Foreign currency translation adjustment	(224)	(1,089)	(46)	(1,359)
Balance at December 31, 2008	$ 303	$ 3,534	$ 320	$ 4,157

Finite-lived intangible assets. At December 31, 2008 and 2007, we also have customer relationships and technology intangibles related to the acquisition of Royal Group. The following table provides the detail of the changes made to definite-lived intangible assets by reportable segment during years ended December 31, 2008 and 2007.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Finite-lived intangible assets

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

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Finite-lived intangible assets

In thousands	Chlorovinyls	Window and Door Profiles and Mouldings	Outdoor Building Products	Total
Gross carrying amounts at December 31, 2006:				
Customer relationships	$ 1,000	$ 34,000	$ 11,000	$ 46,000
Technology		31,000		31,000
Total	1,000	65,000	11,000	77,000
Adjustments to preliminary purchase allocation of Royal Group:				
Customer relationships		7,000		7,000
Technology				
Total		7,000		7,000
Impairment charges for the year-ended December 31, 2007:				
Customer relationships		(6,477)	(11,000)	(17,477)
Technology				
Total		(6,477)	(11,000)	(17,477)
Gross carrying amounts at December 31, 2007:				
Customer relationships	1,000	34,523		35,523
Technology		31,000		31,000
Total	1,000	65,523		66,523
Accumulated amortization at December 31, 2007:				
Customer relationships	(74)	(2,844)		(2,918)
Technology		(3,229)		(3,229)
Total	(74)	(6,073)		(6,147)
Foreign currency translation adjustment and other at December 31, 2007:				
Customer relationships	125	4,048		4,173
Technology				
Total	125	4,048		4,173
Net carrying amounts at December 31, 2007:				
Customer relationships	1,051	35,727		36,778
Technology		27,771		27,771
Total	$ 1,051	$ 63,498	$	$ 64,549

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The average estimated useful life for the customer relationships and technology are 18 years and 12 years, respectively. Amortization expense for the finite-lived intangible assets was $3.8 million, $5.6 million and $1.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. Total finite-lived intangible asset estimated amortization expense for the next five fiscal years is approximately $0.9 million per year.

10. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	December 31, 2008	December 31, 2007
Senior Secured Credit Facility:		
Revolving credit facility expires 2011	**$ 125,762**	$ 19,950
Term loan B due 2013	**350,350**	424,300
7.125% notes due 2013	**100,000**	100,000
9.5% senior notes due 2014	**497,240**	496,900
10.75% senior subordinated notes due 2016	**197,407**	197,207
Lease financing obligation	**91,473**	112,649
Other	**31,918**	31,002
Total debt	**$ 1,394,150**	$ 1,382,008
Less current portion	**(56,843)**	(24,209)
Long-term debt	**$ 1,337,307**	$ 1,357,799

On December 3, 2003, we issued $100.0 million in principal amount of our unsecured 7.125 percent senior notes, which are due December 15, 2013. The proceeds of the notes were used to retire other notes. Interest on these notes is payable June 15 and December 15 of each year. On or after December 15, 2008, we may redeem the notes in whole or in part, initially at 103.563 percent of their principal amount, and thereafter at prices declining annually to 100 percent on or after December 15, 2011.

The Royal Group acquisition was financed with significant indebtedness, including $500.0 million in aggregate principal amount of Senior Notes, $200.0 million in aggregate principal amount of Senior Subordinated Notes, and the Senior Secured Credit Facility that includes a tranche B term loan of originally $800.0 million and revolving credit facilities of up to $375.0 million.

On October 3, 2006, we entered into the Senior Secured Credit Facility provided by a syndicate of banks and other financial institutions. The Senior Secured Credit Facility replaced our previously existing senior credit facility, for which we wrote-off $3.0 million in deferred loan costs during 2006. The Senior Secured Credit Facility provides for a term loan of $800.0 million, all of which was borrowed on October 3, 2006. The Senior Secured Credit Facility also provides for $375.0 million of revolving credit facilities. The commitments under the revolving credit facilities expire on October 3, 2011. The term loan facility will mature on October 3, 2013. The term loan will amortize at a rate of 1.00 percent of the original principal amount thereafter per annum on a quarterly basis for the first six years of the term of the loan, with the balance paid in full from equal quarterly installments in the seventh year.

The interest rate for the Senior Secured Credit Facility is at our discretion the London Interbank Offered Rate, ("LIBOR"), plus 2.5 percent per annum or the administrative agent bank's annual base rate

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Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

("ABR") plus 1.5 percent per annum, and following delivery of financial information for the quarter ended December 31, 2008, the applicable margin for the loans under the revolving credit facilities will be set at a per annum rate determined by reference to a pricing grid based on our total leverage ratio. At our discretion, the Senior Secured Credit Facility provides for us to borrow using LIBOR or the administrative agent's ABR. The facility commitment fee at December 31, 2006 was 0.75% of the unused amount. For 2008 and 2007, the average interest rates for the revolving credit facility were 6.51 and 7.94 percent, respectively. The interest rate for the revolving credit facility as of December 31, 2008 and 2007 was 7.25 and 8.75 percent, respectively. The interest rate on the term loan as of December 31, 2008 and 2007 was 8.00 and 7.75 percent, respectively.

Interest on the Senior Notes is payable on April 15 and October 15 beginning April 15, 2007 at an annual rate of 9.5 percent. Interest on the Senior Subordinated Notes is payable on April 15 and October 15 beginning April 15, 2007 at an annual rate of 10.75 percent. The Senior Notes and Senior Subordinated Notes were issued at discounts to yield of 9.625 percent and 11.0 percent, respectively, under the effective interest method. The Senior Notes and Senior Subordinated Notes contain certain restrictive covenants including restrictions on debt incurrence, granting of liens, dividends, acquisitions and investments.

The current portion of long-term debt includes $36.3 million of our revolving credit facility that based on our current expectations is probable to be paid down in the next twelve months, $17.0 million of other debt maturing in May 2009, and $3.5 million of principal on our term loan B. Therefore, we have classified this debt as current in our consolidated balance sheet as of December 31, 2008. 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 December 31, 2008 under our revolving credit facility, we had a maximum borrowing capacity of $375.0 million with $6.6 million through Lehman Commercial Paper Inc., a subsidiary of Lehman Brothers, Inc. that is unavailable due to their current bankruptcy filing, and net of outstanding letters of credit of $99.7 million and current borrowings of $125.8 million, we had remaining availability of $142.9 million. The availability is subject to restrictive covenants requiring compliance with a maximum leverage ratio and minimum interest coverage ratio. In addition, of the $125.8 million revolver borrowings and $99.7 million of letters of credit outstanding under the revolving credit facility at December 31, 2008, $39.7 million relates to Lehman Brothers commitment, and would not be available to us if we paid down the revolver or reduced the related outstanding letters of credit. We are working towards securing other lenders to replace the Lehman Commercial Paper Inc. portion of our revolving credit facility.

Under our Senior Secured Credit Facility and the indentures related to the 7.125 percent, 9.5 percent, and 10.75 percent notes, we are subject to certain restrictive covenants, the most significant of which require us to maintain certain financial ratios and limit our ability to pay dividends, make investments, incur debt, grant liens, sell our assets and engage in certain other activities. Our ability to meet these covenants, satisfy our debt obligations and pay principal and interest on our debt, fund working capital, and make anticipated capital expenditures will depend on our future performance, which is subject to general macroeconomic conditions and other factors, some of which are beyond our control. On March 14, 2007, we entered into an amendment to our Senior Secured Credit Facility, which temporarily waived our interest coverage ratio for the year ended December 31, 2006, and through May 31, 2007. On May 10, 2007, we executed another amendment to our Senior Secured Credit Facility to increase our leverage ratio and to decrease our interest coverage ratio each quarter generally through December 31, 2009. In addition,

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

this amendment reduced our capital expenditures limitation to $100.0 million in 2007, $90.0 million in 2008 and $135.0 million in 2009. On September 11, 2008 we executed the fourth amendment to our Senior Secured Credit Facility to further increase our leverage ratio and to decrease our interest coverage ratio for the second half of 2008 and the first quarter of 2009. Applicable per annum interest rates increased by approximately 2.5% for the fourth quarter of 2008 and 3.0% thereafter for both the LIBOR loans and the agent bank rate loans. The capital expenditure limit set forth in the Senior Secured Credit Facility was decreased from $90.0 million to $65.0 million in 2008, and from $135.0 million to $65.0 million in 2009. As of December 31, 2008, we were in compliance with all of the financial covenants under our senior secured credit facility and the indentures related to the 7.125 percent, 9.5 percent and 10.75 percent notes. On March 16, 2009, we executed the fifth amendment to our Senior Secured Credit Facility to, among other things, increase our leverage ratio and to decrease our interest coverage ratio each quarter ended beginning March 31, 2009 through December 31, 2009. The fifth amendment also establishes a trailing twelve-month minimum consolidated EBITDA threshold to be measured quarterly. In addition, the fifth amendment reduces our annual capital expenditures limitation to $35.0 million in 2009 and $55.0 million in 2010. Applicable per annum interest rates increased by approximately 1.0% for both the LIBOR loans and the agent bank rate loans. Finally, the fifth amendment permits us to grant a second lien on substantially all of our assets, which provides us flexibility to improve our capital structure in the future. Management believes that based on current and projected levels of operations and conditions in our markets, planned sales of assets, tax refunds, other non-operating transactions and the effect of the previous amendments, cash flow from operations, together with our cash and cash equivalents of $90.0 million and the availability to borrow an additional $142.9 million under the revolving credit facility at December 31, 2008, we will have adequate funds to make required payments of principal and interest on our debt and fund our working capital and capital expenditure requirements for the next twelve months. However, based on recent trends and our current assumptions regarding our operations, future level of debt repayment, and non-core asset sales and other non-operating transactions, we may not be able to meet the restrictive covenants and may not be able to maintain compliance with certain financial ratios in our Senior Secured Credit Facility which become more restrictive effective March 31, 2010. As a result, we are continuing to evaluate our capital structure and to explore options including the possibility of seeking an amendment or refinancing of our Senior Secured Credit Facility to obtain a structure with greater flexibility. Although we have successfully negotiated covenant relief and refinanced our debt in the past, recent unfavorable global economic conditions have led to tightening in the global credit markets, a low level of liquidity in many financial markets and extreme volatility in the credit and equity markets, thus increasing the difficulty of accessing the credit markets and thus, there can be no assurance we can do so in the future.

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

Scheduled Maturities. Scheduled maturities of long-term debt outstanding at December 31, 2008 are $20.5 million in 2009, $3.5 million in 2010, $129.2 million in 2011, $100.4 million in 2012, $357.3 million in 2013 and $700.0 million thereafter. Over the next twelve months, we expect to pay off $56.8 million of borrowings including $36.3 million on our revolving credit facility, $17.0 million of industrial revenue

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. LONG-TERM DEBT (Continued)

debenture bonds and $3.5 million of principal on our term loan B that we are contractually obligated to pay. Therefore, we have classified this debt as current in our consolidated balance sheet as of December 31, 2008. Cash payments for interest during the years ended December 31, 2008, 2007 and 2006 were $129.5 million, $136.5 million and $23.1 million, respectively.

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 the favor of the buyer-lessor resulting in the transaction being recorded as a financing transaction rather then a sale, and the land and building and related accounts continue to be recognized in the consolidated balance sheet. The future minimum lease payments under the terms of the related lease agreements at December 31, 2008 are $5.8 million in 2009, $5.9 million in 2010, $6.1 million in 2011, $6.1 million in 2012, $6.3 million in 2013 and $21.3 million thereafter. The decrease in the future minimum lease payments and the lease financing obligation from the December 31, 2007 balance is due to the change in the Canadian dollar exchange rate during the year ended December 31, 2008.

11. COMMITMENTS AND CONTINGENCIES

Leases. We lease railcars, storage terminals, computer equipment, automobiles and warehouse and office space under non-cancelable operating leases with varying maturities through the year 2018. Future minimum payments under these non-cancelable operating leases as of December 31, 2008, are $25.7 million in 2009, $18.3 million in 2010, $11.9 million in 2011, $10.4 million in 2012, $7.7 million in 2013 and $19.2 million thereafter. Total lease expense was approximately $41.4 million, $32.6 million and $26.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. Lease expense is recognized on a straight-line basis.

Letters of Credit. As of December 31, 2008 and 2007, we had outstanding letters of credit totaling approximately $99.7 million and $128.9 million, respectively, of which $99.7 million and $111.2 million reduced the availability under our revolving credit facility as of December 31, 2008 and 2007, respectively. These letters of credit, which typically have terms from one month to one year, primarily provide additional security for the payment of loans, payments to suppliers, and financial assurance to states for environmental closure, post-closure costs, and potential third party liability awards.

Purchase Commitments. We have long-term raw material purchase agreements with variable and fixed payments through 2014. The variable component of future payments is based on market prices of commodities used in production. Under these contracts we were required to prepay a certain portion of the fixed and determinable costs, of which we have capitalized $85.3 million and $99.8 million as of December 31, 2008 and 2007, respectively, in the accompanying consolidated balance sheets. We amortize these advances based on the physical delivery from the manufacturer to our plants. We analyze the recoverability of these prepaid manufacturing costs based on the creditworthiness of the manufacturer and the performance under the terms of the contract. In addition, these purchase commitments are not in excess of market prices and are designed to assure a source of supply and are not in excess of our normal manufacturing requirements. We have historically taken physical delivery of the raw materials under these purchase agreements and intend to take physical delivery over the contract term. Therefore, we account for them under the normal purchase provisions of SFAS No. 133 and its amendments. The aggregate amounts of the fixed and determinable portion of the required payments under the agreements are

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

$3.1 million for 2009. The aggregate amount of payments made under the agreements for purchases in 2008, 2007 and 2006 were $199.6 million, $207.9 million and $190.0 million, respectively.

We also have other long-term supply contracts for raw materials, which are at prices not in excess of market, designed to assure a source of supply and not expected to be in excess of our normal manufacturing operations requirements. Historically, we have taken physical delivery under these contracts and we intend to take physical delivery in the future. Therefore, at inception we designate these contracts as normal purchase agreements and account for them under the normal purchase provisions of SFAS No. 133.

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 would be required to pay approximately $64,000 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 must still be signed by USEPA officials, and then filed with, and approved by, a federal district court.

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 has informed us that it has identified several "areas of concern," and has 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

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Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

settlement or order. While we expect that such costs will exceed $100,000, we do not expect that such costs will have a material effect on our financial position, results of operations, or cash flows.

During the first quarter of 2007, we voluntarily disclosed possible noncompliance with environmental requirements, including hazardous waste management and disposal requirements, at our Pasadena facility to the Texas Commission on Environmental Quality ("TCEQ"). In the second quarter of 2008, we entered into an Agreed Order with TCEQ to resolve certain issues related to the voluntary disclosure. Under the Agreed Order, we paid a required fine of $23,608. We do not expect 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 was under investigation by the Royal Canadian Mounted Police ("RCMP") regarding its prior public disclosures, including financial and accounting matters. In October 2005, Royal Group advised the Ontario Securities Commission, the RCMP and the SEC of emails and documents authored by a former finance employee of Royal Group that relate to certain financial accounting and disclosure matters. Royal Group understands that the SEC made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents and in May 2008, Royal group was advised that it is no longer a target of the RCMP's investigation.

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 April 4, 2007, Royal Window Coverings (USA) L.P. entered into a settlement agreement with a putative class of direct purchasers of window covering products. The settlement amount of $2.4 million was paid into escrow and the settlement encompasses all sales of window covering products made by Royal Window Coverings and any of its affiliates to the direct purchaser class. The plaintiff class filed two class actions in federal court for the Eastern District of Pennsylvania for the purpose of effectuating the settlement. These cases were subsequently consolidated. The final approval hearing of the settlement was held on November 19, 2007. On November 29, 2007, the Court entered an order granting final approval of the settlement. In July 2007, Royal Group was advised that it is no longer the subject of a criminal

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

investigation which was being conducted by the Antitrust Division of the U.S. Department of Justice, and which focused on alleged price fixing in the window coverings industry.

On June 6, 2008, we received notice and a letter of transmittal (collectively, the "Notice") from persons ("Claimants") claiming to own at least 25% 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 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 bank credit agreement was required for the consent fee payment and the Indenture amendment.

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

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

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

There are several serious environmental issues concerning the vinyl chloride monomer ("VCM") facility at Lake Charles, Louisiana we acquired from CONDEA Vista Company ("CONDEA Vista" is now Sasol North America, Inc.) on November 12, 1999. Substantial investigation of the groundwater at the site

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 have recorded a $2.2 million accrual in non-current liabilities at December 31, 2008.

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

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

thereafter. In August 2007, the facility submitted a report on the progress of the remediation to the VDEQ. Subsequently, the VDEQ responded by indicating that continued remediation of the area impacted by the spill is required. While the additional remediation costs may exceed $100,000, we do not expect such costs will have a material effect on our financial position, results of operations or cash flows.

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

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

12. RELATED PARTY TRANSACTIONS

Joint Ventures. Our joint ventures are accounted for using the equity method. We own a 50 percent interest in PHH Monomers, LLC ("PHH"), a manufacturing joint venture with PPG Industries, Inc., ("PPG"), to produce VCM included in our chlorovinyl segment. We receive 50 percent of the VCM production of PHH and consume the majority of the production to produce vinyl resins. Pursuant to the terms of the operating agreement and the manufacturing and services agreement, PPG is the operator of PHH. We purchase our share of the raw materials and pay 50 percent of the processing costs for the right to 50 percent of the VCM production of PHH. PHH has capacity to produce 1.15 billion pounds. The chlorine needs of the PHH facility are supplied via pipeline, under a long-term market price based contract with PPG. PHH is an integral part of our manufacturing operations.

At December 31, 2008 and 2007, our investment in joint ventures included in our chlorovinyl segment was $10.2 million and $14.3 million, respectively, which primarily represents 50 percent of the property, plant and equipment of the PHH production facility, and is included in other long-term assets.

We own a 50 percent interest in several manufacturing joint ventures in the window and door profiles and outdoor building products segments. We sell raw materials to these joint ventures at market prices. Sales of materials to these joint ventures for fiscal year 2008 and 2007 were $20.5 and $23.4 million, respectively. Sales of materials to these joint ventures from October 3, 2006, the date of the Royal Group acquisition, to December 31, 2006 were approximately $6.5 million. As of December 31, 2008 and 2007, our investment in these manufacturing joint ventures was $5.9 million and $6.0 million, respectively.

At December 31, 2008 and 2007, we had $1.6 million and $7.2 million, respectively, of liabilities due to these related parties included in accounts payable. At December 31, 2008 and 2007, we had $11.8 million and $8.4 million, respectively, of receivables due from these related parties included in accounts receivable. Our equity in earnings from our joint ventures was $3.1 million and $4.6 million for the years ended December 31, 2008 and 2007, respectively. Our equity in earnings (losses) from these joint ventures was not material for the year ended December 31, 2006.

13. STOCKHOLDERS' EQUITY

Each outstanding share of common stock is accompanied by a preferred stock purchase right, which entitles the holder to purchase from us 1/100th of a share of Junior Participating Preferred Stock for

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Notes to Consolidated Financial Statements (Continued)

13. STOCKHOLDERS' EQUITY (Continued)

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

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

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

14. 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 7,000,000 shares of our common stock to employees and non-employee directors. As of December 31, 2008, we had various types of share-based payment arrangements with our employees and non-employee directors including restricted and deferred stock units, and stock options, which are described below.

Stock Options. Option prices are equal to the closing price of our common stock on the day prior to the date of grant. Options vest over a one or three-year period from the date of grant and expire no more than ten years after the date of grant. A summary of stock option activity under all plans during 2008 is as follows:

	Year ended December 31, 2008			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Exercise Price	Aggregate Intrinsic Value
				(In thousands)
Outstanding on January 1, 2008	**2,464,027**		**$ 27.86**	
Granted	**884,125**		**6.17**	
Exercised				
Forfeited	**(33,285)**		**9.59**	
Expired	**(193,520)**		**34.83**	
Outstanding on December 31, 2008	**3,121,347**	**6.1 years**	**$ 21.48**	**$**
Vested or expected to vest at December 31, 2008	**3,100,440**	**6.1 years**	**$ 21.57**	
Exercisable on December 31, 2008	**1,818,028**	**4.1 years**	**$ 28.50**	**$**
Shares available on December 31, 2008 for options that may be granted	**1,504,462**			

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Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

The weighted-average grant date fair value of options granted during 2008, 2007 and 2006 was $2.17, $6.98, and $10.21, respectively. The total intrinsic value of options exercised during the year ended December 31, 2006 was $0.1 million. No options were exercised in 2008 and 2007. The intrinsic value is calculated as the difference between the market value on exercise date and the exercise price of the shares. The following table summarizes information about stock options at December 31, 2008:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Exercise Price
$1.66 to $5.01	**118,000**	**$ 2.10**	**9.9 years**		**$**
$6.72 to $6.72	**636,000**	**6.72**	**9.2 years**		
$7.27 to $20.43	**1,059,027**	**18.12**	**6.1 years**	**612,288**	**18.69**
$23.35 to $28.91	**781,953**	**27.04**	**5.1 years**	**679,373**	**26.76**
$29.31 to $53.38	**526,367**	**42.15**	**3.0 years**	**526,367**	**42.15**
Total $1.66 to $53.38	**3,121,347**	**$ 21.48**	**6.1 years**	**1,818,028**	**$ 28.50**

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

	Year Ended December 31, Stock option grants	
	2008	2007
Assumptions		
Risk-free interest rate	**2.76%**	4.66%
Expected life	**6.0 years**	5.8 years
Expected volatility	**55%**	40%
Expected dividend yield	**4.21%**	1.66%

Compensation expense, net of tax, for 2008 and 2007 for our stock options was approximately $1.5 million and $3.3 million, respectively. Compensation expense, net of tax, for our stock options in 2006 totaled $4.4 million.

Restricted and Deferred Stock. During 2008, 2007 and 2006, we granted 273,986, 202,698 and 136,902 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. During 2008, 2007 and 2006, 10,484, 36,463 and 35,457 shares of restricted stock, respectively, were surrendered in satisfaction of required minimum tax

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Notes to Consolidated Financial Statements (Continued)

14. STOCK-BASED COMPENSATION (Continued)

withholding obligations. A summary of restricted and deferred stock units and related changes therein is as follows:

	Year ended December 31, 2008			
	Shares	Weighted Average Remaining Contractual Terms	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (In thousands)
Outstanding on January 1, 2008	**324,222**		**$ 25.92**	
Granted	**273,986**		**6.72**	
Vested	**(139,128)**		**30.31**	
Forfeited	**(10,484)**		**9.13**	
Outstanding on December 31, 2008	**448,596**	**0.9 years**	**13.22**	**480**
Vested or expected to vest at December 31, 2008	**441,098**	**0.9 years**	**13.41**	**447**

The weighted average grant date fair value per share of restricted and deferred stock units and restricted stock granted during 2008, 2007 and 2006 was $6.72, $19.09 and $28.70, respectively, which is based on the stock price as of the date of grant. The total intrinsic value of restricted and deferred stock units and restricted stock that vested during the years ended December 31, 2008, 2007 and 2006 was $0.1 million, $2.1 million and $3.1 million, respectively.

Compensation expense, net of tax, for 2008, 2007 and 2006, from restricted stock units, restricted stock and deferred stock units was $1.6 million, $3.4 million and $3.6 million, respectively.

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

	Year ended December 31, 2008	
	Shares	Weighted Average Grant Date Fair Value
Nonvested on January 1, 2008	**1,148,316**	**13.39**
Granted	**1,158,111**	**3.25**
Vested	**(339,804)**	**19.07**
Forfeited and expired	**(237,289)**	**30.15**
Nonvested on December 31, 2008	**1,729,334**	**6.10**

As of December 31, 2008, we had approximately $3.5 million of total unrecognized compensation cost related to nonvested share-based compensation, which we will record in our statements of operations over a weighted average recognition period of less than two years. The total fair value of shares vested during 2008, 2007 and 2006, was $6.5 million, $8.5 million and $8.1 million, respectively.

15. EMPLOYEE RETIREMENT PLANS

We have certain employee retirement plans that cover substantially all of our employees. The expense incurred for these plans was approximately $7.4 million, $9.5 million and $8.5 million for the years ended December 31, 2008, 2007 and 2006, respectively. These plans are discussed below.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

Most employees are covered by defined contribution plans under which we make contributions to individual employee accounts. We had expense related to these defined contribution plans of approximately $2.5 million, $4.6 million and $5.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. Most of our U.S. employees are covered by a defined benefit cash balance pension plan. In addition, employees who worked at our now-closed manufacturing facility in Sarnia, Ontario are covered by a defined benefit pension plan for which the benefits are based on years of service and the employee's compensation. We sponsor a postretirement health care plan, which covers employees at our closed manufacturing facility in Sarnia, Ontario. We use a measurement date of December 31 for our pension and other postretirement plans.

In September 2007, upon approval by the Compensation Committee of the Board of Directors, we announced to our U.S. employees that we were amending the qualified defined benefit plan (the "SERP") to freeze benefit accruals through December 31, 2007, and that effective January 1, 2008, the SERP would convert to a cash balance plan with future benefit accruals to be determined under a cash balance formula. Royal Mouldings Retirement Plan participants entered the SERP on December 31, 2007 (the "Plan Merger Date"). Each SERP vested participant was allocated their total pension benefit accrued through the Plan Merger Date. Benefits for the Royal Mouldings Retirement Plan were frozen at December 31, 2004, thus participants will be allocated their total pension benefit through that date. In addition, the plan was amended so that all other Royal Group U.S. employees were allowed to enter the SERP effective January 1, 2008.

As a result of the amendment, we remeasured the SERP assets and liabilities as of September 30, 2007. The remeasurement was based on a 6.25 percent discount rate. The remeasurement resulted in an increase to our prepaid pension costs of approximately $14.0 million and an increase to accumulated other comprehensive income of $8.7 million net of deferred tax liability of $5.3 million.

In December 2008, we announced that we would close our manufacturing facility in Sarnia, Ontario. As a result, we will wind up the defined benefit pension plan during 2009, and will terminate the postretirement health care plan, which covers employees who worked at this facility. Due to the wind up of the pension plan, special termination retirement benefits are available to certain employees who are covered by this plan. A special termination benefit charge of $2.0 million was recognized in the fourth quarter of fiscal 2008 for these additional benefits. In addition, curtailment gains were recognized in the fourth quarter of fiscal 2008 due to reductions in staff at this facility. As a result of the curtailment, a curtailment gain of $0.6 million related to the defined benefit pension plan, and a curtailment gain of $0.4 million related to the other postretirement plan was recorded in the fourth quarter of fiscal 2008.

In February 2009, we notified our employees that we would freeze accrued benefits in our U.S. pension plan, effective as of March 31, 2009. No future benefits will accrue under this plan after March 31, 2009. As a result of the plan freeze, we expect to recognize a curtailment gain of approximately $4.3 million at the end of the first quarter of fiscal 2009 due to accelerated recognition of prior service credits.

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Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

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

In thousands	Pension Benefits 2008	2007
Change in Benefit Obligation		
Benefit obligation, beginning of year	**$ 117,569**	$ 117,216
Service cost	**5,136**	4,276
Interest cost	**7,427**	7,202
Actuarial (gain) loss	**(5,281)**	(1,475)
Exchange rate gain (loss)	**(1,662)**	1,306
Gross benefits paid	**(4,674)**	(3,360)
Plan amendments	**(36)**	(7,515)
Special termination benefits	**2,036**	14
Curtailments	**(1,849)**	(95)
Benefit obligation, end of year	**$ 118,666**	$ 117,569
Accumulated benefit obligation, end of year	**$ 118,388**	$ 114,726

The accumulated benefit obligation is defined as the actuarial present value of pension benefits (whether vested or unvested) attributed to employee service rendered before December 31, 2008 and 2007, respectively, and based on employee service and compensation prior to the applicable date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels.

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

In thousands	Pension Benefits 2008	2007
Change in Plan Assets		
Fair value of plan assets, beginning of year	**$ 140,856**	$ 129,974
Actual return on plan assets	**(36,591)**	12,061
Exchange rate loss	**(1,178)**	1,092
Employer contribution	**1,197**	1,089
Gross benefits paid	**(4,674)**	(3,360)
Fair value of plan assets, end of year	**$ 99,610**	$ 140,856

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

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

In thousands	Pension Benefits December 31, 2008	2007
Funded status, end of year:		
Fair value of plan assets	**$ 99,610**	$ 140,856
Benefit obligations	**118,666**	117,569
Funded status	**(19,056)**	23,287
Amount recognized, end of year	**$ (19,056)**	$ 23,287
Amounts recognized in the balance sheets consist of:		
Noncurrent asset	**$**	$ 28,867
Current liability	**(419)**	(419)
Noncurrent liability	**(18,637)**	(5,161)
	$ (19,056)	$ 23,287
Gross amounts recognized in accumulated other comprehensive (loss) income consist of:		
Net actuarial loss	**$ 40,608**	$ (1,817)
Prior service cost	**(4,431)**	(4,941)
Deferred curtailment loss (gain)	**(1,200)**	
	$ 34,977	$ (6,758)

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

In thousands	Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss for Pension and Other Postretirement Benefits December 31, 2008	2007
End of year:		
Curtailment effects	**$ (1,923)**	$
Current year actuarial (gain) loss	**40,711**	(3,121)
Amortization of actuarial gain	**12**	16
Current year prior service credit	**(36)**	(7,515)
Amortization of prior service credit (cost)	**546**	(179)
Amortization of transition asset (obligation)		(81)
Total recognized in other comprehensive loss	**$ 39,310**	$ (10,880)
Total recognized in net periodic benefit cost and other comprehensive loss	**$ 41,579**	$ (9,467)

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

The estimated amounts that will be amortized from accumulated other comprehensive (loss) income into net periodic benefit (cost) in 2009 are as follows:

In thousands	Pension and Other Postretirement Benefits
Actuarial loss	**$ 2,778**
Prior service credit	**(517)**
Deferred curtailment gain	**(1,922)**
Total	**$ 339**

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

In thousands	Pension Benefit Year Ended December 31, 2008	2007	2006
Components of periodic benefit cost:			
Service cost	**$ 5,136**	$ 4,276	$ 3,798
Interest cost	**7,427**	7,202	5,689
Expected return on assets	**(11,024)**	(10,471)	(8,187)
Amortization of:			
Transition obligation		81	214
Prior service cost	**(546)**	179	382
Actuarial (gain) loss	**(12)**	(16)	66
Special termination benefits	**2,036**	14	
Curtailment gain	**(649)**	(95)	
Settlement gain			(18)
Total net periodic benefit cost	**$ 2,368**	$ 1,170	$ 1,944

Additional Information. At December 31, 2008 and 2007 the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets, and pension plans with an accumulated benefit obligation in excess of plan assets, were as follows:

	Accumulated Benefit Obligation in Excess of the Fair Value of Plan Assets December 31,		Projected Benefit Obligation in Excess of the Fair Value of Plan Assets December 31,	
In thousands	2008	2007	2008	2007
End of year:				
Projected benefit obligation	**$ 118,666**	$ 4,382	**$ 118,666**	$ 13,058
Accumulated benefit obligation	**118,388**	4,382	**118,388**	4,382
Fair value of plan assets	**99,610**		**99,610**	7,478

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

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

In thousands	Pension Benefits 2008	Pension Benefits 2007
Weighted-average assumptions used to determine benefit obligation at end of year:		
Discount rate	**6.50%**	6.18%
Rate of compensation increase	**4.51%**	3.79%

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

	Year Ended December 31, 2008	2007	2006
Discount rate	**6.19%**	5.99%	5.75%
Expected return on plan assets	**7.94%**	7.94%	8.23%
Rate of compensation increase	**4.19%**	4.15%	4.24%

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

The asset allocations for our pension plans at the end of 2008 and 2007 and the target allocation for 2009, by asset category, are as follows:

Asset Category	Target Allocation 2009	Percentage of Plan Assets at Year End 2008	2007
Equity Securities	50-95%	53.9%	65.6%
Debt Securities	10-30%	23.2%	16.9%
Real Estate	0-8%	2.9%	1.7%
Other	0-10%	20.1%	15.8%
	100%	100.0%	100.0%

Equity securities do not include any of our common stock at the end of 2008 and 2007.

Due to the transfer of the plan assets to our new trustee many of the plan assets were liquidated during the fourth quarter of 2007. Therefore, our cash balance (see the "Other" caption above) was much higher when compared with previous periods. We plan to reallocate assets to be more in line with the 2009 Target Allocation noted above.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

15. EMPLOYEE RETIREMENT PLANS (Continued)

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

Employer contributions include direct benefits paid under all pension plans of $0.4 million, $0.4 million and $0.5 million from employer assets in 2008, 2007 and 2006, respectively. We also have another post-retirement benefit program for certain Canadian employees in which we had a benefit obligation of $0.4 million, $3.3 million and $2.7 million as of December 31, 2008, 2007 and 2006, respectively. Expenses related to our other post-retirement program were not material in 2008, 2007 and 2006.

Expected Cash Flows. We expect to make contributions of $0.9 million to our pension plans during 2009. Our expected contribution in the form of direct benefit payments for 2009 is approximately $0.4 million for all pension plans. Expected benefit payments for all pension plans are as follows:

In thousands	Pension Benefits
Expected benefit payments:	
2009	$ 4,359
2010	5,128
2011	5,987
2012	6,909
2013	7,889
2014-2017	54,217

16. INCOME TAXES

For the years ended December 31, 2008, 2007 and 2006, (loss) income from continuing operations before taxes consists of the following:

	Year Ended December 31,		
In thousands	2008	2007	2006
U.S. operations	**$ (143,030)**	$ (11,115)	$ 119,276
Foreign operations	**(134,592)**	(200,048)	(35,977)
Total	**$ (277,622)**	$ (211,163)	$ 83,299

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

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

In thousands	Year Ended December 31, 2008	2007	2006
Current income taxes:			
Federal	**$ 8,871**	$ 1,193	$ 34,477
State	**973**	235	4,088
Foreign	**(626)**	3,851	2,211
Total current	**9,218**	5,279	40,776
Deferred income taxes:			
Federal	**(25,828)**	(361)	3,053
State	**(2,332)**	678	(662)
Foreign	**(1,037)**	38,404	(11,670)
Total deferred	**(29,197)**	38,721	(9,279)
Provision for (benefit from) income taxes	**$ (19,979)**	$ 44,000	$ 31,497

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

In thousands	Year Ended December 31, 2008	2007	2006
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal benefit	**0.4**		2.6
Difference between U.S. and foreign tax rates	**(2.4)**	(2.6)	1.0
Extraterritorial income exclusion			(1.1)
Manufacturing deduction	**(0.1)**	(0.1)	(1.9)
Non-deductible compensation		(0.2)	0.6
Percentage depletion	**0.2**	0.3	(0.7)
Legislation changes impacting rate	**(0.2)**	(0.8)	
Tax loss on disposition of subsidiary			(3.1)
Income tax contingencies			2.8
Change in valuation allowance	**(18.3)**	(24.6)	
FIN 48 interest accruals	**(0.5)**	(4.3)	
Non-deductible goodwill, other intangibles and other long-lived asset impairment	**(7.6)**	(21.3)	
Other, net	**0.7**	(2.2)	2.6
Effective income tax rate	**7.2%**	(20.8)%	37.8%

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

Cash payments for income taxes during 2008, 2007 and 2006 were $27.9 million, $9.4 million and $65.2 million, respectively.

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

In Thousands	December 31, 2008	December 31, 2007
Deferred tax assets:		
Receivables	**$ 2,762**	$ 3,543
Inventories	**5,667**	3,928
Vacation accrual	**19**	1,706
Foreign currency loss	**12,685**	
Net operating loss carryforwards	**54,219**	63,382
Employee compensation	**9,651**	8,899
Accrued liabilities	**7,373**	7,513
Tax credits	**11,304**	12,926
Spare parts inventories	**872**	1,420
Environmental	**1,571**	1,568
Other Financing	**8,814**	5,691
Pension	**7,505**	
Federal benefit of state FIN 48 liability	**2,414**	3,369
Valuation allowance	**(92,316)**	(56,909)
Total deferred tax assets	**32,540**	57,036
Deferred tax liability:		
Property, plant and equipment	**(51,252)**	(95,366)
Intangible assets	**(19,004)**	(34,755)
Pension		(5,996)
Foreign currency translation	**(9,645)**	(8,556)
Other	**(275)**	
Foreign currency loss		(21,778)
Total deferred tax liability	**(80,176)**	(166,451)
Net deferred tax liability	**$ (47,636)**	$ (109,415)

As of December 31, 2008, we had U.S. federal, state and foreign net operating loss ("NOL") carry forwards. Our foreign NOLs principally relate to our operations in Canada and reside in both federal and provincial tax jurisdictions. The jurisdictional amount of NOLs as of December 31, 2008, and the years in which they will expire are as follows:

(In thousands):

Jurisdiction	NOL amount	Year of expiration
U.S. federal	$ 69,671	2010-2024
U.S. state	117,485	2012-2028
Canada federal	104,725	2011-2028
Canada provincial	105,247	2010-2028

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

The U.S. federal and state NOL carryforwards as of December 31, 2008 principally relate to NOLs acquired in connection with the acquisition of Royal Group on October 3, 2006, and results from 2008 and 2007 operations. In connection with the Royal Group acquisition and 2008 operations, we recorded a valuation allowance of $5.2 million on certain U.S. state NOL carry forwards. In addition, in 2008 and 2007 we recorded a $55.5 million and a $52.1 million valuation allowance, respectively, on certain deferred tax assets in Canada that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income, and tax-planning strategies available to us in making this assessment. In order to fully realize the deferred tax assets, we will need to generate future taxable income before the expiration of the deferred tax assets. Based on the weight of evidence, management believes that it is more likely than not that the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008. Our ability to reduce future taxable income through the utilization of the U.S. federal NOLs acquired is subject to the change in ownership restrictions under Internal Revenue Code Section 382. In February 2008, the Company experienced a change in control within the meaning of Internal Revenue Code section 382. We do not expect our U.S. federal and state NOLs to expire, notwithstanding the change in ownership restrictions, before we are able to use them.

Subsequently recognized tax benefits related to the valuation allowance for deferred tax assets as of December 31, 2008 will be allocated as follows (in thousands):

Income tax benefit that would be reported in the consolidated statement of operations	$92,130
Additional paid-in capital	186
Total	$92,316

As of December 31, 2008, we had U.S. federal, state and foreign tax credit carryovers. These tax credits expire over varying amounts and periods as follows (in thousands):

Jurisdiction	**Tax credit amount**	**Year of expiration**
U.S. federal tax credits	$ 1,655	2017
U.S. state tax credits	$ 4,786	2027
Foreign tax credits	$ 4,862	2009-2028

The foreign investment tax credit includes approximately $4.2 million of foreign investment tax credits that were recorded as a result of our acquisition of Royal Group. The balance of the foreign investment tax credits was earned during the period from the acquisition date through December 31, 2008.

Under APB Opinion No. 23, *Accounting for Income Taxes Special Areas*, we are not permanently reinvested with respect to earnings of our foreign subsidiaries. Accordingly, we record a deferred tax liability with respect to the tax effect of repatriating the earnings of our foreign subsidiaries. As a result of losses with respect to our foreign jurisdictions, we did not record any additional deferred tax liability with respect to the losses of our foreign subsidiaries for the years ended on December 31, 2008 and 2007.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

Adoption of FIN 48, Accounting for Uncertainty in Income Taxes.

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

As of December 31, 2008, our liability for unrecognized income tax benefits was approximately $54.5 million. Of this amount, approximately $22.2 million relates to accrued interest and penalties. If recognized, all of this amount would affect our effective tax rate. The implementation of FIN 48 resulted in an increase in the liability for unrecognized tax benefits of approximately $1.4 million, a decrease in retained earnings as of January 1, 2007 of approximately $2.2 million and an increase in goodwill of approximately $0.7 million. For the years ended December 31, 2008 and 2007, we recognized approximately $6.8 million and $9.8 million, respectively, of additional interest expense in our income tax provision related to our liability for unrecognized income tax benefits. Our liability for unrecognized income tax benefits decreased during the year ended December 31, 2008, primarily as the result of foreign currency translation adjustments, the settlement of the Quebec Trust matter and the lapsing of the statute of limitations on certain issues offset by the accrual of additional interest expense related to our liabilities for unrecognized income tax benefits. Prior to the adoption of FIN 48 we accounted for reserves for income tax contingencies in accordance with SFAS No. 5, *Accounting for Contingencies*. During 2009, it is reasonably possible that uncertain tax positions in the U.S. will be recognized as a result of the lapse of the applicable statute of limitations. The aggregate amount of these positions is about $0.8 million.

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

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Notes to Consolidated Financial Statements (Continued)

16. INCOME TAXES (Continued)

preacquisition tax contingency. Finally, we were able to obtain the release of a letter of credit in favor of the trustee for the Quebec Trust for C$44.0 million.

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

Tax Jurisdiction	Open Years
United States Federal	2005-2008
Canada	2004-2008
Various States	2001-2008

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

In thousands	2008	2007
Balance as of beginning of the year	**$ 109,163**	$ 87,789
Additions for current year tax positions	**719**	
Additions for prior year tax positions (including interest & penalties of $6,756 and $9,830 for the year ended December 31, 2008 and 2007, respectively)	**7,074**	11,113
Reductions for prior year tax positions	**(26,096)**	(153)
Settlements	**(23,581)**	(1,184)
Reductions related to expirations of statute of limitations	**(706)**	(1,423)
Foreign currency translation	**(12,079)**	13,021
Balance as of the end of the year	**$ 54,494**	$ 109,163

We are under examination by the Internal Revenue Service for the years ended December 31, 2006 and 2007. The results of the IRS examination cannot presently be determined. In addition, we have accrued a reserve for non-income tax contingencies of $7.4 million and $8.1 million at December 31, 2008 and 2007, respectively. The decrease in the reserve is related primarily to the changes in the Canadian dollar exchange rates offset by the accrued interest related to these matters. We accrue for non-income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The non-income tax contingency reserve is adjusted for, among other things, changes in facts and circumstances, receipt of tax assessments, expiration of statutes of limitations, interest and settlements and additional uncertainties.

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. We do not enter into derivative financial instruments for trading purposes.

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

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

Raw Materials and Natural Gas Price Risk Management. The availability and price of our raw materials and natural gas are subject to fluctuations due to unpredictable factors in global supply and demand. To reduce price risk caused by market fluctuations, we may or may not enter into derivative contracts, such as swaps, futures and option contracts with financial counter-parties, which are generally less than one year in duration. We designate any natural gas or raw material derivatives as cash flow hedges. Our outstanding contracts are valued at market with the offset going to other comprehensive income, net of applicable income taxes and any hedge ineffectiveness. Any gain or loss is recognized in cost of goods sold in the same period or periods during which the hedged transaction affects earnings. The fair value of our natural gas swap contract was a $0.2 million current asset at December 31, 2008. At December 31, 2007, we had a liability of $0.1 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 all our interest rate derivatives as cash flow hedges. At December 31, 2008 and 2007, we had interest rate swaps with notional amounts of $75 million and $300 million, respectively, designated as cash flow hedges of underlying floating rate debt obligations with estimated fair values as liabilities of $2.9 million and $4.1 million, respectively. At December 31, 2008, $2.9 million are current liabilities. At December 31, 2007, $1.9 million and $2.2 million were current and non-current liabilities, respectively. Our outstanding interest rate swap hedges at December 31, 2008 have expiration dates in November 2009. The effective portion of the mark-to-market effects of our cash flow hedge instruments is recorded to accumulated other comprehensive income ("AOCI") until the underlying interest payments are realized. 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 2008, 2007 and 2006, the impact on the consolidated financial statements due to interest rate hedge ineffectiveness was immaterial.

Foreign Currency Risk Management. Our international operations require active participation in foreign exchange markets. We may or may not enter into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. At

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

17. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

December 31, 2008 and 2007, we had no assets or liabilities related to forward contracts, options and cross-currency swaps to buy, sell, or exchange foreign currencies.

Acquisition of Royal Group Canadian Dollar Hedge. In connection with our Royal Group acquisition, we entered into forward contracts for $1.5 billion Canadian dollars to hedge the purchase price of the acquisition, which was in Canadian dollars. For the year ended December 31, 2006, we realized losses of $20.8 million related to these Canadian dollar forward contracts. Settlement of these Canadian dollar forward contracts took place during the three months ended December 31, 2006. At December 31, 2008 and 2007, we had no outstanding Canadian dollar forward contracts.

18. 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 carrying amounts of our other financial instruments approximate the fair value due to the floating market interest rates to which the respective agreements are subject. 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.

For further details concerning our derivative instruments, including gains and losses recognized in the current period, refer to Note 17 "Hedging Transactions and Derivative Financial Instruments."

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of the carrying values and estimated fair values of our senior secured credit facility, fixed-rate long-term debt, interest rate swaps and natural gas swaps as of December 31, 2008 and 2007:

	December 31,			
	2008		2007	
In thousands	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1				
Long-term debt:				
7.125% senior notes due 2013	**$ 100,000**	**$ 30,000**	$ 100,000	$ 73,500
9.5% senior notes due 2014	**497,240**	**152,500**	496,900	395,000
10.75% senior subordinated notes due 2016	**197,407**	**48,000**	197,207	135,000
Level 2				
Long-term debt:				
Revolving credit facility expires 2011	**125,762**	**89,920**	19,950	18,753
Term loan B due 2013	**350,350**	**229,479**	424,300	405,559
Derivative instruments:				
Interest rate swap contracts	**(2,850)**	**(2,850)**	(4,144)	(4,144)
Natural gas swap contracts	**179**	**179**	(144)	(144)

19. SEGMENT INFORMATION

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

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

Identifiable assets consist of property, plant and equipment used in the operations of the segment as well as inventory, receivables and other assets directly related to the segment. Unallocated and other assets include cash, certain corporate receivables, data processing equipment and prepaid pension costs. The accounting polices of the reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies."

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

19. SEGMENT INFORMATION (Continued)

Segments

In thousands	Chlorovinyls	Aromatics	Window and Door Profiles and Mouldings Products	Outdoor Building Products	Unallocated and Other	Total
Year Ended December 31, 2008:						
Net sales	**$ 1,379,957**	**$ 618,837**	**$ 408,880**	**$ 508,803**	**$**	**$ 2,916,477**
Intersegment revenues	**287,321**		**3,121**	**1,750**	**(292,192)**	
Total net sales	**1,667,278**	**618,837**	**412,001**	**510,553**	**(292,192)**	**2,916,477**
Goodwill, intangibles and other long-lived asset impairment charges	**62,535**		**112,883**	**727**	**(187)**	**175,958**
Restructuring costs	**10,579**		**1,445**	**8,709**	**1,240**	**21,973**
(Gains) losses on sale of assets	**(1,689)**		**1,210**	**2,027**	**(28,830)**	**(27,282)**
Operating income (loss)	**60,205**	**(34,979)**	**(137,415)**	**(26,917)**	**(1,047) (2)**	**(140,153)**
Depreciation and amortization	**73,413**	**5,701**	**42,707**	**14,212**	**7,685**	**143,718**
Capital expenditures	**39,516**	**485**	**15,587**	**6,957**		**62,545**
Total assets	**825,109**	**50,269**	**367,904**	**258,514**	**108,605**	**1,610,401**
Year Ended December 31, 2007:						
Net sales	$ 1,409,129	$ 666,923	$ 507,968	$ 573,250	$	$ 3,157,270
Intersegment revenues	294,808		2,953	10,276	(308,037)	
Total net sales	1,703,937	666,923	510,921	583,526	(308,037)	3,157,270
Goodwill, intangible and other long-lived asset impairments	55,481		61,912	41,567		158,960
Restructuring costs	306		2,315	1,038		3,659
(Gains) losses on sale of assets	37		571	370	326	1,304
Operating income (loss)	52,122	10,459	(54,477)	(50,864)	(40,926) (1)	(83,686)
Loss from discontinued operations, net of a tax					(10,864)	(10,864)
Depreciation and amortization	72,021	6,987	45,941	18,396	6,865	150,210
Capital expenditures	59,449	46	15,922	8,253		83,670
Total assets	1,046,417	152,000	572,728	321,381	109,138	2,201,664
Year Ended December 31, 2006:						
Net sales	$ 1,642,782	$ 559,116	$ 117,029	$ 108,916	$	$ 2,427,843
Operating income (loss)	238,792	(17,230)	(5,946)	(17,186)	(42,309) (1)	156,121
Loss from discontinued operations, net of a tax					(3,263)	(3,263)
Depreciation and amortization	57,630	7,083	11,222	4,479	4,605	85,019
Capital expenditures	70,315	2,545	13,772	1,631	2,507	90,770

Total assets	1,221,540	96,527	713,231	311,858	115,071	2,458,227

(1) Includes shared services, administrative and legal expenses, along with the cost of our receivables securitization program.

(2) Includes shared services, administrative and legal expenses, along with the cost of our receivables securitization program, plus gains recognized on the sale of land in Pasadena, Texas.

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

19. SEGMENT INFORMATION (Continued)

Geographic Areas

Sales are attributable to geographic areas based on customer location and are as follows for the years ended December 31, 2008, 2007, and 2006.

In thousands	Year Ended December 31, 2008	2007	2006
Net sales:			
United States	**$ 2,164,611**	$ 2,288,515	$ 2,081,671
Non-U.S.	**751,866**	868,755	346,172
Total	**$ 2,916,477**	$ 3,157,270	$ 2,427,843

Export sales were approximately 26 percent, 28 percent and 16 percent of our sales for the years ended December 31, 2008, 2007 and 2006, respectively. Based on destination, the principal international markets we serve are Europe, Canada, and South and Central America. Net sales to Canada were 21 percent of total sales in 2008 and 2007. No net sales to any other country were greater than five percent of total net sales in 2008.

Long-lived assets are attributable to geographic areas based on asset location. Long-lived assets by geographic area as of December 31, 2008 and 2007 are as follows.

In thousands	December 31, 2008	2007
Long-lived assets:		
United States	**$ 522,062**	$ 568,844
Non-U.S.	**238,698**	398,344
Total	**$ 760,760**	$ 967,188

Net (liabilities) assets are attributable to geographic areas based on the location of the legal entity. Net (liabilities) assets by geographic locations are as follows:

In thousands	December 31, 2008	2007
Net (liabilities) assets:		
United States	**$ (43,206)**	$ 169,090
Non-U.S.	**(96,722)**	27,711
Total	**$ (139,928)**	$ 196,801

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth certain quarterly financial data for the periods indicated:

In thousands, Except Per Share Data*	First Quarter (1)	Second Quarter (2)	Third Quarter	Fourth Quarter (3)
2008				
Net sales	**$712,460**	**$849,843**	**$818,564**	**$ 535,609**
Gross margin	**29,073**	**72,076**	**62,061**	**35,856**
Operating (loss) income	**(44,769)**	**63,102**	**14,248**	**(172,736)**
(Loss) income from continuing operations	**(69,495)**	**27,941**	**(17,402)**	**(198,689)**
Net (loss) income	**(69,495)**	**27,941**	**(17,402)**	**(198,689)**
Basic (loss) earnings per share:				
(Loss) income from continuing operations	**(2.02)**	**0.81**	**(0.50)**	**(5.76)**
(Loss) income from discontinued operations				
Net (loss) income	**(2.02)**	**0.81**	**(0.50)**	**(5.76)**
Diluted (loss) earnings per share				
(Loss) income from continuing operations	**(2.02)**	**0.80**	**(0.50)**	**(5.76)**
(Loss) income from discontinued operations				
Net (loss) income	**(2.02)**	**0.80**	**(0.50)**	**(5.76)**
Dividends per common share	**0.08**	**0.08**	**0.08**	
2007				
Net sales	$713,696	$851,865	$815,293	$ 776,416
Gross margin	50,139	91,402	100,484	63,819
Operating (loss) income	(7,977)	32,390	44,705	(152,802)
(Loss) income from continuing operations	(26,510)	(1,874)	(344)	(226,435)
(Loss) income from discontinued operations	(8,061)	(2,346)	433	(890)
Net (loss) income	(34,571)	(4,220)	89	(227,325)
Basic (loss) earnings per share:				
(Loss) income from continuing operations	(0.77)	(0.05)	(0.01)	(6.59)
(Loss) income from discontinued operations	(0.24)	(0.07)	0.01	(0.03)
Net (loss) income	(1.01)	(0.12)	0.00	(6.62)
Diluted (loss) earnings per share				
(Loss) income from continuing operations	(0.77)	(0.05)	(0.01)	(6.59)
(Loss) income from discontinued operations	(0.24)	(0.07)	0.01	(0.03)
Net (loss) income	(1.01)	(0.12)	0.00	(6.62)
Dividends per common share	0.08	0.08	0.08	0.08

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* Totaling quarterly data for 2008 and 2007 may differ from the annual audited consolidated income statements due to rounding.

(1) The operating loss in the first quarter of 2008 includes the $6.1 million of severance, restructuring and other exit costs and $19.9 million of charges for asset write-downs, net, including $15.5 million related to the permanent closure of our Oklahoma City, Oklahoma PVC plant. In the first quarter of 2007 we recorded additional costs of sales of $2.0 million as a result of valuing Royal Group's inventory at fair value as of the date of acquisition in accordance with generally accepted accounting standards related to business combinations.

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Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

20. QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

(2) The operating income in the second quarter of 2008 includes $31.1 million from gains on sale of land and sale and leaseback of equipment.

(3) Included in the operating loss in the fourth quarter of 2008 are a $157.3 million goodwill, intangibles and other long-lived asset impairment charge (see Notes 4 and 9) and $13.2 million restructuring charge (see Note 4). Included in the operating loss in the fourth quarter of 2007 are a $156.4 million goodwill, intangibles and other long-lived assets impairment charge (see Note 9) and included in net (loss) income is a deferred income tax valuation allowance charge of $52.1 million (see Note 16).

21. SUBSEQUENT EVENTS

On February 13, 2009, we notified employees that we would freeze accrued benefits in the U.S. pension plan effective as of March 31, 2009. No future benefits will accrue under this plan after March 31, 2009. As a result of the plan freeze, the Company expects to recognize a curtailment gain of approximately $4.3 million in the first quarter of fiscal 2009 due to accelerated recognition of prior service credits.

On March 16, 2009, we executed the fifth amendment to our Senior Secured Credit Facility to, among other things, increase our leverage ratio and to decrease our interest coverage ratio each quarter ended beginning March 31, 2009 and through December 31, 2009. These financial ratios become more restrictive effective March 31, 2010. The fifth amendment also establishes a trailing twelve-month minimum consolidated EBITDA threshold measured quarterly. In addition, the fifth amendment reduces our annual capital expenditures limitation to $35.0 million in 2009 and $55.0 million in 2010. Applicable per annum interest rates increased by approximately 1.0% for both the LIBOR loans and the agent bank rate loans. Finally, the fifth amendment permits us to grant a second lien on substantially all of our assets, which provides us flexibility to improve our capital structure in the future.

On March 17, 2009, we entered into a new asset securitization agreement pursuant to which we will sell an undivided percentage ownership interest in a certain defined pool of our U.S. and Canadian trade accounts receivables on a revolving basis through a wholly owned subsidiary to a third party, (the "New Asset Securitization"). Under the New Asset Securitization agreement we may sell ownership interests in new receivables to bring the ownership interests sold up to a maximum of $175.0 million. The New Asset Securitization agreement expires in March 2011.

22. 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, Royal Plastics Group (USA) Limited, Rome Delaware Corporation, Plastic Trends, Inc., Royal Outdoor Products, Inc., Royal Window and Door Profiles Plant 12 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 sheet information, statements of operations information and statements of cash flows information present the combined financial statements of the parent company, and the combined financial statements of our Guarantor Subsidiaries and our remaining subsidiaries (the "Non-Guarantor

Georgia Gulf Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

22. SUPPLEMENTAL GUARANTOR INFORMATION (Continued)

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.

The intercompany receivable and payable balances between the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries are reflected in accounts receivable and accounts payable line items and eliminated in the Eliminations column. Historically, we have reflected the aggregation of all the intercompany balances in both the Parent Company and the respective Guarantor Subsidiaries or Non-Guarantor Subsidiaries and then eliminated these gross amounts in the Elimination column of the respective supplemental consolidated balance sheets. Additionally, to reflect the intercompany receivable and payable balances between separate legal entities within the Guarantor Subsidiaries and Non-Guarantor Subsidiaries, we have historically reflected such balances on a gross basis within such individual Guarantor Subsidiaries and Non-Guarantor Subsidiaries columns. While the legal right of offset between individual legal entities has always existed, effective January 1, 2008, we have changed our policy for presenting the intercompany receivable and payable balances to reflect our intent to offset such intercompany accounts between legal entities to better reflect the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries on a stand alone basis and on a basis more consistent with our overall consolidation policy. This change in policy included presenting intercompany receivable and payable balances within the individual Guarantor and Non-Guarantor Subsidiary columns on a consolidated net basis. These changes in policy were not made retroactively but would have impacted the prior year December 31, 2007 supplemental Guarantor Subsidiaries' balance sheet as follows: (i) approximately $190.0 million of intercompany accounts receivable and accounts payable balances in the Parent Company column would be eliminated to reduce both the receivables, net and accounts payable line items by the same amount;
(ii) approximately $136.0 million of intercompany accounts receivable and accounts payable balances in the Guarantor Subsidiaries column for intercompany balances due primarily between separate legal entities within that column would be eliminated to reduce both the receivables and payables line items by the same amount; (iii) approximately $326.0 million, representing the sum of these adjustments, would have reduced the elimination amounts for receivables, net and accounts payable within the eliminations column. Giving effect to this policy change, effective January 1, 2008, intercompany balances between entities within the Guarantor Subsidiaries are eliminated within the Guarantor Subsidiaries.

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

December 31, 2008

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

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet Information

December 31, 2007

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 8,315	$ 912	$	$ 9,227
Receivables, net	190,236	269,477	251,768	(499,868)	211,613
Inventories		242,026	124,519		366,545
Prepaid expenses	98	12,506	7,395		19,999
Income tax receivable		15,837			15,837
Deferred income taxes		25,049			25,049
Total current assets	190,334	573,210	384,594	(499,868)	648,270
Property, plant and equipment, net	256	568,588	398,344		967,188
Long-term receivables affiliates	485,140			(485,140)	
Goodwill		185,115	97,167		282,282
Intangibles, net		37,731	38,058		75,789
Other assets, net	35,872	146,394	13,996		196,262
Non-current assets held-for-sale		9,076	22,797		31,873
Investment in subsidiaries	1,127,655	147,350		(1,275,005)	
Total assets	$ 1,839,257	$ 1,667,464	$ 954,956	$ (2,260,013)	$ 2,201,664
Current portion of long-term debt	$ 24,190	$ 19	$	$	$ 24,209
Accounts payable	312,619	383,024	36,702	(499,868)	232,477
Interest payable	17,752				17,752
Income tax payable		(106)	1,200		1,094
Accrued compensation	844	14,219	17,819		32,882
Liability for unrecognized income tax benefits and other tax reserves		7,558	71,873		79,431
Other accrued liabilities	2,402	24,843	32,435		59,680
Total current liabilities	357,807	429,557	160,029	(499,868)	447,525
Long-term debt, less current portion	1,245,169	128	112,502		1,357,799
Long-term payables affiliates			485,140	(485,140)	
Liability for unrecognized income tax benefits		6,315	31,559		37,874
Deferred income taxes	28,243	104,391	1,830		134,464
Other non-current liabilities	11,237	10,643	5,321		27,201
Total liabilities	1,642,456	551,034	796,381	(985,008)	2,004,863
Stockholders' equity	196,801	1,116,430	158,575	(1,275,005)	196,801
Total liabilities and stockholders' equity	$ 1,839,257	$ 1,667,464	$ 954,956	$ (2,260,013)	$ 2,201,664

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Year Ended December 31, 2008

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 13,563	$ 2,423,523	$ 708,995	$ (229,604)	$ 2,916,477
Operating costs and expenses:					
Cost of sales	3	2,277,015	644,206	(203,815)	2,717,409
Selling, general and administrative expenses	22,989	82,739	88,633	(25,789)	168,572
Goodwill, intangibles and other long-lived asset impairment charges		128,561	47,397		175,958
Restructuring costs	982	2,850	18,141		21,973
(Gains) losses on sale of assets		(31,074)	3,792		(27,282)
Total operating costs and expenses	23,974	2,460,091	802,169	(229,604)	3,056,630
Operating (loss) income	(10,411)	(36,568)	(93,174)		(140,153)
Other income (expense) :					
Interest expense, net	(129,541)	11,131	(14,795)		(133,205)
Foreign exchange gain (loss)	(432)	(19)	(3,813)		(4,264)
Equity in income of subsidiaries	(146,114)	(10,494)		156,608	
Intercompany interest income (expense)	20,207		(20,207)		
(Loss) income from continuing operations before income taxes	(266,291)	(35,950)	(131,989)	156,608	(277,622)
(Benefit) provision for income taxes	(8,648)	(7,978)	(3,353)		(19,979)
Net (loss) income	$ (257,643)	$ (27,972)	$ (128,636)	$ 156,608	$ (257,643)

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Year Ended December 31, 2007

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 12,041	$ 2,348,938	$ 879,415	$ (83,124)	$ 3,157,270
Operating costs and expenses:					
Cost of sales		2,152,425	751,475	(52,474)	2,851,426
Selling, general and administrative	28,322	100,214	127,721	(30,650)	225,607
Goodwill, intangibles and other long-lived asset impairment charges		20,020	138,940		158,960
Restructuring Costs		388	3,271		3,659
(Gains) losses on sale of assets			1,304		1,304
Total operating costs and expenses	28,322	2,273,047	1,022,711	(83,124)	3,240,956
Operating (loss) income	(16,281)	75,891	(143,296)		(83,686)
Other income (expense):					
Interest expense, net	(123,298)	2,414	(12,879)		(133,763)
Foreign exchange loss	10,601	344	(4,659)		6,286
Equity in income of subsidiaries	(148,044)	(17,352)		165,396	
(Loss) income before income taxes	(245,682)	61,297	(192,174)	165,396	(211,163)
Provision for income taxes	20,345	(15,135)	38,790		44,000
(Loss) income from continuing operations	(266,027)	76,432	(230,964)	165,396	(255,163)
Loss from discontinued operations, net of tax		(2,834)	(8,030)		(10,864)
Net (loss) income	$ (266,027)	$ 73,598	$ (238,944)	$ 165,396	$ (266,027)

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Georgia Gulf Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations Information

Year Ended December 31, 2006

(In thousands)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 12,352	$ 2,271,553	$ 182,367	$ (38,429)	$ 2,427,843
Operating costs and expenses:					
Cost of sales		2,001,271	158,730	(7,430)	2,152,571
Selling, general and administrative					