

RPM INTERNATIONAL INC/DE/ (RPM)

2628 PEARL RD
MEDINA, OH, 44258
330-273-5090
www.rpmrepublic.com

10-K

Annual report pursuant to section 13 and 15(d)
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended May 31, 2010
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-14187

RPM INTERNATIONAL INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*
P.O. Box 777, 2628 Pearl Road, Medina, Ohio
(Address of Principal Executive Offices)

02-0642224
*(IRS Employer
Identification No.)*
44258
(Zip Code)

Registrant's telephone number, including area code:
(330) 273-5090

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01	New York Stock Exchange
Rights to Purchase Shares of Common Stock	New York Stock Exchange

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 No

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 No

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

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

Indicate by check mark 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 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.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates (based upon the closing price of the Common Stock as reported on the New York Stock Exchange on November 30, 2009, the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$2,499,849,210. For purposes of this information, the 1,947,049 outstanding shares of Common Stock which were owned beneficially as of November 30, 2009 by executive officers and Directors of the Registrant were deemed to be the shares of Common Stock held by affiliates.

As of July 27, 2010, 130,020,803 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2010 Annual Report to Stockholders for the fiscal year ended May 31, 2010 (the "2010 Annual Report to Stockholders") are incorporated by reference into Parts I and II of this Annual Report on Form 10-K. Portions of the definitive Proxy Statement to be used in connection with the Registrant's Annual Meeting of Stockholders to be held on October 7, 2010 (the "2010 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

Except as otherwise stated, the information contained in this Annual Report on Form 10-K is as of May 31, 2010.

Table of Contents

	<u>PART I</u>	
<u>Item 1.</u>	<u>Business</u>	2
<u>Item 1A.</u>	<u>Risk Factors</u>	9
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	15
<u>Item 2.</u>	<u>Properties</u>	15
<u>Item 3.</u>	<u>Legal Proceedings</u>	16
<u>Item 4.</u>	<u>Reserved</u>	17
<u>Item 4A.</u>	<u>Executive Officers of the Registrant</u>	17
	<u>PART II</u>	
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	18
<u>Item 6.</u>	<u>Selected Financial Data</u>	19
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	20
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	20
<u>Item 9A.</u>	<u>Controls and Procedures</u>	20
<u>Item 9B.</u>	<u>Other Information</u>	20
	<u>PART III</u>	
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	20
<u>Item 11.</u>	<u>Executive Compensation</u>	20
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	21
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	21
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	21
	<u>PART IV</u>	
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	21
<u>SIGNATURES</u>		22
<u>Exhibit Index</u>		E-1
<u>Schedule II</u>		S-1
<u>EX-10.18</u>		
<u>EX-10.19</u>		
<u>EX-13.1</u>		
<u>EX-21.1</u>		
<u>EX-23.1</u>		
<u>EX-31.1</u>		
<u>EX-31.2</u>		
<u>EX-32.1</u>		
<u>EX-32.2</u>		

PART I

Item 1. *Business.*

THE COMPANY

RPM International Inc., a Delaware corporation, succeeded to the reporting obligations of RPM, Inc., an Ohio corporation, following a 2002 reincorporation transaction. RPM, Inc. was incorporated in 1947 under the name Republic Powdered Metals, Inc. and changed its name to RPM, Inc. in 1971. In connection with the 2002 reincorporation from Ohio to Delaware, we established a new legal structure, which included the formation of two new, wholly owned subsidiaries of RPM International Inc., the RPM Consumer Holding Company and the RPM Industrial Holding Company. These two holding companies, in addition to RPM, Inc., which remained as one of our subsidiaries following the reincorporation, own the various operating companies and other legal entities that make up RPM International Inc. In 2010, RPM, Inc. changed its name to Specialty Products Holding Corp.

As used herein, the terms “RPM,” the “Company,” “we,” “our” and “us” refer to RPM International Inc. and all of our consolidated subsidiaries, unless the context indicates otherwise. Our principal executive offices are located at 2628 Pearl Road, P.O. Box 777, Medina, Ohio 44258, and our telephone number is (330) 273-5090.

RECENT DEVELOPMENTS

On May 31, 2010, Bondex International, Inc. (“Bondex”) and its parent, Specialty Products Holding Corp. (“SPHC”), filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) to reorganize under Chapter 11 of the U.S. Bankruptcy Code (the “Bankruptcy Code”). SPHC is the parent company of Bondex and also serves as the parent company for various operating companies that are not part of the reorganization filing, including Chemical Specialties Manufacturing Corp., Day-Glo Color Corp., Dryvit Systems, Inc. through Dryvit Holdings, Inc., Guardian Protection Products Inc., Kop-Coat Inc., TCI, Inc. and RPM Wood Finishes Group, Inc. (collectively with SPHC and Bondex, the “Deconsolidated Group”). SPHC and Bondex (the “filing entities”) took this action as a means to permanently and comprehensively resolve all pending and future asbestos-related liability claims associated with Bondex and SPHC. As a result of the filing, all litigation related to Bondex and SPHC asbestos personal injury claims has been stayed. The Chapter 11 proceedings will enable the filing entities to establish a section 524(g) trust accompanied by a court order that will direct all existing and future SPHC-related and Bondex-related claims to such trust, which will then compensate only meritorious claims at appropriate values. See Item 1A — “Risk Factors” for further information concerning the effects of the Chapter 11 proceedings.

In accordance with generally accepted accounting principles, when a subsidiary whose financial statements were previously consolidated with those of its parent (as SPHC’s were with ours) becomes subject to the control of a government, court, administrator or regulator (including filing for protection under the Bankruptcy Code), whether solvent or insolvent, deconsolidation of that subsidiary is generally required. As discussed in Note A(2) to the Consolidated Financial Statements, our investment in SPHC is recorded under the cost method effective May 31, 2010. The cost method requires us to present the net assets of SPHC at May 31, 2010, as an investment and not recognize any income or loss from SPHC in our results of operations during the reorganization period. Our net investment in SPHC is carried at a zero value. When SPHC emerges from the jurisdiction of the Bankruptcy Court, the subsequent accounting will be determined based upon the applicable circumstances and facts at such time, including the terms of any plan of reorganization. See Note I to the Consolidated Financial Statements for further information.

BUSINESS

Our subsidiaries manufacture, market and sell various specialty chemical product lines, including high-quality specialty paints, protective coatings, roofing systems, sealants and adhesives, focusing on the maintenance and improvement needs of both the industrial and consumer markets. Our family of products includes those marketed under brand names such as Carboline, DAP, EUCCO, Fibergate, Flecto, Flowcrete, Universal Sealants, illbruck, Rust-Oleum, Stonhard, Tremco, Watco and Zinsser. As of May 31, 2010, our subsidiaries marketed products in

[Table of Contents](#)

approximately 150 countries and territories and operated manufacturing facilities in approximately 77 locations in the United States, Argentina, Belgium, Canada, Colombia, The Czech Republic, France, Germany, Italy, Malaysia, Mexico, The Netherlands, Norway, Poland, South Africa, Sweden, the United Arab Emirates and the United Kingdom. Approximately 39% of our sales are generated in international markets through a combination of exports and direct sales in foreign countries. For the fiscal year ended May 31, 2010, we recorded net sales of \$3.4 billion.

Available Information

Our Internet website address is www.rpminc.com. We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission.

Segment Information

Our business is divided into two reportable segments: the consumer reportable segment (“consumer segment”) and the industrial reportable segment (“industrial segment”). Within each reportable segment, we aggregate several operating segments which comprise individual reporting units and product lines that generally address common markets, utilize similar technologies and are able to share manufacturing or distribution capabilities. The industrial segment (RPM Building Solutions Group, Performance Coatings Group and RPM II Group), which comprises approximately 68% of our total net sales, includes maintenance and protection products for roofing and waterproofing systems, flooring, corrosion control and other specialty applications. The consumer segment (Rust-Oleum/Zinsser Group and DAP Group) comprises approximately 32% of our total net sales and includes rust-preventative, special purpose and decorative paints, caulks, sealants, primers and other branded consumer products. See Note K (Segment Information) of the Notes to Consolidated Financial Statements, which appears in the 2010 Annual Report to Stockholders, and is incorporated herein by reference, for financial information relating to our two reportable segments and financial information by geographic area.

Industrial Segment

Our industrial segment products are sold throughout North America and also account for the majority of our international sales. Our industrial product lines are sold directly to contractors, distributors and end-users, such as owners of industrial manufacturing facilities, public institutions and other commercial customers. Our industrial segment generated \$2.3 billion in net sales for the fiscal year ended May 31, 2010 and includes the following major product lines and brand names:

RPM Building Solutions Group:

- waterproofing and institutional roofing systems used in building protection, maintenance and weatherproofing applications marketed under our Tremco, Republic, Vulkem and Dymeric brand names;
- sealants, tapes and foams that seal and insulate joints in various construction assemblies marketed under our Tremco, illbruck and Spectrem brand names;
- residential basement waterproofing systems marketed under our Tuff-N-Dri and Watchdog Waterproofing brand names;
- specialized roofing and building maintenance and related services marketed by our Weatherproofing Technologies subsidiary;
- specialty industrial adhesives and sealants marketed under our Pactan brand name; and
- concrete and masonry additives and related construction chemicals marketed under our EUCO, Increte and Tamms brand names.

Performance Coatings Group:

- high-performance polymer flooring systems for industrial, institutional and commercial facility floor surfaces marketed under our Stonhard and Flowcrete brand name;

Table of Contents

- industrial and commercial tile systems marketed under our Lock–Tile and Ecoloc brand names;
- fiberglass reinforced plastic gratings and shapes used for industrial platforms, staircases and walkways marketed under our Fibergrate, Chemgrate, Corgrate and Safe–T–Span brand names;
- high–performance, heavy–duty corrosion–control coatings, fireproofing products and containment linings for a wide variety of industrial infrastructure applications marketed under our Carboline, Nullifire, A/D Fire, Thermo–lag and Plasite brand names; and
- specialty construction products including bridge expansion joints, bridge deck waterproofing membranes, protective coatings and concrete repair marketed under our Universal Sealants, BridgeCare, StructureCare, Pitchmastic, Nufins and Visul brand names.

RPM II Group (for periods after May 31, 2010, the RPM II Group will no longer include the operations of the Deconsolidated Group):

- exterior insulating finishing systems, including textured finish coats, sealers and variegated–aggregate finishes marketed under our Dryvit brand name;
- a variety of products for specialized applications, including powder coatings for exterior and interior applications marketed under our TCI brand name;
- fluorescent colorants and pigments marketed under our Day–Glo, Radiant and Dane Color brand names;
- commercial carpet and floor cleaning solutions marketed under our Chemspec brand name;
- fuel additives marketed under our Valvtect brand name;
- wood treatments marketed under our Kop–Coat and Tru–Core brand names;
- pleasure marine coatings marketed under our Pettit, Woolsey and Z–Spar brand names;
- waterproofing and flooring products marketed under our RPM Belgium brand names;
- waterproofing and concrete repair products marketed under our Vandex brand name;
- wood furniture finishes and touch–up products marketed under our CCI, Mohawk, Chemical Coatings, Behlen and Westfield Coatings brand names; and
- shellac–based–specialty coatings for industrial and pharmaceutical uses, edible glazes and food coatings marketed under our Mantrose–Haeuser and NatureSeal brand names.

Consumer Segment

Our consumer segment manufactures and markets professional use and do–it–yourself (“DIY”) products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment’s major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe. Consumer segment products are sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops and to other smaller customers through distributors. Our consumer segment generated \$1.1 billion in net sales in the fiscal year ended May 31, 2010 and is composed of the following major product lines and brand names:

Rust–Oleum/Zinsser Group:

- a broad line of coating products to protect and decorate a wide variety of surfaces for the DIY and professional markets which are sold under several key Rust–Oleum brand names, including Stops Rust, American Accents, Painter’s Touch, Specialty, Professional, Tremclad, Universal, Varathane, Watco, Epoxy Shield, Industrial Choice, Labor Saver, Road Warrior, Sierra Performance, Hard Hat, Mathys, CombiColor, Noxyde and Blackfriar. In addition, Rust–Oleum branded products in Canada are marketed under the Mono and Tremclad brand names;

Table of Contents

- a broad line of specialty products targeted to solve problems for the paint contractor and the DIYer for applications that include surface preparation, mold and mildew prevention, wallpaper removal and application, and waterproofing, under our Zinsser, B-I-N, Bulls Eye 1-2-3, Cover-Stain, DIF, FastPrime, Sealcoat, Jomax, Gardz, Perma White, Shieldz, Watertite, Okon, Parks, Papertiger and Walworks brand names;
- deck and fence restoration products marketed by our Wolman Wood Care Products business;
- metallic and faux finish coatings marketed under our Modern Masters brand name; and
- an assortment of other products, including hobby paints and cements marketed under our Testors brand name;

DAP Group:

- a complete line of caulks, sealants, adhesives, insulating foam, spackling, glazing, and other general patch and repair products for home improvement and construction marketed through a wide assortment of DAP branded products, including '33', '1012', 2000, 4000, 7000, Alex, Alex Fast Dry, Alex Plus, Alex Ultra, Beats The Nail, Blend Stick, Blockade, Butyl-Flex, Caulk-Be-Gone, Crack Shot, Custom Patch, DAPtex, DAPtex Plus, DryDex, Dynaflex 230, Easy Solutions, Elastopatch, Fast 'N Final, Kwik Foam, Kwik Seal, Kwik Seal Plus, One Stik2, Patch Stick, Painter's Putty '53', Patch-N-Paint, Plastic Wood, Presto Patch, Quick Plug, Rely-On, Seal 'N Peel, SIDE Winder, StikARounds, StrongStik, Weldwood and Phenoseal, which is a brand of Gloucester Company Inc., which is a subsidiary of DAP Products Inc.

Foreign Operations

For the fiscal year ended May 31, 2010, our foreign manufacturing operations accounted for approximately 39% of our total net sales, excluding any direct exports from the United States. Our direct exports from the United States were approximately 2% of our total net sales for the fiscal year ended May 31, 2010. In addition, we receive license fees and royalty income from numerous international license agreements, and we also have several joint ventures, which are accounted for under the equity method, operating in various foreign countries. We have manufacturing facilities in Argentina, Belgium, Canada, Colombia, The Czech Republic, France, Germany, Italy, Malaysia, Mexico, The Netherlands, Norway, Poland, South Africa, Sweden, the United Arab Emirates and the United Kingdom. We also have sales offices or warehouse facilities in Australia, Belgium, Canada, China, The Czech Republic, Finland, France, Germany, Hong Kong, Italy, Japan, Mexico, Poland, Russia, South Africa, Singapore, Sweden, the United Kingdom and several other countries. Information concerning our foreign operations is set forth in Management's Discussion and Analysis of Results of Operations and Financial Condition, which appears in the 2010 Annual Report to Stockholders, and is incorporated herein by reference.

Competition

We conduct our business in highly competitive markets, and all of our major products face competition from local, regional and national firms. Our markets, however, are fragmented, and we do not face competition across all of our products from any one competitor in particular. Several of our competitors have access to greater financial resources and larger sales organizations than we do. While third-party figures are not necessarily available with respect to the size of our position in the market for each of our products, we believe that we are a major producer of caulks, sealants, patch-and-repair products for the general consumer as well as for the residential building trade; roofing systems; urethane sealants and waterproofing materials; aluminum coatings; cement-based paints; hobby paints; pleasure-marine coatings; furniture-finishing repair products; industrial-corrosion-control products; consumer rust-preventative coatings; polymer floorings; fluorescent coatings and pigments; fiberglass-reinforced-plastic gratings; and shellac-based coatings. However, we do not believe that we have a significant share of the total protective coatings market (on a world-wide basis). The following is a summary of the competition that our key products face in the various markets in which we compete:

Paints, Coatings, Adhesives and Sealants Products

The market for paints, coatings, adhesives and sealants has experienced significant consolidation over the past several decades. However, the market remains fragmented, which creates further consolidation opportunities for

Table of Contents

industry participants. Many leading suppliers tend to focus on coatings, while other companies focus on adhesives and sealants. Barriers to market entry are relatively high for new market entrants due to the lengthy intervals between product development and market acceptance, the importance of brand identity and the difficulty in establishing a reputation as a reliable supplier of these products. Most of the suppliers, including us, who provide these items have a portfolio of products that span across a wide variety of applications.

Consumer Home Improvement Products. Within the consumer segment, we generally serve the home improvement market with products designed for niche architectural, rust-preventative, decorative, special purpose, caulking and sealing applications. The products we sell for home improvement include those sold under our DAP, Phenoseal, Rust-Oleum, Watco and Zinsser brand names. Leading manufacturers of home improvement-related coatings, adhesives and sealants market their products to DIY users and contractors through a wide range of distribution channels. These distribution channels include direct sales to home improvement centers, mass merchandisers, hardware and paint stores, and sales through distributors and sales representative organizations. Competitors in this market generally compete for market share by marketing and building upon brand recognition, providing customer service and developing new products based on customer needs.

Industrial Protective Coatings Products. Anti-corrosion protective coatings and fireproofing must withstand the destructive elements of nature and operating processes under harsh environments and conditions. Some of the larger consumers of high-performance protective and corrosion control coatings and fireproofing are the oil and gas, pulp and paper, petrochemical, shipbuilding and public utility industries. In the public sector, corrosion control coatings are used on structures such as bridges and in water and wastewater treatment plants. These markets are highly fragmented. We and our competitors compete for market share by supplying a wide variety of high-quality products and by offering customized solutions. Our industrial coating products are marketed primarily under our Carboline, Plasite, Nullifire, A/D Fire and Thermo-lag brand names.

Roofing Systems Products

In the roofing industry, re-roofing applications have historically accounted for three-quarters of U.S. demand, with the remaining quarter generated by new roofing applications. The largest manufacturers of roofing systems products focus primarily on residential roofing as well as single-ply systems for low-end, commercial and institutional applications, competing mainly on price and, to a lesser degree, on service. In contrast, we compete primarily for the higher-end, multi-ply and modified bitumen applications in the built-up and low-slope roofing industry. This specialty niche within the larger market tends to exhibit fewer commodity-market characteristics, with customers valuing the greater protection and longer life provided by these roofing systems, as well as ongoing maintenance, inspection and technical services. Typical customers demanding higher-performance roofing systems include governmental facilities, universities, schools, hospitals, museums and certain manufacturing facilities. Our roofing systems are primarily marketed under our Tremco brand.

Construction Chemical Products

Flooring Systems Products. Polymer flooring systems are used in industrial, commercial and, to a lesser extent, residential applications to provide a smooth, seamless surface that is impervious to penetration by water and other substances while being easy to clean and maintain. These systems are particularly well-suited for clean environments such as pharmaceutical, food and beverage and healthcare facilities. In addition, the fast installation time and long-term durability of these systems and products make them ideal for industrial floor repair and restoration. Polymer flooring systems are based on epoxy polyurethane and methylmethacrylate resins. Most of these flooring systems are applied during new construction, but there is also a significant repair and renovation market. Key performance attributes in polymer flooring systems that distinguish competitors for these applications include static control, chemical resistance, contamination control, durability and aesthetics. We market our flooring systems under the Stonhard and Flowcrete brand names.

FRP Grating and Structural Composites. Fiberglass reinforced plastic grating, or FRP, is used primarily in industrial and, to a lesser extent, commercial applications. FRP grating exhibits many specialized features, which make it a beneficial alternative to traditional steel or aluminum grating. These include a high strength-to-weight ratio, high corrosion resistance, electrical and thermal non-conductivity, and molded-in color, which eliminates the

Table of Contents

need for repainting. FRP grating is used for platforms, walkways, stairs and structures for a variety of applications, including those in the food and beverage, chemical processing, water–wastewater, pulp and paper, and offshore oil and gas industries. Key attributes that differentiate competitors in these markets include product quality, depth of product line, and design–and–fabrication services. Our products for these applications are sold under our Fibergrate, Chemgrate, Corgrate and Safe–T–Span brand names.

Sealants, Waterproofing, Concrete and Masonry Products. Sealants, which are used primarily for commercial buildings, include urethane, silicone, latex, butyl and hybrid technology products, and are designed to be installed in construction joints for the purpose of providing an air and water–tight seal. Waterproof coatings, usually urethane based, are installed in exposed and buried applications to waterproof and protect concrete. Structural and traffic bearing membranes are used in a variety of applications for bridge deck construction and restoration and the protection and preservation of parking structures. In the concrete and masonry additives market, a variety of chemicals can be added to concrete and masonry to improve the processability, performance, or appearance of these products. Chemical concrete admixtures are typically grouped according to their functional characteristics, such as water–reducers, set controllers, superplasticizers and air–entraining agents. The key attributes that differentiate competitors for these applications include quality assurance, on–the–job consultation and value–added, highly engineered products. We primarily offer products marketed under our Tremco, EUCO, illbruck, Tamms, Republic, Vulkem, Dymeric, Increte, Tuff–N–Dri, StructureCare, BridgeCare, Pitchmastic and Watchdog Waterproofing brand names for this line of business.

Intellectual Property

Our intellectual property portfolios include valuable patents, trade secrets and know–how, domain names, trademarks, trade and brand names. In addition, through our subsidiaries, we continue to conduct significant research and technology development activities. Among our most significant intangibles are our Rust–Oleum[®], Carboline[®], DAP[®], illbruck[®] and Tremco[®] trademarks.

Rust–Oleum Brands Company and some of our other subsidiaries own more than 850 trademark registrations or applications in the United States and numerous other countries for the trademark “Rust–Oleum[®]” and other trademarks covering a variety of rust–preventative, decorative, general purpose, specialty, industrial and professional coatings sold by Rust–Oleum Corporation and related companies.

Carboline Company, and some of our other subsidiaries, own two United States trademark registrations for the trademark “Carboline[®].” Carboline Company and some of our other subsidiaries also own more than 225 other trademark registrations or applications in the United States and numerous other countries covering the products sold by the Carboline Company.

DAP Brands Company and other subsidiaries of the Company own more than 450 trademark registrations or applications in the United States and numerous other countries for the “DAP[®]” trademark, the “Putty Knife design” trademark and other trademarks covering products sold under the DAP brand and related brands.

Tremco Incorporated and some of our other subsidiaries own more than 75 registrations for the trademark “Tremco[®]” in the United States and numerous countries covering a variety of roofing, sealants and coating products. There are also many other trademarks of Tremco Incorporated that are the subject of registrations or application in the United States and numerous other countries, bringing the total number of registrations and applications to more than 800.

Our other principal product trademarks include: Alumanation[®], B–I–N[®], Bitumastic[®], Bulls Eye 1–2–3[®], Chemgrate[®], Dymeric[®], EUCO[®], Flecto[®], Fibergrate[®], Floquil[®], Geoflex[®], illbruck[®], Paraseal[®], Permaroof[®], Plasite[®], Sanitile[®], Stonblend[®], Stonclad[®], Stonhard[®], Stonlux[®], Testors[®], Varathane[®], Vulkem[®], Woolsey[®], Zinsser[®] and Z–Spar[®]; and, in Europe, Flowercrete[™], Nullifire[®], Radglo[®] and Martin Mathys[™]. Our existing and pending trademark registrations are valid for a variety of different terms of up to 20 years, and may be renewable as long as the trademarks continue to be used and all other local conditions for renewal are met. Our trademark registrations are maintained and renewed on a regular basis as required.

[Table of Contents](#)

Raw Materials

The sources and availability of the raw materials we use in our business continue to be adequate to meet our current and projected needs. Over the last 12 months, raw material costs have been steady due to demand stabilizing and starting to increase on a global basis, as well as unusually high planned and unplanned raw material production shutdowns. On a long-term basis, we anticipate the costs of the raw materials we use will be subject to upward pressure due to escalating energy and related feedstock costs, increased global demand, and improved supplier pricing discipline.

Seasonal Factors

Our business is dependent, to a significant extent, on external weather factors. We historically experience stronger sales and net income in our first, second and fourth fiscal quarters, which are the three month periods ending August 31, November 30 and May 31, respectively, while we have experienced weaker performance in our third fiscal quarter.

Customers

Ten large consumer segment customers, such as DIY home centers, represented approximately 22%, 21% and 21% of our total net sales for the fiscal years ended May 31, 2010, 2009 and 2008, respectively. Except for sales to these customers, our business is not dependent upon any one customer or small group of customers, but is largely dispersed over a substantial number of customers.

Backlog

We historically have not had a significant backlog of orders, and we did not have a significant backlog at May 31, 2010.

Research and Development

Our research and development work is performed at various laboratory locations throughout the U.S. During fiscal years 2010, 2009 and 2008, we spent approximately \$41.3 million, \$40.1 million and \$40.2 million, respectively, on research and development activities. In addition to this laboratory work, we view our field technical service as being integral to the success of our research activities. Our research and development activities and our field technical service costs are both included as part of our selling, general and administrative expenses.

Environmental Matters

We are subject to a broad range of laws and regulations dealing with the environment, health and safety in the various locations around the world in which we conduct our business. These laws and regulations include, but are not limited to, the following major areas:

- the sale, export, generation, storage, handling, use and transportation of hazardous materials;
- the emission and discharge of hazardous materials into the soil, water and air; and
- the health and safety of our employees.

We are also required to obtain permits from various governmental authorities for certain operations. We cannot guarantee that our subsidiaries or their plants have been or will be at all times in complete compliance with all such laws, regulations and permits. If we or any of our subsidiaries violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. Persons who arrange for the disposal or treatment of hazardous substances also may be responsible for the cost of removal or remediation of these substances, even if such persons never owned or operated any disposal or treatment facility. Certain of our subsidiaries are involved in various environmental claims, proceedings and/or remedial activities relating to facilities currently or previously

Table of Contents

owned, operated or used by these subsidiaries, or their predecessors. In addition, we or our subsidiaries, together with other parties, have been designated as potentially responsible parties, or PRPs, under federal and state environmental laws for the remediation of hazardous waste at certain disposal sites. In addition to clean-up actions brought by federal, state and local agencies, plaintiffs could raise personal injury, natural resource damage or other private claims due to the presence of hazardous substances on a property. Environmental laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of hazardous substances.

We have incurred in the past, and will continue to incur in the future, costs to comply with environmental laws. Environmental laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. In addition, the related costs may vary depending on the particular facts and development of new information. As a result, our operating expenses and continuing capital expenditures related to compliance with environmental laws may increase, and more stringent standards also may limit our operating flexibility. A significant increase in these costs and capital expenditures could adversely affect our business, results of operations, financial condition or cash flows. In addition, to the extent hazardous materials exist on or under our real property, the value and future use of that real property may be adversely affected. For information regarding environmental accruals, see Note J (Contingencies and Loss Reserves) of the Notes to our Consolidated Financial Statements, which appears in the 2010 Annual Report to Stockholders, and is incorporated herein by reference. For more information concerning certain environmental matters affecting us, see “Item 3 — Legal Proceedings — Environmental Proceedings” in this Annual Report on Form 10-K.

Employees

As of May 31, 2010, we employed 8,873 persons, of whom 413 were represented by unions under contracts which expire at varying times in the future. As of May 31, 2010, SPHC employed 989 persons, of whom 52 were represented by unions under contracts which expire at varying times in the future. We believe that all relations with employees and their unions are good.

Item 1A. Risk Factors.

You should carefully consider the following risks, as well as the other information contained or incorporated by reference in this Annual Report on Form 10-K, in evaluating us, our business and your investment in us.

The Chapter 11 proceedings involve various risks and uncertainties that could have a material effect on us.

There are a number of issues and matters to be resolved in connection with the Chapter 11 proceedings, including, among others, the following:

- the ultimate asbestos liability of the filing entities;
- the outcome of negotiations with a committee of asbestos personal injury claimants and other participants in the Chapter 11 proceedings, concerning, among other things, the size and structure of a trust to satisfy the asbestos liability and the means for funding that trust;
- the outcome of ongoing litigation with the insurers of the filing entities as to additional amounts of coverage of the filing entities and their participation in a plan to fund the settlement trust; and
- the Bankruptcy Court’s decisions relating to numerous substantive and procedural aspects of the Chapter 11 proceedings, including with regard to the length of time the existing preliminary injunction that prohibits derivative asbestos liability lawsuits and other actions from being brought against RPM International and other non-filing affiliates of the filing entities remains in effect, any shaping litigation regarding asbestos claims, estimation of the aggregate asbestos liability of the filing entities, and extensions of the periods in which only the filing entities have the right to file a plan of reorganization.

The ability of the filing entities to successfully reorganize will depend on their ability to both reach an acceptable agreement with the asbestos claimants that satisfies all applicable legal requirements and obtain the requisite court approvals, and we cannot assure you that these entities can successfully reorganize nor can we give an assurances as to the impact of any such reorganization on the financial condition, results of operations or future

Table of Contents

prospects of the filing entities and their subsidiary businesses. We are also unable to predict the timing of any of the foregoing matters or the Chapter 11 proceedings themselves.

As a result of the Chapter 11 filing, the filing entities are precluded from paying dividends to shareholders and making payments on any pre-bankruptcy filing accounts or notes payable that are due and owing to any other entity within the RPM group of companies (the "Pre-Petition Intercompany Payables") and other pre-petition creditors during the pendency of the bankruptcy case, without the Bankruptcy Court's approval. Moreover, no assurances can be given that any of the Pre-Petition Intercompany Payables will be paid or otherwise satisfied in connection with the confirmation of a SPHC plan of reorganization. As of May 30, 2010, the day prior to the Chapter 11 filing, SPHC and its subsidiaries had Pre-Petition Intercompany Payables of approximately \$209.6 million and pre-petition intercompany receivables from other entities within the RPM group of companies (other than subsidiaries of SPHC) of approximately \$87.3 million.

We also expect that in the bankruptcy case various claims may be asserted against RPM International, including allegations that we are liable for the asbestos-related liabilities of the filing entities. Although we believe we have no responsibility for liabilities of the filing entities, we cannot assure you that the resolution of such claims, or the perception that RPM International may have a risk of exposure to liability for the asbestos-related liabilities of the filing entities, will not have a material adverse effect on our financial condition, results of operations or the market price of our securities. Moreover it is uncertain whether, and to what extent, we may have to contribute to an asbestos trust or whether any channeling injunction entered in connection with a plan of reorganization will extend to all non-filing affiliates of the filing entities, including RPM International.

Our operations have been adversely affected by recent global market and economic conditions.

The current worldwide recession has had an adverse effect on our operating results. Both of our segments have felt the impact of the worldwide recession as sales growth and earnings have declined substantially over the prior year's levels. We anticipate that our operations will continue to be adversely affected by global economic conditions during fiscal 2011. The recession has resulted, and may result in the future, in decreased revenue, gross margin, earnings or growth rates and difficulty in managing inventory levels and collection of customer receivables. We also have experienced, and expect to continue to experience, increased competitive pricing pressure and customer turnover. In addition, customer difficulties have resulted, and could result in the future, in increases in bad debt write-offs and adjustments to our allowance for doubtful accounts receivable. We have also incurred severance and other expenses resulting from cost reduction initiatives in certain of our businesses to address the deteriorating business environment.

Global economic and capital market conditions may cause our access to capital to be more difficult in the future and/or costs to secure such capital more expensive.

We may need new or additional financing in the future to provide liquidity to conduct our operations, expand our business or refinance existing indebtedness. Any sustained weakness in general economic conditions and/or U.S. or global capital markets could adversely affect our ability to raise capital on favorable terms or at all. From time to time we have relied, and we may also rely in the future, on access to financial markets as a source of liquidity for working capital requirements, acquisitions and general corporate purposes. Our access to funds under our credit facility is dependent on the ability of the financial institutions that are parties to that facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Longer term volatility and continued disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our businesses in the longer term. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. The disruptions in the capital and credit markets have also resulted in higher interest rates on publicly issued debt securities, increased costs under credit facilities and less flexibility under applicable debt covenants. Continuation of these disruptions would increase our interest expense

[Table of Contents](#)

and capital costs and could adversely affect our results of operations and financial position including our ability to grow our business through acquisitions.

Volatility in the equity markets or interest rates could substantially increase our pension costs and required pension contributions.

We sponsor qualified defined benefit pension plans and various other nonqualified postretirement plans. The qualified defined benefit pension plans are funded with trust assets invested in a diversified portfolio of debt and equity securities and other investments. Among other factors, changes in interest rates, investment returns and the market value of plan assets can (i) affect the level of plan funding; (ii) cause volatility in the net periodic pension cost; and (iii) increase our future contribution requirements. A significant decrease in investment returns or the market value of plan assets or a significant decrease in interest rates could increase our net periodic pension costs and adversely affect our results of operations. A significant increase in our contribution requirements with respect to our qualified defined benefit pension plans could have an adverse impact on our cash flow.

The results of our annual testing of goodwill and other intangible assets have required, and in the future may require that we incur non-cash impairment charges.

As of May 31, 2010, we had approximately \$1.1 billion in goodwill and other intangible assets. The Accounting Standards Codification ("ASC") section 350 requires that goodwill be tested at least on an annual basis, or more frequently as impairment indicators arise, using a fair-value approach at the reporting unit level. We perform our annual required impairment tests, which involve the use of estimates related to the fair market values of the reporting units with which goodwill is associated, as of the first day of our fourth fiscal quarter. The evaluation of our long-lived assets for impairment includes determining whether indicators of impairment exist, which is a subjective process that takes into account both internal and external factors. Impairment assessment requires the use of significant judgment with regard to estimates and assumptions surrounding future results of operations and cash flows. For the fiscal year ended May 31, 2010, our impairment testing did not result in any impairment loss. For the fiscal year ended May 31, 2009, our impairment testing resulted in impairment charges related to reductions in the carrying value of goodwill and indefinite-lived tradenames, totaling \$14.9 million and \$0.5 million, respectively. Adverse equity market conditions and adverse effects of declining global economic conditions had a significant impact on our results of operations and cash flows, primarily in fiscal 2009. As a result, in the future, if the global economic conditions were to decline significantly, or if our reporting units experienced significant declines in business, we may incur additional, substantial non-cash goodwill and other intangible asset impairment charges. The amount of any such impairment charge could have a material adverse effect on our results of operations.

Our significant amount of indebtedness could have a material adverse impact on our business.

Although our total debt levels remained relatively unchanged from \$0.9 billion at May 31, 2009 to \$0.9 billion at May 31, 2010, we have a significant amount of indebtedness. This compares with \$1.1 billion in stockholders' equity at May 31, 2010. Nevertheless, our level of indebtedness could have important consequences. For example, it could:

- require us to dedicate a material portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the cash flow available to fund working capital, capital expenditures, acquisitions, dividend payments, stock repurchases or other general corporate requirements;
- result in a downgrading of our credit rating, which would increase our borrowing costs, adversely affect our financial results, and make it more difficult for us to raise capital;
- restrict our operational flexibility and reduce our ability to conduct certain transactions, since our credit facility contains certain restrictive financial and operating covenants;
- limit our flexibility to adjust to changing business and market conditions, which would make us more vulnerable to a downturn in general economic conditions; and
- have a material adverse effect on our short-term liquidity if large debt maturities occur in close succession.

Fluctuations in the supply and prices of raw materials may negatively impact our financial results.

We obtain the raw materials needed to manufacture our products from a number of suppliers. Many of our raw materials are petroleum-based derivatives, minerals and metals. Under normal market conditions, these materials are generally available on the open market and from a variety of producers. From time to time, however, the prices and availability of these raw materials fluctuate, which could impair our ability to procure necessary materials or increase the cost of manufacturing our products. The costs of the raw materials we use are under generally upward pressure due to escalating energy and related feedstock costs, increased levels of global demand, improved levels of supplier pricing discipline and declines in the value of the U.S. dollar. If the prices of raw materials continue to increase and we are unable to pass these increases on to our customers, we could experience reduced gross profit margins.

The markets in which we operate are highly competitive and some of our competitors are much larger than we are and may have greater financial resources than we do.

The markets in which we operate are fragmented, and we do not face competition from any one company across all of our product lines. However, any significant increase in competition may cause us to lose market share or compel us to reduce prices to remain competitive, which could result in reduced gross profit margins. Increased competition may also impair our ability to grow or to maintain our current levels of revenues and earnings. Companies that compete in our markets include AkzoNobel, Carlisle, Degussa, Ferro, GE Plastics, H.B. Fuller, Masco, PPG, Sika Finanz, Sherwin-Williams and Valspar. Several of these companies are much larger than we are and may have greater financial resources than we do. Increased competition with these companies could prevent the institution of price increases or could require price reductions or increased spending to maintain our market share, any of which could adversely affect our results of operations.

We depend on a number of large customers for a significant portion of our net sales and, therefore, significant declines in the level of purchases by any of these key customers could harm our business.

Some of our operating companies, particularly in the consumer segment, face a substantial amount of customer concentration. Our key consumer segment customers include Ace Hardware Stores, Cotter & Company, Do It Best, The Home Depot, Lancaster Scheurmann, Lowe's Home Centers, Menards, Orgill, Rona and Wal-Mart. Sales to our ten largest consumer segment customers accounted for approximately 22%, 21% and 21% of our total net sales for the fiscal years ended May 31, 2010, 2009 and 2008, respectively, and 69%, 65% and 59%, respectively, of the consumer segment's net sales for those same fiscal years. If we were to lose one or more of our key customers, or experience a delay or cancellation of a significant order, or incur a significant decrease in the level of purchases from any of our key customers, or experience difficulty in collecting amounts due from a key customer, our net revenues could decline and our operating results could be reduced materially.

Many of our customers operate in cyclical industries, and downward economic cycles may have a material adverse effect on our business.

Many of our customers, across both reportable segments, are in businesses and industries that are cyclical in nature and sensitive to changes in general economic conditions, interest rates, construction activity, and other factors, including changes in consumer spending and preferences. As a result, the demand for our products by these customers depends, in part, upon general economic conditions. Downward economic cycles affecting the markets of our customers may reduce the sales of our products resulting in material reductions to our revenues and net earnings.

A loss in the actual or perceived value of our brands could limit or reduce the demand for our products.

Our family of products includes a number of well-known brand names that are used in a variety of industrial maintenance, consumer DIY and professional applications. We believe that continuing to maintain the strength of our brands is critical to increasing demand for our products and maintaining their widespread acceptance among our customers. The reputations of our branded products depend on numerous factors, including the successful advertising and marketing of our brand names, consumer acceptance, the availability of similar products from

[Table of Contents](#)

our competitors, and our ability to maintain our products' quality and technological advantages. A loss in the actual or perceived value of our brands could limit or reduce the demand for our products.

Our business and financial condition could be adversely affected if we are unable to protect our material trademarks and other proprietary information.

We have numerous valuable patents, trade secrets and know-how, domain names, trademarks and trade names, including certain marks that are significant to our business, which are identified under Item 1 of this Annual Report on Form 10-K. Despite our efforts to protect our trademarks and other proprietary rights from unauthorized use or disclosure, other parties, including our former employees or consultants, may attempt to disclose, obtain or use our proprietary information or marks without our authorization. Unauthorized use of our trademarks, or unauthorized use or disclosure of our other intellectual property, could negatively impact our business and financial condition.

The chemical and construction products industries in which we operate expose us to inherent risks of legal and warranty claims and other litigation-related costs, which could adversely impact our business.

As a participant in the chemical and construction products industries, we face an inherent risk of exposure to legal claims in the event that the failure, use or misuse of our products results, or is alleged to result, in bodily injury and/or property damage. Many of our industrial segment products are used in industrial, commercial or institutional building construction projects. In some instances, our companies offer extended term warranties and as a result, from time to time we may experience higher levels of warranty expense, which is typically reflected in selling, general and administrative expenses.

Compliance with environmental laws and regulations could subject us to unforeseen future expenditures or liabilities, which could have a material adverse impact on our business.

We are subject to numerous environmental laws and regulations in the U.S., Canada and other foreign countries where we conduct business. Governmental and regulatory authorities impose various laws and regulations on us that relate to environmental protection, the sale and export of certain chemicals or hazardous materials, and various health and safety matters, including the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes, and the investigation and remediation of soil and groundwater affected by hazardous substances. These laws and regulations include the Clean Air Act, the Clean Water Act, RCRA, CERCLA, TSCA, and various other federal, state, provincial, local and international statutes. In addition, these laws and regulations often impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up our, or our predecessors', past or present facilities and third party disposal sites. We are currently undertaking remedial activities at a number of facilities and properties and have received notices under the federal Comprehensive Environmental Response, Compensation and Liability Act or analogous state laws of liability or potential liability in connection with the disposal of material from our current or former operations. Further, we also could be subject to future liability resulting from conditions that are currently unknown to us that could be discovered in the future.

The environmental laws under which we operate are numerous, complicated and often increasingly stringent, and may be applied retroactively. As a result, we have not always been and may not always be in full compliance with all environmental, health and safety laws and regulations in every jurisdiction in which we conduct our business. In addition, if we violate or fail to comply with environmental laws, we could be fined or otherwise sanctioned by regulators. We also could be liable for consequences arising out of human exposure to hazardous substances relating to our products or operations. Accordingly, we cannot guarantee that we will not be required to make additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

[Table of Contents](#)

Our businesses are subject to extensive environmental and safety laws and regulations that may restrict or adversely impact our ability to conduct our business.

Our businesses are dependent on the issuance of operating permits and registrations required from government agencies. In connection with the performance of certain activities, our businesses are required to seek permission from agencies in the states, provinces, and countries in which they operate. If regulatory permits or registrations are delayed, restricted, or rejected, subsequent operations at our businesses could be delayed or restricted.

Any regulatory agency could reject or delay the review of any of our business filings. Delays in obtaining necessary permits and registrations could have an adverse effect on our results of operations. Failure to comply with applicable environmental and safety laws and regulations or permit requirements could result in substantial civil or criminal fines and penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations, remedial or corrective measures, installations of pollution control equipment, or other actions. This could have a material adverse effect on our business, financial condition and operating results.

If our efforts in acquiring and integrating other companies or product lines or establishing joint ventures fail, our business may not grow.

As part of our growth strategy, we intend to continue pursuing acquisitions of complementary businesses or products and creating joint ventures. Our ability to continue to grow in this manner depends upon our ability to identify, negotiate and finance suitable acquisitions or joint venture arrangements. In addition, acquisitions and their subsequent integration involve a number of risks, including, but not limited to:

- inaccurate assessments of disclosed liabilities and the potentially adverse effects of undisclosed liabilities;
- unforeseen difficulties in assimilating acquired companies, their products, and their culture into our existing business;
- unforeseen delays in realizing the benefits from acquired companies or product lines, including projected efficiencies, cost savings, revenue synergies and profit margins;
- unforeseen diversion of our management's time and attention from other business matters;
- unforeseen difficulties resulting from insufficient prior experience in any new markets we may enter;
- unforeseen difficulties in retaining key employees and customers of acquired businesses; and
- increases in our indebtedness and contingent liabilities, which could in turn restrict our ability to raise additional capital when needed or to pursue other important elements of our business strategy.

Execution of our acquisition strategy with respect to some companies or product lines could fail or could result in unanticipated costs to us that were not apparent despite our due diligence efforts, either of which could hinder our growth or adversely impact our results of operations.

Our credit facility contains restrictions on certain mergers and asset dispositions.

We derive a significant amount of our revenues from foreign markets, which subjects us to additional business risks that could adversely affect our results of operations.

Our foreign manufacturing operations accounted for approximately 37% of our net sales for the fiscal year ended May 31, 2010, not including exports directly from the U.S. which accounted for approximately 2% of our net sales for fiscal 2010. Our international operations could be adversely affected by changes in political and economic conditions, inflation rates, trade protection measures, restrictions on foreign investments and repatriation of earnings, changing intellectual property rights, difficulties in staffing and managing foreign operations and changes in regulatory requirements that restrict the sales of our products or increase our costs. Also, changes in exchange rates between the U.S. dollar and other currencies could potentially result in material volatility in our costs and earnings and may also adversely affect the carrying values of our assets located outside the U.S.

In many foreign countries, it is acceptable to engage in certain business practices that we are prohibited from engaging in because of regulations that are applicable to us, such as the Foreign Corrupt Practices Act. Although we

Table of Contents

have internal control policies and procedures designed to ensure compliance with these regulations, there can be no assurance that our policies and procedures will prevent a violation of these regulations. Any violation could cause an adverse effect on our results of operations.

We could be adversely affected by global tax law changes.

Our operations are subject to various federal, state, local and foreign tax laws and regulations which govern, among other things, taxes on worldwide income. Future tax law changes, if any, may increase applicable tax rates or impose stricter compliance requirements in the jurisdictions in which we operate, which could reduce our consolidated net earnings.

Terrorist activities and other acts of violence or war and natural disasters have negatively impacted in the past and could negatively impact in the future the U.S. and foreign countries, the financial markets, the industries in which we compete, our operations and profitability.

Terrorist activities and natural disasters have contributed to economic instability in the U.S. and elsewhere, and further acts of terrorism, violence, war or natural disasters could affect the industries in which we compete, our ability to purchase raw materials, our results of operations and financial condition. In addition, terrorist activities and natural disasters may directly impact our physical facilities or those of our suppliers or customers, which could impact our sales, our production capability and our ability to deliver products to our customers. Any disruption of our ability to produce or distribute our products could result in a material decrease in our revenues or significant additional costs to replace, repair or insure our assets, which could have a material adverse impact on our financial condition and results of operations.

Although we have insurance, it may not cover every potential risk associated with our operations.

Although we maintain insurance of various types to cover many of the risks and hazards that apply to our operations, our insurance may not cover every potential risk associated with our operations. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on our financial condition and results of operations. Moreover, no assurance can be given that we will be able to maintain adequate insurance in the future at rates we consider reasonable.

Adverse weather conditions may reduce the demand for some of our products and could have a negative effect on our sales.

From time to time, adverse weather conditions in certain parts of the U.S. and other countries in which we do business have had an adverse effect on our sales of paint, coatings and related products. For example, unusually cold and rainy weather, especially during the general construction and exterior painting season, could have an adverse effect on sales of our exterior paint products. As a result, we have historically experienced weaker sales and net income in our third fiscal quarter (December through February) in comparison to our performance during our other fiscal quarters.

Item 1B. *Unresolved Staff Comments.*

Not Applicable.

Item 2. *Properties.*

Our corporate headquarters and a plant and offices for one subsidiary are located on an 119-acre site, which we own in Medina, Ohio. As of May 31, 2010, our operations occupied a total of approximately 9.4 million square feet, with the majority, approximately 7.7 million square feet, devoted to manufacturing, assembly and storage. Of the approximately 9.4 million square feet occupied, approximately 4.9 million square feet are owned and approximately 4.5 million square feet are occupied under operating leases.

Table of Contents

Set forth below is a description, as of May 31, 2010, of our principal manufacturing facilities which we believe are material to our operations:

Location	Segment	Business/ Floor Space	Approximate Square Feet of	Leased or Owned
Pleasant Prairie, Wisconsin Toronto, Ontario, Canada	Rust–Oleum (Consumer)	Tremco (Industrial)	303,200	Owned
Newark, New Jersey	Zinsser (Consumer)		207,160	Owned
Cleveland, Ohio	Euclid Chemical (Industrial)		182,418	Owned
Cleveland, Ohio	Tremco (Industrial)		178,838	Owned
Bodenwoehr, Germany	illbruck (Industrial)		160,300	Owned
Baltimore, Maryland	DAP (Consumer)		151,171	Owned
Hagerstown, Maryland	Rust–Oleum (Consumer)		144,200	Owned
Arkel, Netherlands	illbruck (Industrial)		143,000	Owned
Tipp City, Ohio	DAP (Consumer)		140,067	Owned
Lake Charles, Louisiana	Carboline (Industrial)		140,000	Owned
Lesage, West Virginia	Zinsser (Consumer)		114,287	Owned
Somerset, New Jersey	Zinsser (Consumer)		112,000	Owned
Maple Shade, New Jersey	Stonhard (Industrial)		110,000	Owned
			77,500	Owned

We lease certain of our properties under long–term leases. Some of these leases provide for increased rent based on an increase in the cost–of–living index. For information concerning our rental obligations, see Note F (Leases) of the Notes to Consolidated Financial Statements, which appears in the 2010 Annual Report to Stockholders and is incorporated herein by reference. Under all of our leases, we are obligated to pay certain varying insurance costs, utilities, real property taxes and other costs and expenses.

We believe that our manufacturing plants and office facilities are well maintained and suitable for our operations.

Item 3. *Legal Proceedings.*

Asbestos Litigation and the Bankruptcy Filings by SPHC and Bondex

For information regarding asbestos litigation involving SPHC and Bondex, see Note J to the Consolidated Financial Statements. On May 31, 2010, Bondex and its parent, SPHC, filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware to reorganize under Chapter 11 of the Bankruptcy Code. See Item 1 — “Business — Recent Developments” and Note I to the Consolidated Financial Statements for further information.

Table of Contents

EIFS Litigation

For a description of the litigation matter involving Dryvit, which is one of the operating companies in the Deconsolidated Group, see Note J to the Consolidated Financial Statements.

Environmental Proceedings

As previously reported, several of our subsidiaries are, from time to time, identified as a “potentially responsible party” under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar state environmental statutes. In some cases, our subsidiaries are participating in the cost of certain clean-up efforts or other remedial actions. Our share of such costs to date, however, has not been material and management believes that these environmental proceedings will not have a material adverse effect on our consolidated financial condition or results of operations. See “Item 1 — Business — Environmental Matters,” in this Annual Report on Form 10-K.

Item 4. Reserved

Item 4A. Executive Officers of the Registrant*.

The name, age and positions of each of our Executive Officers as of July 23, 2010 are as follows:

Name	Age	Position and Offices Held
Frank C. Sullivan	49	Chairman and Chief Executive Officer
Ronald A. Rice	47	President and Chief Operating Officer
Paul G. P. Hoogenboom	50	Senior Vice President — Manufacturing and Operations and Chief Information Officer
Robert L. Matejka	67	Senior Vice President and Chief Financial Officer
Edward W. Moore	53	Vice President, General Counsel and Secretary
Barry M. Slifstein	50	Vice President and Controller

* Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

Frank C. Sullivan was elected Chairman of the Board in 2008 and Chief Executive Officer in 2002. From 1999 to 2008, Mr. Sullivan served as our President, and was Chief Operating Officer from 2001 to 2002. From 1995 to 1999, Mr. Sullivan served as Executive Vice President, and was Chief Financial Officer from 1993 to 1999. Mr. Sullivan served as a Vice President from 1991 to 1995. Prior thereto, he served as our Director of Corporate Development from 1989 to 1991. Mr. Sullivan served as Regional Sales Manager from 1987 to 1989 of AGR Company, an Ohio General Partnership formerly owned by us. Prior thereto, Mr. Sullivan was employed by First Union National Bank from 1985 to 1987 and Harris Bank from 1983 to 1985. Mr. Sullivan is the son of Thomas C. Sullivan, Chairman Emeritus of our Board of Directors.

Ronald A. Rice was elected President in 2008 and Chief Operating Officer in 2006. Mr. Rice served as Executive Vice President from 2006 to 2008, and was Senior Vice President — Administration from 2002 to 2006. From 2001 to 2002, he served as Vice President — Administration. From 1999 to 2001, Mr. Rice served as our Vice President — Risk Management and Benefits. From 1997 to 1999, he served as Director of Risk Management and Employee Benefits, and from 1995 to 1997 he served as Director of Benefits. From 1985 to 1995, Mr. Rice served in various capacities with the Wyatt Company, most recently serving as an Account Manager from 1992 to 1995.

Paul G. P. Hoogenboom was elected Senior Vice President — Manufacturing and Operations and Chief Information Officer in 2006. Prior to that time, he served as Vice President — Operations, to which he was elected in 2000, and as Chief Information Officer, to which he was elected in 2002. Mr. Hoogenboom served as Vice President and General Manager of our e-commerce subsidiary, RPM-e/c, Inc., in 1999. From 1998 to 1999, Mr. Hoogenboom was a Director of Cap Gemini, a computer systems and technology consulting firm. During 1997, Mr. Hoogenboom was employed as a strategic marketing consultant for Xylan Corporation, a network switch manufacturer. From 1994 to 1997, Mr. Hoogenboom was Director of Corporate I.T. and Communications for A.W. Chesterton Company, a manufacturer of fluid sealing systems.

[Table of Contents](#)

Robert L. Matejka was elected Senior Vice President and Chief Financial Officer in 2010. He had previously been Chief Financial Officer of the Company from October 2001 to August 2007, and Vice President — Controller from August 2000 until his retirement in January 2008. During his retirement, Mr. Matejka served as a consultant from time to time to the Company. From 1995 to 1999, he served as Vice President — Finance of the motor and drive systems businesses of Rockwell International Corporation. From 1973 to 1995, Mr. Matejka served in various capacities with Reliance Electric Company, most recently as its Assistant Controller. From 1965 to 1973, he was an Audit Supervisor with Ernst & Young.

Edward W. Moore was elected Vice President, General Counsel and Secretary in 2007. From 1982 to 1989, Mr. Moore was an associate attorney, and from 1990 to 2006, a partner at Calfee, Halter & Griswold LLP. While at Calfee, Mr. Moore served in various capacities, including as a member of the Executive Committee, Chair of the Associates Committee, and most recently, Co-Chair of the Securities and Capital Markets Group.

Barry M. Slifstein was elected Vice President and Controller in 2008 and Principal Accounting Officer in September 2008. Prior to that time, Mr. Slifstein was Vice President of Finance, Chief Financial Officer and Treasurer of our DAP Products Inc. operating group, where he was employed from 1999 to 2008. Mr. Slifstein was Finance Director of Alpharma USPD Inc., a global specialty pharmaceutical company from 1998 to 1999, and Corporate Controller for Luitpold Pharmaceuticals Inc., a manufacturer and distributor of various drugs and medical devices from 1995 to 1998.

PART II

Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

The information set forth at page 67 of the 2010 Annual Report to Stockholders under the heading “Quarterly Stock Price and Dividend Information” is incorporated herein by reference.

The following table presents information about repurchases of RPM International Inc. Common Stock made by us during the fourth quarter of fiscal 2010:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(2)
March 1, 2010 through March 31, 2010	—	—	—	—
April 1, 2010 through April 30, 2010	18,505	\$ 22.08	—	—
May 1, 2010 through May 31, 2010	3,067	\$ 20.05	—	—
TOTAL	21,572	\$ 21.79	—	—

- (1) Attributable to shares that were disposed of back to us in satisfaction of tax obligations related to the vesting of restricted stock grants under RPM International Inc.’s 2004 Amended and Restated Omnibus Equity and Incentive Plan.
- (2) On January 8, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of RPM International Inc. common stock at management’s discretion for general corporate purposes. Our current intent is to limit repurchases only to amounts required to offset dilution created by stock issued in connection with its equity-based compensation plans, or approximately one to two million shares per year. As a result of this authorization, we may repurchase shares from time-to-time in the open market or in private transactions at various times and in amounts and for prices that management deems appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases will depend upon prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time.

Table of Contents

Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial data for each of the five years during the period ended May 31, 2010. The data was derived from our annual Consolidated Financial Statements which have been audited by Ernst & Young LLP, our independent accountants for the five fiscal years ended May 31, 2010.

	Fiscal Years Ended May 31,				
	2010	2009	2008(1)	2007(1)	2006(1)
	(Amounts in thousands, except per share and percentage data)				
Net sales	\$ 3,412,716	\$ 3,368,167	\$ 3,643,791	\$ 3,338,764	\$ 3,008,338
Income (loss) before income taxes	268,454	180,868	34,007	307,535	(122,475)
Net income (loss)	181,127	119,616	44,428	208,289	(76,205)
Return on sales %	5.3%	3.6%	1.2%	6.2%	(2.5)%
Basic earnings (loss) per share attributable to RPM International Inc. Stockholders	\$ 1.40	\$ 0.93	\$ 0.36	\$ 1.71	\$ (0.68)
Diluted earnings (loss) per share attributable to RPM International Inc. Stockholders	1.39	0.93	0.36	1.64	(0.68)
Total RPM International Inc. stockholders' equity	1,079,473	1,143,671	1,136,556	1,086,870	925,941
Total RPM International Inc. stockholders' equity per share	8.50	9.05	9.46	9.20	7.93
Return on total RPM International Inc. stockholders' equity %	16.2%	10.5%	4.0%	20.7%	(7.8)%
Average shares outstanding	127,047	126,373	120,151	118,179	116,837
Cash dividends paid	\$ 105,430	\$ 101,836	\$ 90,638	\$ 82,106	\$ 74,427
Cash dividends declared per share	0.815	0.790	0.745	0.685	0.630
Retained earnings	502,562	427,955	412,314	475,676	349,493
Working capital	817,242	703,754	937,614	705,509	655,718
Total assets	3,004,024	3,409,921	3,763,567	3,333,149	2,996,064
Long-term debt	924,308	762,295	1,066,687	886,416	870,415
Depreciation and amortization	84,252	85,144	85,366	81,607	74,299
Cash from operating activities	203,936	266,995	234,714	202,305	185,489

Note: Acquisitions made by us during each of the periods presented and the deconsolidation of SPHC, which occurred on May 31, 2010, may impact comparability from year to year (See Note A (Summary of Significant Accounting Policies) to the Consolidated Financial Statements). Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

- (1) Reflects the impact of the asbestos-related insurance settlement of \$15.0 million (\$9.7 million after-tax) in 2007, and asbestos charges of \$288.1 million (\$185.1 million after-tax) in 2008; and \$380.0 million (\$244.3 million after-tax) in fiscal 2006 (see Note I (Reorganization Proceedings of Certain Subsidiaries) to the Consolidated Financial Statements).

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

The information required by this item is set forth at pages 22 through 34 of the 2010 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is set forth at page 33 of the 2010 Annual Report to Stockholders, which information is incorporated herein by reference.

[Table of Contents](#)

Item 8. *Financial Statements and Supplementary Data.*

The information required by this item is set forth at pages 35 through 67 and 69 of the 2010 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15) as of May 31, 2010 (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and (2) is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Management's Report on Internal Control over Financial Reporting.

Management's Report on Internal Control Over Financial Reporting and the attestation report of Ernst & Young LLP, our independent registered public accounting firm, are set forth at pages 68 and 70, respectively, of the 2010 Annual Report to Stockholders, which reports are incorporated herein by reference.

(c) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the fourth fiscal quarter ended May 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Information required by this item as to our Directors appearing under the caption "Election of Directors" in our 2010 Proxy Statement is incorporated herein by reference. Information required by this item as to our Executive Officers is included as Item 4A of Part I of this Annual Report on Form 10-K as permitted by Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 of Regulation S-K is set forth in the 2010 Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference. Information required by Items 406, 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K is set forth in the 2010 Proxy Statement under the heading "Information Regarding Meetings and Committees of the Board of Directors," which information is incorporated herein by reference.

The Charters of the Audit Committee, Compensation Committee and Governance and Nominating Committee and the Corporate Governance Guidelines and Code of Business Conduct and Ethics are available on our website at www.rpminc.com and in print to any stockholder who requests a copy. Requests for copies should be directed to Manager of Investor Relations, RPM International Inc., P.O. Box 777, Medina, Ohio 44258. We intend to disclose any amendments to the Code of Business Conduct and Ethics, and any waiver of the Code of Business Conduct and Ethics granted to any of our Directors or Executive Officers on our website.

Item 11. *Executive Compensation.*

The information required by this item is set forth in the 2010 Proxy Statement under the headings "Executive Compensation" and "Director Compensation," which information is incorporated herein by reference.

[Table of Contents](#)

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is set forth in the 2010 Proxy Statement under the headings “Stock Ownership of Principal Holders and Management” and “Equity Compensation Plan Information,” which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is set forth in the 2010 Proxy Statement under the headings “Related Person Transactions” and “Information Regarding Meetings and Committees of the Board of Directors,” which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item is set forth in the 2010 Proxy Statement under the heading “Independent Registered Public Accounting Firm Services and Related Fee Arrangements,” which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this 2010 Annual Report on Form 10-K:

1. Financial Statements. The following consolidated financial statements of RPM and the report of our independent registered public accounting firm thereon, included in our 2010 Annual Report to Stockholders on pages 35 through 67 and 69, are incorporated by reference in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets —
May 31, 2010 and 2009

Consolidated Statements of Income —
fiscal years ended May 31, 2010, 2009 and 2008

Consolidated Statements of Stockholders' Equity —
fiscal years ended May 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows —
fiscal years ended May 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements (including Unaudited Quarterly
Financial Information)

2. Financial Statement Schedules. The following consolidated financial statement schedule of RPM and the report of our independent registered public accounting firm thereon are filed as part of this Annual Report on Form 10-K and should be read in conjunction with our consolidated financial statements included in our 2009 Annual Report to Stockholders:

Schedule

Page or Exhibit No.

Schedule II — Valuation and Qualifying Accounts and Reserves
Consent of Independent Registered Public Accounting Firm

S-1
Exhibit 23.1

All other schedules have been omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits. See the Index to Exhibits at page E-1 of this Annual Report on Form 10-K.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RPM INTERNATIONAL INC.

By: /s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

Date: July 29, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated this 29th day of July, 2010.

Signature	Title
/s/ Frank C. Sullivan Frank C. Sullivan	Chairman, Chief Executive Officer and a Director (Principal Executive Officer)
/s/ Robert L. Matejka Robert L. Matejka	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Barry M. Slifstein Barry M. Slifstein	Vice President and Controller (Principal Accounting Officer)
/s/ Thomas C. Sullivan Thomas C. Sullivan	Chairman Emeritus and a Director
/s/ John P. Abizaid John P. Abizaid	Director
/s/ Bruce A. Carbonari Bruce A. Carbonari	Director
/s/ David A. Daberko David A. Daberko	Director
/s/ James A. Karman James A. Karman	Director
/s/ Donald K. Miller Donald K. Miller	Director
/s/ Frederick R. Nance Frederick R. Nance	Director

Table of Contents

Signature

Title

/s/ William A. Papenbrock

Director

William A. Papenbrock

/s/ Charles A. Ratner

Director

Charles A. Ratner

/s/ William B. Summers, Jr.

Director

William B. Summers, Jr.

/s/ Dr. Jerry Sue Thornton

Director

Dr. Jerry Sue Thornton

/s/ Joseph P. Viviano

Director

Joseph P. Viviano

RPM INTERNATIONAL INC.

Exhibit Index

Exhibit Number	Description	Incorporated by reference herein	
		Form	Date
3.1	Amended and Restated Certificate of Incorporation of the Company	Registration Statement on Form S-8 (File No. 333-101501)	November 27, 2002
3.2	Amended and Restated By-Laws of the Company	Current Report on Form 8-K (File No. 001-14187)	April 27, 2009
4.1	Specimen Certificate of Common Stock, par value \$0.01 per share, of the Company	Registration Statement on Form S-8 (File No. 333-101501)	November 27, 2002
4.2	Rights Agreement, dated April 21, 2009, by and between the Company and National City Bank, as Rights Agent	Current Report on Form 8-K (File No. 001-14187)	April 27, 2009
4.3	Indenture, dated as of May 13, 2003, between the Company, as issuer, and The Bank of New York, as trustee, with respect to the Senior Convertible Notes Due 2033	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2003
4.3.1	Specimen Note Certificate for Senior Convertible Notes Due 2033	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2003
4.4	Indenture, dated as of December 9, 2003, between the Company, as issuer, and The Bank of New York, as trustee, with respect to the 6.25% Senior Notes Due 2013	Registration Statement on Form S-4 (333-114259)	April 7, 2004
4.4.1	Specimen Note Certificate of 6.25% Senior Notes Due 2013	Annual Report on Form 10-K (File No. 001-14187)	August 16, 2004
4.5	Indenture, dated as of October 24, 2005, among RPM United Kingdom G.P., by its general partners, RPM Canada and RPM Canada Investment Company, the Company, as guarantor, and The Bank of New York Trust Company, N.A., as trustee	Current Report on Form 8-K (File No. 001-14187)	October 25, 2005
4.5.1	Form of 6.70% Senior Note Due 2015	Current Report on Form 8-K (File No. 001-14187)	October 25, 2005
4.5.2	Form of Guarantee	Current Report on Form 8-K (File No. 001-14187)	October 25, 2005
4.6	Indenture, dated as of February 14, 2008, between the Company, as issuer, and The Bank of New York Trust Company, as trustee, with respect to the 6.5% Senior Notes Due 2018	Registration Statement on Form S-3 (File No. 333-149232)	February 14, 2008
4.6.1	Form of 6.50% Senior Note Due 2018	Current Report on Form 8-K (File No. 001-14187)	February 20, 2008

[Table of Contents](#)

Exhibit Number	Description	Incorporated by reference herein	
		Form	Date
4.8	Officers' Certificate and Authentication Order dated October 9, 2009 for the 6.125% Notes due 2019 (which includes the form of Note) issued pursuant to the Indenture, dated as of February 14, 2008, between the Company and The Bank of New York Mellon Trust Company, N.A.	Current Report on Form 8-K (File No. 001-14187)	October 8, 2009
10.1	Credit Agreement among RPM International Inc., the Borrowers party thereto, the Lenders party thereto and National City Bank, as Administrative Agent, dated December 29, 2006	Current Report on Form 8-K (File No. 001-14187)	January 4, 2007
10.1.1	Amendment No. 1 to Credit Agreement, dated May 29, 2009	Current Report on Form 8-K (File No. 001-14187)	June 4, 2009
10.1.2	Amendment No. 2 to Credit Agreement, dated May 28, 2010	Current Report on Form 8-K (File No. 001-14187)	June 4, 2010
10.2	Amended and Restated Receivables Sale Agreement among certain subsidiaries of the Company, the Company and RPM Funding Corporation, dated as of April 7, 2009	Current Report on Form 8-K (File No. 001-14187)	April 13, 2009
10.2.1	Amendment No. 1 to Amended and Restated Receivables Sale Agreement, dated February 18, 2010	Quarterly Report on Form 10-Q (File No. 001-14187)	April 8, 2010
10.3	Receivables Purchase Agreement, among RPM Funding Corporation, RPM International Inc., as Servicer, Fifth Third Bank, and Wachovia Bank, National Association, individually and as Administrative Agent, dated as of April 7, 2009	Current Report on Form 8-K (File No. 001-14187)	April 13, 2009
10.3.1	Amendment No. 1 to Receivables Purchase Agreement, dated May 29, 2009	Current Report on Form 8-K (File No. 001-14187)	June 4, 2009
10.3.2	Amendment No. 2 to Receivables Purchase Agreement, dated February 18, 2010	Quarterly Report on Form 10-Q (File No. 001-14187)	April 8, 2010
10.3.3	Amendment No. 3 to Receivables Purchase Agreement, dated May 28, 2010	Current Report on Form 8-K (File No. 001-14187)	June 4, 2010
*10.4	Amended and Restated Employment Agreement, effective December 31, 2008, by and between the Company and Frank C. Sullivan, Chairman and Chief Executive Officer	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009
*10.5	Form of Amended and Restated Employment Agreement, by and between the Company and each of Ronald A. Rice, President and Chief Operating Officer; P. Kelly Tompkins, Executive Vice President — Administration and Chief Financial Officer; Paul G.P. Hoogenboom, Senior Vice President — Manufacturing and Operations, Chief Information Officer; and Stephen J. Knoop, Senior Vice President — Corporate Development (on leave of absence)	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009

[Table of Contents](#)

Exhibit Number	Description	Incorporated by reference herein	
		Form	Date
*10.6	Form of Indemnification Agreement entered into by and between the Company and each of its Directors and Executive Officers	Quarterly Report on Form 10-Q (File No. 001-14187)	January 13, 2003
*10.6.1	Indemnification Agreement, by and between the Company and Stephen J. Knoop, dated May 31, 2010	Current Report on Form 8-K (File No. 001-14187)	June 4, 2010
*10.7	RPM International Inc. 1996 Key Employees Stock Option Plan	Registration Statement on Form S-8 (File No. 333-60104)	November 27, 2002
*10.7.1	Amendment No. 1 to RPM International Inc. 1996 Stock Option Plan	Annual Report on Form 10-K (File No. 001-14187)	August 27, 1998
*10.7.2	Amendment to RPM International Inc. 1996 Stock Option Plan	Registration Statement on Form S-8 (File No. 333-60104)	May 3, 2001
*10.7.3	Amendment No. 3 to RPM International Inc. 1996 Stock Option Plan	Registration Statement on Form S-8 (File No. 333-60104)	November 27, 2002
*10.7.4	Form of Stock Option Agreement to be used in connection with the RPM International Inc. 1996 Stock Option Plan, as amended	Quarterly Report on Form 10-Q (File No. 001-14187)	January 13, 2003
*10.8	RPM International Inc. Benefit Restoration Plan	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2001
*10.8.1	Amendment No. 1 to the RPM International Inc. Benefit Restoration Plan	Quarterly Report on Form 10-Q (File No. 001-14187)	April 14, 2003
*10.8.2	Amendment No. 2 to RPM International Inc. Benefit Restoration Plan	Quarterly Report on Form 10-Q (File No. 001-14187)	January 13, 2003
*10.9	RPM International Inc. Deferred Compensation Plan, as Amended and Restated Generally, effective January 1, 2005	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009
*10.9.1	Master Trust Agreement for RPM International Inc. Deferred Compensation Plan	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2002
10.10	[Reserved]		
*10.11	RPM, Inc. 1997 Restricted Stock Plan, and Form of Acceptance and Escrow Agreement to be used in connection therewith	Quarterly Report on Form 10-Q (File No. 001-14187)	January 13, 2003
*10.11.1	First Amendment to the RPM, Inc. 1997 Restricted Stock Plan, effective as of October 1, 1998	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2002
*10.11.2	Second Amendment to the RPM, Inc. 1997 Restricted Stock Plan	Annual Report on Form 10-K (File No. 001-14187)	August 29, 2002
*10.11.3	Third Amendment to the RPM, Inc. 1997 Restricted Stock Plan	Quarterly Report on Form 10-Q (File No. 001-14187)	January 13, 2003

[Table of Contents](#)

Exhibit Number	Description	Incorporated by reference herein	
		Form	Date
*10.11.4	Fourth Amendment to the RPM International Inc. 1997 Restricted Stock Plan	Quarterly Report on Form 10-Q (File No. 001-14187)	April 14, 2003
*10.11.5	Fifth Amendment to the RPM International Inc. 1997 Restricted Stock Plan	Annual Report on Form 10-K (File No. 001-14187)	August 16, 2004
*10.11.6	Sixth Amendment to the RPM International Inc. 1997 Restricted Stock Plan	Annual Report on Form 10-K (File No. 001-14187)	July 30, 2007
*10.11.7	Seventh Amendment to the RPM International Inc. 1997 Restricted Stock Plan, effective December 31, 2008	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009
*10.12	RPM International Inc. 2003 Restricted Stock Plan for Directors	Quarterly Report on Form 10-Q (File No. 001-14187)	January 14, 2004
*10.12.1	Amendment No. 1 to the RPM International Inc. 2003 Restricted Stock Plan for Directors	Annual Report on Form 10-K (File No. 001-14187)	July 30, 2007
*10.12.2	Amendment No. 2 to the RPM International Inc. 2003 Restricted Stock Plan for Directors, effective December 31, 2008	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009
*10.13	RPM International Inc. Amended and Restated 2004 Omnibus Equity and Incentive Plan, effective July 21, 2009	Definitive Proxy Statement (File No. 001-14187)	August 27, 2009
*10.13.1	Form of Performance-Earned Restricted Stock (PERS) and Escrow Agreement (for grants prior to October 10, 2008)	Annual Report on Form 10-K (File No. 001-14187)	August 15, 2005
*10.13.2	Form of Stock Appreciation Rights Agreement (for grants prior to October 10, 2008)	Quarterly Report on Form 10-Q (File No. 001-14187)	October 6, 2005
*10.13.3	Form of Performance-Contingent Restricted Stock (PCRS) and Escrow Agreement	Annual Report on Form 10-K (File No. 001-14187)	July 30, 2008
*10.13.4	Form of Performance-Earned Restricted Stock (PERS) and Escrow Agreement	Quarterly Report on Form 10-Q (File No. 001-14187)	January 8, 2009
*10.13.5	Form of Stock Appreciation Rights Agreement	Quarterly Report on Form 10-Q (File No. 001-14187)	January 8, 2009
*10.14	RPM International Inc. 2007 Restricted Stock Plan	Current Report on Form 8-K (File No. 001-14187)	October 12, 2006
*10.14.1	Amendment No. 1 to the RPM International Inc. 2007 Restricted Stock Plan, effective December 31, 2008	Quarterly Report on Form 10-Q (File No. 001-14187)	April 9, 2009
*10.15	RPM International Inc. Amended and Restated Incentive Compensation Plan	Quarterly Report on Form 10-Q (File No. 001-14187)	October 9, 2007

Table of Contents

Exhibit Number	Description	Incorporated by reference herein	
		Form	Date
*10.16	Consultancy Agreement between RPM International Inc. and Robert L. Matejka, effective January 16, 2008 (terminated as of April 30, 2010)	Current Report on Form 8-K (File No. 001-14187)	January 18, 2008
*10.17	Separation Agreement and General Release by and between the Company and Mr. Ernest Thomas, dated as of October 31, 2008	Quarterly Report on Form 10-Q (File No. 001-14187)	January 8, 2009
*10.18	Letter Agreement, dated July 20, 2010, by and between the Company and Stephen J. Knoop (xx)		
*10.19	Change in Control Agreement, effective April 20, 2010, by and between the Company and Robert L. Matejka (xx)		
13.1	Portions of RPM International Inc.'s 2010 Annual Report to Stockholders (x)		
21.1	Subsidiaries of the Company (x)		
23.1	Consent of Independent Registered Public Accounting Firm (x)		
31.1	Rule 13a-14(a) Certification of the Company's Chief Executive Officer (x)		
31.2	Rule 13a-14(a) Certification of the Company's Chief Financial Officer (x)		
32.1	Section 1350 Certification of the Company's Chief Executive Officer (xx)		
32.2	Section 1350 Certification of the Company Chief Financial Officer (xx)		

* Management contract or compensatory plan or arrangement.

(x) Filed herewith.

(xx) Furnished herewith.

RPM INTERNATIONAL INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	<u>Balance at</u> <u>Beginning</u> <u>of Period</u>	<u>Additions</u> <u>Charged to</u> <u>General and</u> <u>Administrative</u>	<u>Acquisitions</u> <u>(Disposals)</u> <u>of Businesses</u> <u>and</u> <u>Reclassifications</u>	<u>Deductions</u> <u>(Additions)</u>	<u>Impact of</u> <u>Deconsolidation</u> <u>(4)</u>	<u>Balance at</u> <u>End</u> <u>of Period</u>
	(In thousands)					
Year Ended May 31, 2010						
Allowance for Doubtful Accounts	\$ 22,934	\$ 9,053		\$ 8,581(1)	\$ (2,881)(4)	\$ 20,525
Accrued product liability reserves	\$ 51,453	\$ 12,714		\$ 10,709(2)	\$ (5,647)(4)	\$ 47,811
Accrued warranty reserves	\$ 18,993	\$ 22,213	\$ 46	\$ 23,209(2)	\$ (3,125)(4)	\$ 14,918
Accrued loss reserves — Current	\$ 6,947	\$ 65	\$ (564)(3)	\$ 3,215(2)	\$ (149)(4)	\$ 3,084
Asbestos-related liabilities — Current	\$ 65,000		\$ (45,000)(3)		\$ (20,000)(4)	\$
Accrued product liability — Noncurrent	\$ 7,067	\$ 348		\$ 3,084(2)		\$ 4,331
Environmental reserves — Noncurrent	\$ 3,846	\$ 3,193	\$ 564(3)	\$ 2,080(2)	\$ (1,115)(4)	\$ 4,408
Accrued Warranty — Noncurrent	\$	\$ 2,684				\$ 2,684
Asbestos-related liabilities — Noncurrent	\$ 425,328		\$ 45,000(3)	\$ 92,621(2)	\$ (377,707)(4)	\$
Year Ended May 31, 2009						
Allowance for Doubtful Accounts	\$ 24,554	\$ 7,465		\$ 9,085(1)		\$ 22,934
Accrued product liability reserves	\$ 56,500	\$ 4,432		\$ 9,479(2)		\$ 51,453
Accrued warranty reserves	\$ 8,055	\$ 27,153		\$ 16,215(2)		\$ 18,993
Accrued loss reserves — Current	\$ 7,426	\$ (2,726)	\$ 3,118(3)	\$ 871(2)		\$ 6,947
Asbestos-related liabilities — Current	\$ 65,000		\$ 69,417(3)	\$ 69,417(2)		\$ 65,000
Accrued product liability — Noncurrent	\$ 8,518	\$ 797		\$ 2,248(2)		\$ 7,067
Environmental reserves — Noncurrent	\$ 5,455	\$ 375	\$ (3,118)(3)	\$ (1,134)(2)		\$ 3,846
Accrued Warranty — Noncurrent	\$					\$
Asbestos-related liabilities — Noncurrent	\$ 494,745		\$ (69,417)(3)			\$ 425,328
Year Ended May 31, 2008						
Allowance for Doubtful Accounts	\$ 19,167	\$ 5,134		\$ (253)(1)		\$ 24,554
Accrued product liability reserves	\$ 55,063	\$ 15,032	\$ 163	\$ 13,758(2)		\$ 56,500
Accrued warranty reserves	\$ 7,195	\$ 8,372	\$ 446	\$ 7,958(2)		\$ 8,055
Accrued loss reserves — Current	\$ 10,920	\$ 2,321	\$ (5,071)	\$ 654(2)		\$ 7,426
Asbestos-related liabilities — Current	\$ 53,000		\$ 94,623(3)	\$ 82,623(2)		\$ 65,000
Accrued product liability — Noncurrent	\$ 8,837	\$ 2,060		\$ 2,379(2)		\$ 8,518
Environmental reserves — Noncurrent	\$		\$ 5,451	\$ (4)(2)		\$ 5,455
Accrued Warranty — Noncurrent	\$ 1,482	\$ (1,239)		\$ 243(2)		\$
Asbestos-related liabilities — Noncurrent	\$ 301,268	\$ 288,100	\$ (94,623)(3)			\$ 494,745

- (1) Uncollectible accounts written off, net of recoveries
- (2) Primarily claims paid during the year, net of insurance contributions
- (3) Primarily transfers between current and noncurrent
- (4) Reflects the impact of the deconsolidation of SPHC as of May 31, 2010. Refer to Note A(2) and Note I to the Consolidated Financial Statements for the fiscal year ended May 31, 2010 for further information.

[RPM International Inc. Letterhead]

Stephen J. Knoop
[Mr. Knoop's home address]
Dear Steve:

This letter confirms our mutual agreement to the terms of your Employment Agreement ("Agreement") effective December 31, 2008, as modified to reflect your current assignment as Chairman and Chief Executive Officer ("CEO") of Specialty Products Holding Co. ("SPHC"). All capitalized terms used in this letter agreement have the same meaning as under the Agreement and all section references refer to the same section under the Agreement.

Section 2 — The Company and the Executive agree that Executive will take a temporary leave of absence from his duties as Senior Vice President — Corporate Development, so that he can devote all of his current time and efforts to his duties as Chairman and CEO of the Board of Directors of SPHC, a wholly owned subsidiary of the Company.

Section 4 — The Company acknowledges that Executive's temporary change in duties will not alter his eligibility for and/or participation in the Company's Benefit Plans and other items of direct and indirect compensation enumerated in Section 4.

Section 6(a) — Executive agrees that his temporary change in duties does not constitute a significant reduction in the nature and scope of his title, authority or responsibilities that would constitute Good Reason in the event of a Change in Control.

Section 20 — The Company and Executive agree that for purposes of Section 20, the terms of this Letter Agreement are made a part of the Agreement as if originally included therein.

In all other respects, the Company and Executive agree that the remaining terms of the Agreement continue if full force and effect.

Please signify your agreement with the above by signing both copies of this Letter Agreement. Please retain one copy for your records and return the other to me.

Very truly yours,

/s/ Frank C. Sullivan

Frank C. Sullivan
Chairman and Chief Executive Officer
Accepted this 20th day of July, 2010:

/s/ Stephen J. Knoop

Stephen J. Knoop

CHANGE IN CONTROL AGREEMENT

This Change In Control Agreement (this "Agreement") dated effective as of the 30th day of April, 2010, between RPM International Inc., a Delaware corporation (the "Company"), and Robert L. Matejka ("Executive").

WHEREAS, the Board of Directors of the Company has retained the services of Executive to serve as Senior Vice President and Chief Financial Officer in order to give the Company time to conduct an orderly search for a Chief Financial Officer; and

WHEREAS, the Company has determined that it will be in the best interests of the Company to encourage Executive's continued attention and dedication to Executive's duties in the potentially disruptive circumstances of a possible Change in Control (as defined herein) of the Company.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. Termination of Employment During Protected Period.

(a) Events of Termination. Executive shall be entitled to certain benefits, as set forth in Subsection 1(b) below if within the Protected Period, Executive's employment is Terminated (i) by the Company without Cause, for any reason or no reason; or (ii) by the Executive for Good Reason by delivery of Notice of Termination for Good Reason to the Company indicating that an event constituting Good Reason has occurred, provided that Executive's failure to object in writing to an event alleged to constitute Good Reason within six months of the date of occurrence of such event shall be deemed a waiver of such event by Executive and Executive thereafter may not Terminate the Employment Period under this Subsection (a) based on such event.

(b) Payment upon Termination of Employment Without Cause or for Good Reason. If Executive's employment is Terminated by the Company without Cause pursuant to Subsection 1(a)(i) or by Executive for Good Reason pursuant to Subsection 1(a)(ii), then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date, the Company shall pay to Executive a lump sum amount equal to (A) the amount of Executive's Unpaid Incentive Compensation, if any, plus (B) 200% of the sum of (I) the greater of Executive's Base Salary currently in effect or the highest of Executive's Base Salary in effect at any time during the period commencing two years prior to the date the Protected Period begins; and (II) the highest amount of Annual Incentive Compensation Executive received from the Company during the full two fiscal years of the Company immediately preceding the Protected Period. In the case of Termination of Employment without Cause, payment shall be made no later than 30 calendar days following the Termination Date, and in the case of Termination of Employment for Good Reason, payment shall be made on the first day of the seventh month following the Termination Date. Notwithstanding any other provision of this Subsection 1(b) or Section 2 of this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 1(b) or to make any Gross-Up Payment unless (X) Executive executes and delivers to the

Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(c) Additional Benefits. Following a Termination of the Employment Period under Subsection 1(a), Executive shall be entitled to the lapse of all restrictions on transfer and forfeiture provisions on any restricted stock awards, so that any restricted shares previously awarded to Executive shall be nonforfeitable and freely transferable thereafter, all on the terms of the Omnibus Plan or the agreements thereunder.

(d) Notice of Termination. Any Termination of Employment by the Company pursuant to Subsection 1(a)(i) or by Executive pursuant to Subsection 1(a)(ii) shall be communicated to the other party hereto by written notice of Termination, which shall state in reasonable detail the facts upon which the Termination of Employment has occurred. A Termination of Employment pursuant to Subsection 1(a)(ii) shall be communicated by Notice of Termination for Good Reason.

(e) Notice of Change in Control. The Company shall give Executive written notice of the occurrence of any event constituting a Change in Control as promptly as practical, and in no case later than 10 calendar days, after the occurrence of such event.

(f) Deemed Termination After Change in Control. In the event of a Termination of Employment of Executive by the Company without Cause following the commencement of any discussion with or communication from a third party that ultimately results in a Change in Control that is also a "change in control" within the meaning of Section 409A, but prior to the date of such a Change in Control, and Executive can reasonably demonstrate that such Termination of Employment was made in connection with or in anticipation of such Change in Control, then Executive shall be entitled to the benefits provided under Subsections 1(b) and 1(c) and Section 2, provided that (i) no such payments or benefits shall be provided prior to such Change in Control; and (ii) any payments shall be payable within the various timeframes specified in Subsection 1(b) and Section 2, but with such timeframes beginning as of the date of such Change in Control instead of as of the date of Termination of Employment.

(g) Set-Off. There shall be no right of set-off or counterclaim against, or delay in, any payment by the Company to Executive of the Lump-Sum Payment or any Gross-Up Payment in respect of any claim against or debt or obligation of Executive, whether arising hereunder or otherwise.

(h) Interest on Overdue Payments. Without limiting the rights of Executive at law or in equity, if the Company fails to make the Lump-Sum Payment or any Gross-Up Payment on a timely basis, the Company shall pay interest on the amount thereof at an annualized rate equal to the rate in effect, at the time such payment should have been made, under the 401(k) Plan for loans to participants in such plan.

(i) Payments upon Termination of Employment for Good Reason. Notwithstanding anything herein to the contrary, in the event Executive's employment

Terminates for Good Reason, no payments to which Executive would otherwise be entitled shall be paid prior to the first day of the seventh month following his Termination Date.

2. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment or distribution by the Company or any of its Affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, restricted stock, stock appreciation right or similar right, or the lapse or termination of any restriction on, or the vesting or exercisability of, any of the foregoing (individually and collectively, a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto), or to any similar tax imposed by state or local law, or to any interest or penalties with respect to such taxes (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment or payments (individually and collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Subsection 2(f), all determinations required to be made under this Section 2, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to Executive and the amount of such Gross-Up Payment, if any, shall be made (i) by PricewaterhouseCoopers (or its successor) (the "Accounting Firm"), regardless of any services that PricewaterhouseCoopers (or its successor) has performed or may be performing for the Company, or (ii) if PricewaterhouseCoopers (or its successor) is serving as accountant or auditor for the individual, entity or group effecting a Change in Control, or cannot (because of limitations under applicable law or otherwise) make the determinations required to be made under this Section 2, then by another nationally recognized accounting firm selected by Executive and reasonably acceptable to the Company (which accounting firm shall then be the "Accounting Firm" hereunder). The Company, or Executive if he selects the Accounting Firm, shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company shall pay the required Gross-Up Payment to Executive within five business days after the Company's receipt of such determination and calculations with respect to any Payment to Executive. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall, at the same time as it makes such determination, furnish the Company and Executive an opinion that Executive has substantial authority not to report any Excise Tax on his federal, state

or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Subsection 2(f) and Executive thereafter is required to make a payment of any Excise Tax, Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, Executive as a Gross-Up Payment within five business days after the Company's receipt of such determination and calculations. Notwithstanding any of the foregoing, if the Executive's Termination of Employment was for Good Reason, in no event shall any such payments be made before the first day of the seventh month following such Termination of Employment.

(c) The Company and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Subsection 2(b). Any determination by the Accounting Firm as to the amount of any Gross-Up Payment or Underpayment shall be binding upon the Company and Executive.

(d) The federal, state and local income or other tax returns filed by Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Subsection 2(b) shall be borne by the Company.

(f) Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after Executive actually receives notice of such claim and Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive).

Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30–calendar–day period following the date on which he gives such notice to the Company and (y) the date that any payment of an amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;
(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless Executive, on an after–tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Subsection 2(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Subsection 2(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and file for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay the tax claimed and file for a refund, the Company shall pay to Executive a Gross–up Payment as defined in (a) above with respect to the tax claimed and otherwise shall indemnify and hold Executive harmless, on an after–tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such payment, and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company’s control of any such contested claim shall be limited to issues with respect to which a Gross–Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount paid by the Company pursuant to Subsection 2(f), Executive receives any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Subsection 2(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto).

3. Binding Agreement: Successors. This Agreement shall inure to the benefit of and be binding upon Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the assets of the Company, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement). The Company shall require any such successor to assume and agree to perform this Agreement. Failure by the Company to obtain such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to Terminate the Executive's employment for Good Reason during the Protected Period, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date.

4. Restrictive Covenants.

(a) Non-Competition. During the Employment Period and for a period of two years following the Termination Date, Executive shall not, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner or director with, or have any financial interest in, any business which is in substantial competition with any business conducted by the Company or by any group, division or Subsidiary of the Company, in any area where such business is being conducted at the time of such Termination of Employment. Ownership of 5% or less of the voting stock of any corporation which is required to file periodic reports with the Securities and Exchange Commission under the Exchange Act shall not constitute a violation hereof.

(b) Non-Solicitation. Executive shall not directly or indirectly, at any time during the Employment Period and for two years thereafter, solicit or induce or attempt to solicit or induce any employee, sales representative or other representative, agent or consultant of the Company or any group, division or Subsidiary of the Company (collectively, the "RPM Group") to terminate his, her or its employment, representation or other relationship with the RPM Group or in any way directly or indirectly interfere with such a relationship.

(c) Confidentiality.

(i) Executive shall keep in strict confidence, and shall not, directly or indirectly, at any time during or after the Employment Period, disclose, furnish, publish, disseminate, make available or, except in the course of performing his duties of employment hereunder, use any Confidential Information. Executive specifically acknowledges that all Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by the RPM Group, and/or Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the RPM Group to maintain the secrecy of such information, that such information is the sole property of the RPM Group and that any disclosure or use of such information by Executive during the Employment Period (except in the course of performing his duties and obligations hereunder) or after the Termination of the Employment Period shall constitute a misappropriation of the RPM Group's trade secrets.

(ii) Executive agrees that upon Termination of the Employment Period, for any reason, Executive shall return to the Company, in good condition, all property of the RPM Group, including, without limitation, the originals and all copies of any materials, whether in paper, electronic or other media, that contain, reflect, summarize, describe, analyze or refer or relate to any items of Confidential Information.

5. Notice. All notices, requests and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) when hand delivered, (b) when dispatched by electronic facsimile transmission (with receipt electronically confirmed), (c) one business day after being sent by recognized overnight delivery service, or (d) three business days after being sent by registered or certified mail, return receipt requested, postage prepaid, and in each case addressed as follows (or addressed as otherwise specified by notice under this Section):

If to Executive:

Robert L. Matejka
[Mr. Matejka's home address]

If to the Company:

RPM International Inc.
2628 Pearl Road
P.O. Box 777
Medina, Ohio 44258
Facsimile: 330-225-6574
Attn: Secretary

6. Withholding. The Company may withhold from any amounts payable under or in connection with this Agreement all federal, state, local and other taxes as may be required to be withheld by the Company under applicable law or governmental regulation or ruling.

7. Amendments; Waivers. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Executive and by another executive officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8. Jurisdiction. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the conflict of law principles of such State. Executive and the Company each agree that the state and federal courts located in the State of Ohio shall have jurisdiction in any action, suit or proceeding against Executive or the Company based on or arising out of this Agreement and each of Executive and the Company hereby (a) submits to the personal jurisdiction of such courts, (b) consents to service of process in connection with any such action, suit or proceeding and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction, venue or service of process.

9. Equitable Relief. Executive and the Company acknowledge and agree that the covenants contained in Section 4 are of a special nature and that any breach, violation or evasion by Executive of the terms of Section 4 will result in immediate and irreparable injury and harm to the Company, for which there is no adequate remedy at law, and will cause damage to the Company in amounts difficult to ascertain. Accordingly, the Company shall be entitled to the remedy of injunction, as well as to all other legal or equitable remedies to which the Company may be entitled (including, without limitation, the right to seek monetary damages), for any breach, violation or evasion by Executive of the terms of Section 4.

10. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In the event that any provision of Section 4 is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy, such court shall exercise its discretion in reforming such provision to the end that

Executive shall be subject to such restrictions and obligations as are reasonable under the circumstances and enforceable by the Company.

11. Code Section 409A. The benefits under this Agreement generally are intended to meet the requirements for exemption from Code Section 409A (including without limitation the exemptions for restricted property, short-term deferrals and separation payments) and shall be so construed and administered; however, to the extent any benefit hereunder is not exempt from the application of Code Section 409A, it shall be administered in compliance with Code Section 409A. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be amended as the Company may determine, with the consent of the Executive (which shall not be unreasonably withheld), to better secure exemption of each benefit hereunder from, or if exemption is not reasonably available for such a benefit, to better comply with, the requirements of Code Section 409A.

12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

13. Headings; Definitions. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Certain capitalized terms used in this Agreement are defined on Schedule A attached hereto.

14. No Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, except as provided in Section 3.

15. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the employment of Executive and supersedes any and all other agreements, either oral or in writing, with respect to the employment of Executive.

16. Enforcement Costs. The Company is aware that upon the occurrence of a Change in Control the Board of Directors or a stockholder of the Company may then cause or attempt to cause the Company to refuse to comply with its obligations under this Agreement, or may cause or attempt to cause the Company to institute, or may institute, litigation seeking to have this Agreement declared unenforceable, or may take, or attempt to take, other action to deny Executive the benefits intended under this Agreement. In these circumstances, the purpose of this Agreement could be frustrated. It is the intent of the Company that Executive not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder, nor be bound to negotiate any settlement of his rights hereunder under threat of incurring such expenses. Accordingly, if at any time in the two calendar years following a Termination of Employment during the Protected Period, it should appear to Executive that the Company has failed to comply with any of its obligations under this Agreement or the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any litigation or other legal action designed to deny, diminish or recover from Executive the benefits intended to be provided to Executive hereunder, and Executive has complied with all of his obligations under Section 4, then the Company irrevocably authorizes

Executive from time to time to retain counsel of his choice at the expense of the Company as provided in this Section 16 to represent Executive in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. The Company's obligations under this Section 16 shall not be conditioned on Executive's success in the prosecution or defense of any such litigation or other legal action. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Executive entering into an attorney-client relationship with such counsel, and in that connection the Company and Executive agree that a confidential relationship shall exist between Executive and such counsel. The reasonable fees and expenses of counsel selected from time to time by Executive as hereinabove provided shall be paid or reimbursed to Executive by the Company on a regular, periodic basis no later than 30 days after presentation by Executive of a statement or statements prepared by such counsel in accordance with its customary practices, up to a maximum annual amount of \$250,000 in each of the two calendar years following the year in which occurs such Termination of Employment within the Protected Period; provided, that Executive presents such statement(s) no later than 30 days prior to the end of each such year, and provided further, that if Executive's Termination of Employment was for Good Reason, no such payment shall be made before the first day of the seventh month following such Termination of Employment. Notwithstanding the foregoing, this Section 16 shall not apply at any time unless a Change in Control has occurred.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date and year first above written.

RPM INTERNATIONAL INC.

By: /s/ Frank C. Sullivan
Frank C. Sullivan, Chairman and
Chief Executive Officer

The "Company"

/s/ Robert L. Matejka
ROBERT L. MATEJKA

"Executive"

Schedule A
Certain Definitions

As used in this Agreement, the following capitalized terms shall have the following meanings:

“*Affiliate*” of a specified entity means any entity during any period during which it would be treated, together with the Company, as a single employer for purposes of Section 414(b) and (c) of the Code.

“*Annual Incentive Compensation*” means an amount equal to the amount of Incentive Compensation paid to Executive (without regard to any reduction thereof elected by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company), for a completed fiscal year (or for such shorter period during which Executive has been employed by the Company) preceding the Termination Date in which the Company paid Incentive Compensation to executive officers of the Company or in which the Company considered and declined to pay Incentive Compensation to executive officers of the Company.

“*Base Salary*” shall mean Executive’s annual base salary as determined by the Board of Directors from time to time upon recommendation of the Compensation Committee of the Board and payable in substantially equal monthly installments at the end of each month.

“*Cause*” means a determination of the Board of Directors (without the participation of Executive) of the Company pursuant to the exercise of its business judgment, that either of the following events has occurred: (a) Executive has engaged in willful and intentional acts of dishonesty or gross neglect of duty or (b) Executive has breached Section 4.

“*Change in Control*” shall mean the occurrence at any time of any of the following events:

(a) The Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation, person or entity immediately after such transaction are held in the aggregate by the holders of Voting Stock immediately prior to such transaction;

(b) The Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity, and less than a majority of the combined voting power of the then-outstanding securities of such corporation, person or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock immediately prior to such sale or transfer;

(c) There is a report filed on Schedule 13D or Schedule TO (or any successor schedule, form or report), each as promulgated pursuant to the Exchange Act, disclosing that any person (as the term “person” is used in Section 13(d) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term “beneficial owner” is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 15% or more of the Voting Power;

(d) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction;

(e) If during any period of two consecutive years, individuals, who at the beginning of any such period, constitute the Directors cease for any reason to constitute at least a majority thereof, unless the nomination for election by the Company’s stockholders of each new Director was approved by a vote of at least two-thirds of the Directors then in office who were Directors at the beginning of any such period; or

(f) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing provisions of paragraphs (c) and (d) of this definition, a “*Change in Control*” shall not be deemed to have occurred for purposes of this Agreement (i) solely because (A) the Company, (B) a Subsidiary, or (C) any Company-sponsored employee stock ownership plan or other employee benefit plan of the Company or any Subsidiary, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or proxy statement under or in response to Schedule 13D, Schedule TO, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership, (ii) solely because any other person or entity either files or becomes obligated to file a report on Schedule 13D or Schedule TO (or any successor schedule, form or report) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, but only if both (A) the transaction giving rise to such filing or obligation is approved in advance of consummation thereof by the Company’s Board of Directors and (B) at least a majority of the Voting Power immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such transaction, or (iii) solely because of a change in control of any Subsidiary.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Confidential Information*” means trade secrets and confidential business and technical information of the RPM Group and its customers and vendors, without limitation as to

when or how Executive may have acquired such information. Such Confidential Information shall include, without limitation, the RPM Group's manufacturing, selling and servicing methods and business techniques, training, service and business manuals, promotional materials, vendor and product information, product development plans, internal financial statements, sales and distribution information, business plans, marketing strategies, pricing policies, corporate alliances, business opportunities, the lists of actual and potential customers as well as other customer information, technology, know-how, processes, data, ideas, techniques, inventions (whether patentable or not), formulas, terms of compensation and performance levels of RPM Group employees, and other information concerning the RPM Group's actual or anticipated business, research or development, or which is received in confidence by or for the RPM Group from any other person and all other confidential information to the extent that such information is not intended by the RPM Group for public dissemination.

"*Director*" means a member of the Board of Directors of the Company.

"*Earned Incentive Compensation*" means the sum of:

(a) The Unpaid Incentive Compensation; and

(b) An amount equal to the Annual Incentive Compensation for the most recent completed fiscal year (or for such shorter period during which Executive has been employed by the Company) preceding the Termination Date multiplied by a fraction, the numerator of which is the number of days in the current fiscal year of the Company that have expired before the Termination Date and the denominator of which is 365.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

"*Good Reason*" means a determination by Executive made in good faith that, upon or after the occurrence of a Change in Control, any of the following events has occurred without Executive's express written consent: (a) a significant reduction in the nature or scope of the title, authority or responsibilities of Executive from those held by Executive immediately prior to the Change in Control; (b) a reduction in Executive's Base Salary from the amount in effect on the date of the Change in Control; (c) a reduction in Executive's Annual Incentive Compensation from the amount of Executive's Annual Incentive Compensation for the fiscal year preceding the fiscal year in which the Termination Date occurs, unless such reduction results solely from the Company's results of operations; (d) the failure by the Company to offer to Executive an economic value of benefits reasonably comparable to the economic value of benefits under the Benefit Plans in which Executive participates at the time of the Change in Control; (e) the purported Termination of the Executive's Employment which is not effected pursuant to Sections 1(d) and 5 of this Agreement, which purported Termination of Employment shall not be effective for purposes of this Agreement; or (f) the failure by the Company to comply

with and satisfy Section 3 of this Agreement, relating to the assumption of the Agreement by any successor entity.

"Gross-Up Payment" shall have the meaning given such term in Section 2(a).

"Incentive Compensation" shall mean any cash incentive compensation for a fiscal year as the Board of Directors determines to pay to Executive based on the Compensation Committee's recommendation

"Lump-Sum Payment" means the lump-sum payment that may be payable to Executive pursuant to the first sentence of Subsection 1(b).

"Notice of Termination for Good Reason" means a written notice delivered by Executive in good faith to the Company under Subsection 1(a)(ii) setting forth in reasonable detail the facts and circumstances that have occurred and that Executive claims in good faith to be an event constituting Good Reason.

"Omnibus Plan" means the RPM International Inc. 2004 Omnibus Equity and Incentive Plan.

"Protected Period" means that period of time commencing on the date of a Change in Control and ending two years after such date.

"Release and Waiver of Claims" means a written release and waiver by Executive, to the fullest extent allowable under applicable law and in form reasonably acceptable to the Company, of all claims, demands, suits, actions, causes of action, damages and rights against the Company and its Affiliates whatsoever which he may have had on account of his Termination of Employment, including, without limitation, claims of discrimination, including on the basis of sex, race, age, national origin, religion, or handicapped status, and any and all claims, demands and causes of action for severance or other termination pay. Such Release and Waiver of Claims shall not, however, apply to the obligations of the Company arising under this Agreement, any indemnification agreement between Executive and the Company, any retirement plans, any stock option agreements, COBRA Continuation Coverage or rights of indemnification Executive may have under the Company's Certificate of Incorporation or By-laws (or comparable charter document) or by statute.

"Subsidiary" means a corporation, company or other entity (a) more than 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (b) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

"Termination of Employment" means the separation from service within the meaning of Section 409A of the Code, of Executive with the Company and all of its Affiliates, for any reason, including without limitation, quit, discharge, or retirement, or a leave of

absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months, or the period for which Executive's right to reemployment is provided either by statute or by contract) or permanent decrease in service to a level that is no more than Twenty Percent (20%) of its prior level. For this purpose, whether a Termination of Employment has occurred is determined based on whether it is reasonably anticipated that no further services will be performed by Executive after a certain date or that the level of bona fide services Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than Twenty Percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if Executive has been providing services less than 36 months). The terms "Terminate" or "Terminated," when used in reference to Executive's employment or the Employment Period, shall refer to a Termination of Employment as set forth in this paragraph.

"*Termination Date*" means the effective date of Executive's Termination of Employment.

"*Unpaid Incentive Compensation*" means an amount equal to the amount of any Incentive Compensation payable but not yet paid for the fiscal year preceding the fiscal year in which the Termination Date occurs. If the Compensation Committee has determined such amount prior to the Termination Date, then such amount shall be the amount so determined by the Compensation Committee. If the Compensation Committee has not determined such amount prior to the Termination Date, then such amount shall equal the amount of the Annual Incentive Compensation for the most recent fiscal year preceding the fiscal year in which the Termination Date occurs for which Incentive Compensation has been paid. For purposes of this definition, any Incentive Compensation deferred by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company, including, without limitation, the Deferred Compensation Plan, shall be deemed to have been paid on the date of deferral.

"*Voting Power*" means, at any time, the total votes relating to the then-outstanding securities entitled to vote generally in the election of Directors.

"*Voting Stock*" means, at any time, the then-outstanding securities entitled to vote generally in the election of Directors.



Financial Section Contents

- 22** Management's Discussion and Analysis
- 35** Consolidated Financial Statements
- 40** Notes to Consolidated Financial Statements
- 67** Quarterly Stock Price and Dividend Information
- 68** Management's Report on Internal Control
- 69** Auditor's Reports
- 71** Stockholder Information
- 72** Subsidiaries

See Fold-Out Cover for Selected Financial Data

Management's Discussion and Analysis of Results of Operations and Financial Condition

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements include the accounts of RPM International Inc. and its majority-owned subsidiaries, except for certain subsidiaries that were deconsolidated on May 31, 2010 (please refer to Note A(2) for further information). Preparation of our financial statements requires the use of estimates and assumptions that affect the reported amounts of our assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We continually evaluate these estimates, including those related to our allowances for doubtful accounts; inventories; allowances for recoverable taxes; useful lives of property, plant and equipment; goodwill and other intangible assets; environmental, warranties and other contingent liabilities; income tax valuation allowances; pension plans; and the fair value of financial instruments. We base our estimates on historical experience, our most recent facts, and other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of our assets and liabilities. Actual results, which are shaped by actual market conditions, may differ materially from our estimates.

We have identified below the accounting policies and estimates that are the most critical to our financial statements.

Revenue Recognition

Revenues are recognized when realized or realizable, and when earned. In general, this is when title and risk of loss pass to the customer. Further, revenues are realizable when we have persuasive evidence of a sales arrangement, the product has been shipped or the services have been provided to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured. We reduce our revenues for estimated customer returns and allowances, certain rebates, sales incentives and promotions in the same period the related sales are recorded.

We also record revenues generated under long-term construction contracts, mainly in connection with the installation of specialized roofing and flooring systems, and related services. In general, we account for long-term construction contracts under the percentage-of-completion method, and therefore record contract revenues and related costs as our contracts progress. This method recognizes the economic results of contract performance on a timelier basis than does the completed-contract method; however, application of this method requires reasonably dependable estimates of progress toward completion, as well as other dependable estimates. When reasonably dependable estimates cannot be made, or if other factors make estimates doubtful, the completed-contract method is applied. Under the completed-contract method, billings and costs are accumulated on the balance sheet as the contract progresses, but no revenue is recognized until the contract is complete or substantially complete.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions

Our reporting currency is the U.S. dollar. However, the functional currency for each of our foreign subsidiaries is its local currency. We translate the amounts included in our Consolidated Statements of Income from our foreign subsidiaries into U.S. dollars at weighted-average exchange rates, which we believe are representative of the actual exchange rates on the dates of the transactions. Our foreign subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at the actual exchange rates as of the end of each reporting date, and we record the resulting foreign exchange translation adjustments in our Consolidated Balance Sheets as a component of accumulated other comprehensive income (loss). If the U.S. dollar strengthens, we will reflect the resulting losses as a component of accumulated other comprehensive income (loss). Conversely, if the U.S. dollar were to weaken, foreign exchange translation gains could result, which would favorably impact accumulated other comprehensive income. Translation adjustments will be included in net earnings in the event of a sale or liquidation of any of our underlying foreign investments, or in the event that we distribute the accumulated earnings of consolidated foreign subsidiaries. If we determine that the functional currency of any of our foreign subsidiaries should be the U.S. dollar, our financial statements will be affected. Should this occur, we will adjust our reporting to appropriately account for any such changes.

As appropriate, we use permanently invested intercompany loans as a source of capital to reduce exposure to foreign currency fluctuations at our foreign subsidiaries. These loans, on a consolidated basis, are treated as being analogous to equity for accounting purposes. Therefore, foreign exchange gains or losses on these intercompany loans are recorded in accumulated other comprehensive income (loss). If we determine that the functional currency of any of our subsidiaries should be the U.S. dollar, we will no longer record foreign exchange gains or losses on such intercompany loans.

Goodwill

We test our goodwill balances at least annually, or more frequently as impairment indicators arise, using a fair-value approach at the reporting unit level. Our reporting units have been identified at the component level, which is the operating segment level or one level below our operating segments. We perform a two-step impairment test. In the first step, we compare the fair value of each of our reporting units to its carrying value. We have elected to perform our annual required impairment tests, which involve the use of estimates related to the fair market values of the reporting units with which goodwill is associated, during our fourth fiscal quarter. Calculating the fair market values of reporting units requires our use of estimates and assumptions.

We use significant judgment in determining the most appropriate method to establish the fair values of each of our reporting units. We estimate the fair values of our reporting units by employing various valuation techniques, depending on the availability and reliability of comparable market value indicators, and employ methods and assumptions which include the application of third-party market value indicators and the computation of discounted future cash flows for each of our reporting unit's annual projected earnings before interest, taxes, depreciation and amortization ("EBITDA"). For each of our reporting units, we calculate a break-even multiple based on its carrying value as of the testing date. We then compare each reporting unit's break-even EBITDA market multiple to guideline EBITDA market multiples applicable to our industry and peer group, the data for which we develop internally and through third-party sources. The result of this analysis provides us with insight and sensitivity as to which reporting units, if any, may have a higher risk for a potential impairment.

We then supplement this analysis with an evaluation of discounted future cash flows for each reporting unit's projected EBITDA. Under this approach, we calculate the fair value of each reporting unit based on the present value of estimated future cash flows. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired. An indication that goodwill may be impaired results when the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit. At that point, the second step of the impairment test is performed, which requires a fair value estimate of each tangible and intangible asset in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference.

In applying the discounted cash flow methodology, we rely on a number of factors, including future business plans, actual and forecasted operating results, and market data. The significant assumptions employed under this method include discount rates, revenue growth rates, including assumed terminal growth rates, and operating margins used to project future cash flows for each reporting unit. The discount rates utilized reflect market-based estimates of capital costs and discount rates adjusted for management's assessment of a market participant's view with respect to other risks associated with the projected cash flows of the individual reporting units. Our estimates are based upon assumptions we believe to be reasonable, but which by nature are uncertain and unpredictable. We believe we incorporate ample sensitivity ranges into our analysis of goodwill impairment testing for each reporting unit, such that actual experience would need to be materially out of the range of expected assumptions in order for an impairment to remain undetected.

Our annual goodwill impairment analysis for fiscal 2010 did not result in any impairment loss. The excess of fair value over carrying value for reporting units as of March 1, 2010, ranged from approximately \$3.4 million (for a new reporting unit acquired within the last 12 months) to \$647.1 million. In order to evaluate the sensitivity of the fair value calculations of our goodwill impairment test, we applied a hypothetical 5% decrease to the fair values of each reporting unit. This hypothetical 5% decrease would result in excess fair value over carrying value ranging from approximately \$0.3 million to \$603.7 million for our reporting units. Further, we compare the sum of the fair values of our reporting units resulting from our discounted cash flow calculations to our market capitalization as of our valuation date. We use this comparison to further assess the reasonableness of the assumptions employed in our valuation calculations. As of the valuation date, the sum of the fair values we calculated for our reporting units approximated our market capitalization. Our goodwill impairment analysis for fiscal 2009 resulted in an impairment charge related to a reduction in the carrying value of goodwill relating to our Fibergrate reporting unit by \$14.9 million to approximately \$23 million, which resulted primarily from soft domestic commercial construction sales impacting this reporting unit during fiscal 2009.

Should the future earnings and cash flows at our reporting units decline and/or discount rates increase, future impairment charges to goodwill and other intangible assets may be required.

Other Long-Lived Assets

We assess identifiable, non-goodwill intangibles and other long-lived assets for impairment whenever events or changes in facts and circumstances indicate the possibility that the carrying values of these assets may not be recoverable over their estimated remaining useful lives. Factors considered important in our assessment, which might trigger an impairment evaluation, include the following:

- significant under-performance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets;
- significant changes in the strategy for our overall business; and
- significant negative industry or economic trends.

Additionally, we test all indefinite-lived intangible assets for impairment at least annually during our fiscal fourth quarter. Measuring a potential impairment of non-goodwill intangibles and other long-lived assets requires the use of various estimates and assumptions, including the determination of which cash flows are directly related to the assets being evaluated, the respective useful lives over which those cash flows will occur and potential residual values, if any. If we determine that the carrying values of these assets may not be recoverable based upon the existence of one or more of the above-described indicators or other factors, any impairment amounts would be measured based on the projected net cash flows expected from these assets, including any net cash flows related to eventual disposition activities. The determination of any impairment losses would be based on the best information available, including internal estimates of discounted cash flows; quoted market prices, when available; and independent appraisals, as appropriate, to determine fair values. Cash flow estimates would be based on our historical experience and our internal business plans, with appropriate discount rates applied. Our fiscal 2010 annual impairment tests of each of our indefinite-lived intangible assets did not result in any impairment loss; however, our fiscal 2009 annual impairment tests of these assets resulted in an impairment loss of \$0.5 million related to the reduction in carrying value of one of our tradenames. This loss was primarily the result of continued declines in sales and projected sales in one of our businesses which operates primarily in the residential housing market. We also performed a recoverability test with respect to the assets of both of our entities that incurred goodwill or other intangible asset impairments during fiscal 2009. The tests included the comparison of our estimation of undiscounted future cash flows associated with these businesses to their respective book value as of the date of our annual impairment tests. No impairment losses were required as a result of either of these tests for recoverability.

Income Taxes

Our provision for income taxes is calculated using the liability method which requires the recognition of deferred income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain changes in valuation allowances. We provide valuation allowances against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In determining the adequacy of valuation allowances, we consider cumulative and anticipated amounts of domestic and international earnings or losses, anticipated amounts of foreign source income, as well as the anticipated taxable income resulting from the reversal of future taxable temporary differences. We intend to maintain any recorded valuation allowances until sufficient positive evidence (for example, cumulative positive foreign earnings or additional foreign source income) exists to support a reversal of the tax valuation allowances.

Further, at each interim reporting period, we estimate an effective income tax rate that is expected to be applicable for the full year. Significant judgment is involved regarding the application of global income tax laws and regulations and when projecting the

jurisdictional mix of income. Additionally, interpretation of tax laws, court decisions or other guidance provided by taxing authorities influences our estimate of the effective income tax rates. As a result, our actual effective income tax rates and related income tax liabilities may differ materially from our estimated effective tax rates and related income tax liabilities. Any resulting differences are recorded in the period they become known.

Contingencies

We are party to claims and lawsuits arising in the normal course of business. Although we cannot precisely predict the amount of any liability that may ultimately arise with respect to any of these matters, we record provisions when we consider the liability probable and reasonably estimable. Our provisions are based on historical experience and legal advice, reviewed quarterly and adjusted according to developments. Estimating probable losses requires the analysis of multiple forecasted factors that often depend on judgments about potential actions by third parties, such as regulators, courts, and state and federal legislatures. Changes in the amounts of our loss provisions, which can be material, affect our Consolidated Statements of Income. Due to the inherent uncertainties in the process undertaken to estimate potential losses, we are unable to estimate an additional range of loss in excess of our accruals. While it is reasonably possible that such excess liabilities, if they were to occur, could be material to operating results in any given quarter or year of their recognition, we do not believe that it is reasonably possible that such excess liabilities would have a material adverse effect on our long-term results of operations, liquidity or consolidated financial position.

Our environmental-related accruals are similarly established and/or adjusted as more information becomes available upon which costs can be reasonably estimated. Here again, actual costs may vary from these estimates because of the inherent uncertainties involved, including the identification of new sites and the development of new information about contamination. Certain sites are still being investigated; therefore, we have been unable to fully evaluate the ultimate costs for those sites. As a result, accruals have not been estimated for certain of these sites and costs may ultimately exceed existing estimated accruals for other sites. We have received indemnities for potential environmental issues from purchasers of certain of our properties and businesses and from sellers of some of the properties or businesses we have acquired. We have also purchased insurance to cover potential environmental liabilities at certain sites. If the indemnifying or insuring party fails to, or becomes unable to, fulfill its obligations under those agreements or policies, we may incur environmental costs in addition to any amounts accrued, which may have a material adverse effect on our financial condition, results of operations or cash flows. Several of our industrial businesses offer extended warranty terms and related programs, and thus have established a corresponding warranty liability. Warranty expense is impacted by variations in local construction practices and installation conditions, including geographic and climate differences.

Additionally, our operations are subject to various federal, state, local and foreign tax laws and regulations which govern, among other things, taxes on worldwide income. The calculation of our income tax expense is based on the best information available and involves our significant judgment. The actual income tax liability for each jurisdiction in any year can be, in some instances, determined ultimately several years after the financial statements have been published.

We maintain accruals for estimated income tax exposures for many different jurisdictions. Tax exposures are settled primarily through the resolution of audits within each tax jurisdiction or the closing of a statute of limitation. Tax exposures can also be affected by changes in applicable tax laws or other factors, which may cause us to believe a revision of past estimates is appropriate. We believe that appropriate liabilities have been recorded for income tax exposures; however, actual results may differ materially from our estimates.

Allowance for Doubtful Accounts Receivable

An allowance for anticipated uncollectible trade receivable amounts is established using a combination of specifically identified accounts to be reserved and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility, past experience and individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility. Actual collections of trade receivables could differ from our estimates due to changes in future economic or industry conditions or specific customer's financial conditions.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out (FIFO) basis and market being determined on the basis of replacement cost or net realizable value. Inventory costs include raw materials, labor and manufacturing overhead. We review the net realizable value of our inventory in detail on an on-going basis, with consideration given to various factors, which include our estimated reserves for excess, obsolete, slow moving or distressed inventories. If actual market conditions differ from our projections, and our estimates prove to be inaccurate, write-downs of inventory values and adjustments to cost of sales may be required. Historically, our inventory reserves have approximated actual experience.

Marketable Securities

Marketable securities, included in other current and long-term assets, are composed of available-for-sale securities and are reported at fair value. Realized gains and losses on sales of investments are recognized in net income on the specific identification basis. Changes in fair values of securities that are considered temporary are recorded as unrealized gains and losses, net of applicable taxes, in accumulated other comprehensive income (loss) within stockholders' equity. Other-than-temporary declines in market value from original cost are reflected in operating income in the period in which the unrealized losses are deemed other than temporary. In order to determine whether an other-than-temporary decline in market value has occurred, the duration of the decline in value and our ability to hold the investment to recovery are considered in conjunction with an evaluation of the strength of the underlying collateral and the extent to which the investment's amortized cost or cost, as appropriate, exceeds its related market value.

Pension and Postretirement Plans

We sponsor qualified defined benefit pension plans and various other nonqualified postretirement plans. The qualified defined benefit pension plans are funded with trust assets invested in a diversified portfolio of debt and equity securities and other investments. Among other factors, changes in interest rates, investment returns and the market value of plan assets can (i) affect the level of plan funding; (ii) cause volatility in the net periodic pension cost; and (iii) increase our future contribution requirements. A significant decrease in

investment returns or the market value of plan assets or a significant decrease in interest rates could increase our net periodic pension costs and adversely affect our results of operations. A significant increase in our contribution requirements with respect to our qualified defined benefit pension plans could have an adverse impact on our cash flow.

Changes in our key plan assumptions would impact net periodic benefit expense and the projected benefit obligation for our defined benefit and various postretirement benefit plans. Based upon May 31, 2010 information, the following tables reflect the impact of a 1% change in the key assumptions applied to our defined benefit pension plans in the U.S. and internationally:

(In millions)	U.S.		International	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate				
Increase (decrease) in expense in FY 2010	\$ (2.6)	\$ 3.0	\$ (1.3)	\$ 1.3
Increase (decrease) in obligation as of May 31, 2010	\$(27.1)	\$30.1	\$(17.7)	\$25.9
Expected Return on Plan Assets				
Increase (decrease) in expense in FY 2010	\$ (1.1)	\$ 1.1	\$ (1.0)	\$ 1.0
Increase (decrease) in obligation as of May 31, 2010	N/A	N/A	N/A	N/A
Compensation Increase				
Increase (decrease) in expense in FY 2010	\$ 2.1	\$ (1.9)	\$ 0.9	\$ (0.6)
Increase (decrease) in obligation as of May 31, 2010	\$ 10.3	\$ (9.4)	\$ 5.3	\$ (4.8)

Based upon May 31, 2010 information, the following tables reflect the impact of a 1% change in the key assumptions applied to our various postretirement health care plans:

(In millions)	U.S.		International	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate				
Increase (decrease) in expense in FY 2010	\$ —	\$ —	\$(0.2)	\$ 0.2
Increase (decrease) in obligation as of May 31, 2010	\$(0.6)	\$ 0.7	\$(2.4)	\$ 3.1
Healthcare Cost Trend Rate				
Increase (decrease) in expense in FY 2010	\$ —	\$ —	\$ 0.2	\$(0.2)
Increase (decrease) in obligation as of May 31, 2010	\$ 0.4	\$(0.3)	\$ 3.2	\$(2.5)

BUSINESS SEGMENT INFORMATION

Our business is divided into two reportable segments: the industrial reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate several operating segments that consist of individual groups of companies and product lines, which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our five operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief executive officer in determining how to allocate the assets of the Company and evaluate performance. These five operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. We evaluate the profit performance of our segments primarily based on gross profit, and, to a lesser extent, income (loss) before income taxes, but also look to earnings (loss) before interest and taxes ("EBIT") as a performance evaluation measure because interest expense is essentially related to corporate acquisitions, as opposed to segment operations. Over the past several years, a number of product lines included within our RPM II/Consumer Group were either sold to third-parties or reassigned to other operating segments within our consumer reportable segment to better align with how management views our business. After a comprehensive review and analysis of the remaining product lines in the RPM II/Consumer Group and the current customer base and markets served, it was determined that these remaining businesses are more appropriately accounted for in our RPM II/Industrial Group. Total net sales for these businesses approximated 3.0% of consolidated net sales for the year ended May 31, 2009. The financial statements and notes contained herein reflect the reclassification of these product lines to the RPM II/Industrial Group (now referred to as the RPM II Group) for all periods presented.

Our industrial reportable segment products are sold throughout North America and also account for the majority of our international sales. Our industrial product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. This reportable segment comprises three separate operating segments — our Building Solutions Group, Performance Coatings Group, and RPM II Group. Products and services within this reportable segment include construction chemicals; roofing systems; weatherproofing and other sealants; polymer flooring; edible coatings and specialty glazes for pharmaceutical, cosmetic and food industries; and other specialty chemicals.

Our consumer reportable segment manufactures and markets professional use and do-it-yourself ("DIY") products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment's major manufacturing and distribution operations are located primarily in North America. Consumer segment products are sold throughout North America directly to mass merchants, home improvement centers, hardware stores, paint stores, craft shops and to other

smaller customers through distributors. This reportable segment comprises two operating segments — our DAP Group and our Rust–Oleum Group. Products within this reportable segment include specialty, hobby and professional paints; caulks; adhesives; silicone sealants; and wood stains.

In addition to our two reportable segments, there is a category of certain business activities and expenses, referred to as corporate/ other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets and other expenses not directly associated with either reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses, deferred pension assets, and headquarters' property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income before income taxes, interest expense and earnings before interest and taxes.

The following table reflects the results of our reportable segments consistent with our management philosophy, and represents the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of product lines.

SEGMENT INFORMATION

(In thousands)

Year Ended May 31

	2010	2009	2008
Net Sales			
Industrial Segment	\$2,328,194	\$2,367,401	\$2,472,421
Consumer Segment	1,084,522	1,000,766	1,171,370
Consolidated	\$3,412,716	\$3,368,167	\$3,643,791
Gross Profit			
Industrial Segment	\$1,008,147	\$ 988,262	\$1,048,221
Consumer Segment	427,228	364,827	450,316
Consolidated	\$1,435,375	\$1,353,089	\$1,498,537
Income (Loss) Before Income Taxes^(a)			
Industrial Segment			
Income Before Income Taxes ^(a)	\$ 225,528	\$ 180,395 ^(e)	\$ 267,424
Interest (Expense), Net ^(b)	(1,709)	(582)	(2,011)
EBIT^(c)	\$ 227,237	\$ 180,977	\$ 269,435
Consumer Segment			
Income Before Income Taxes ^(a)	\$ 147,019	\$ 97,279	\$ 146,602
Interest (Expense), Net ^(b)	37	(4,623)	(5,628)
EBIT^(c)	\$ 146,982	\$ 101,902	\$ 152,230
Corporate/Other			
(Expense) Before Income Taxes ^(a)	\$ (104,093)	\$ (96,806)	\$ (380,019) ^(d)
Interest (Expense), Net ^(b)	(50,025)	(55,049)	(44,372)
EBIT^(c)	\$ (54,068)	\$ (41,757)	\$ (335,647)
Consolidated			
Income Before Income Taxes ^(a)	\$ 268,454	\$ 180,868	\$ 34,007
Interest (Expense), Net ^(b)	(51,697)	(60,254)	(52,011)
EBIT^(c)	\$ 320,151	\$ 241,122	\$ 86,018

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles (GAAP) in the United States, to EBIT.

(b) Interest (expense), net includes the combination of interest expense and investment expense (income), net.

(c) EBIT is defined as earnings (loss) before interest and taxes. We evaluate the profit performance of our segments primarily based on gross profit, and, to a lesser extent, income (loss) before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to corporate acquisitions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, operating income as determined in accordance with GAAP, since EBIT omits the impact of interest and taxes in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness and ongoing tax obligations. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community, all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract

financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

(d)

The asbestos charges, totaling \$288.1 million in fiscal 2008, are reflected in Corporate/Other, and relate to our Bondex International, Inc. subsidiary (see Note A(2) and Note I to the Consolidated Financial Statements).

(e)

Our industrial reportable segment results for fiscal 2009 reflect the impact of impairment losses resulting from the reduction in carrying values of goodwill and other intangible assets, totaling \$15.5 million (see Note A(10) to the Consolidated Financial Statements).

RESULTS OF OPERATIONS

Fiscal 2010 Compared with Fiscal 2009

Net Sales On a consolidated basis, net sales of \$3.41 billion for the year ended May 31, 2010 increased 1.3%, or \$44.5 million, over net sales of \$3.37 billion for the year ended May 31, 2009. The organic growth in sales in fiscal 2010 amounted to 0.3%, or \$10.7 million, of the growth in net sales over the prior year's result, which includes the impact of net favorable foreign exchange rates year-over-year, which amounted to 1.1%, or \$35.8 million, and favorable pricing of 0.2% or \$7.5 million, which were partially offset by volume-related declines approximating 1.0% or \$32.6 million. Foreign exchange gains resulted from the weak dollar against nearly all major foreign currencies, with the majority of the gains resulting from the stronger euro and Canadian dollar. Seven acquisitions over the past year provided 1.0% of sales growth over last year's sales, or \$33.8 million.

Industrial segment net sales, which comprised 68.2% of consolidated net sales for fiscal 2010, totaled \$2.33 billion, representing a decline of 1.7% from \$2.37 billion during fiscal 2009. This segment's net sales decline resulted primarily from lower organic sales, which accounted for 3.0% of the sales decline from prior year's sales. That 3.0% decline was driven by lower sales volume of 4.2% or \$98.5 million, and was partially offset by net favorable foreign exchange differences of 1.2% or \$28.8 million. Six small acquisitions provided an additional 1.3% or \$30.9 million to this segment's net sales during 2010 versus the same period a year ago. The pure unit organic sales decline in the industrial segment resulted primarily from declines in our industrial product lines, especially those exposed to the domestic commercial construction market, which we expect will turn around during the second half of fiscal 2011. A few of our industrial segment product lines, including roofing, fluorescent pigments and polymer flooring products, continued to grow organic sales during fiscal 2010, despite the impact of the continuing weak economic environment on certain sectors of our domestic commercial construction markets. We continue to secure new business through the strength of our brands, new product innovation and global expansion.

Consumer segment net sales, which comprised 31.8% of consolidated net sales for fiscal 2010, increased by 8.4% to \$1.08 billion from \$1.00 billion during fiscal 2009. The improvement in this segment was almost entirely organic, including the impact of higher sales volume of 6.6% or \$66.0 million, prior period price increases, which provided 0.8%, and the impact of net favorable foreign exchange rates for approximately 0.7%. The organic sales volume increase during the current year was the result of increased market share, new product introductions, and a more stable market demand for consumer repair and maintenance products. Our consumer segment continues to increase market penetration at major retail accounts with various new product launches and broader channel penetration, while also maintaining a focus on our existing repair and maintenance oriented products.

Gross Profit Margin Our consolidated gross profit improved to 42.1% of net sales for fiscal 2010 from 40.2% of net sales for fiscal 2009. The year-over-year impact of lower raw material costs provided a benefit of approximately 180 basis points ("bps") to the current year's gross profit margin, reflecting year-over-year declines in energy costs and demand for raw materials. However, while these raw material costs were lower versus the prior year, we experienced upward price pressure from several of our raw materials suppliers over the last six months. We have faced historically higher petroleum based input costs since 2005, which has in turn put sustained pressure on our gross margins. Historically higher material costs were driven by certain key factors, including greater divergence of natural gas versus oil prices that drove more refining of the comparatively lower cost natural gas, which in turn reduced the availability of certain oil-derived residual byproducts such as propylene monomer. In addition, the increased refinery use of cokers resulted in reduced availability of residual byproducts such as asphalt and some suppliers have idled capacity to offset reduced demand. Other factors impacting our current year gross profit margin were pricing, which favorably impacted our gross profit margin by approximately 10 bps and a favorable mix of product sold versus the same period last year, which had an impact of approximately 10 bps.

Our industrial segment gross profit for fiscal 2010 improved by 160 bps to 43.3% of net sales from last year's result of 41.7% of net sales, which resulted primarily from the decline in certain raw material costs that had a favorable impact of approximately 160 bps.

Our consumer segment gross profit for fiscal 2010 improved by approximately 290 bps to 39.4% of net sales from 36.5% of net sales for fiscal 2009, mainly as a result of the 200 bps impact of lower raw material costs during the current year versus last year, combined with prior period price increases, which contributed approximately 50 bps. Improved operating leverage at many of our plants attributable to our prior year cost reduction initiatives provided approximately 40 bps. Although the price increases were favorable during the current year compared to last year, our pricing still has not recaptured the significant raw material cost increases we have incurred since 2005. Additionally, while raw material costs were lower during the first half of fiscal 2010, we experienced upward price pressure in several of our raw materials throughout the second half of fiscal 2010.

Selling, General and Administrative Expenses ("SG&A")

Our consolidated SG&A of 32.4% of net sales for fiscal 2010, remained flat versus last year. Results for fiscal 2010 were favorably impacted by the absence of severance costs incurred during the prior year as part of a cost reduction program implemented during fiscal 2009. The current year results also reflect the impact of lower warranty, distribution, workers compensation and environmental expenses. Those reductions were offset by higher employee compensation, benefits and advertising expenses incurred during fiscal 2010 versus fiscal 2009. Finally, there were certain direct costs related to acquisition activity that were required to be treated as expense under new accounting rules which took effect during the current fiscal year.

Our industrial segment SG&A decreased by approximately 70 bps to 33.5% of net sales for the current year versus 34.2% of net sales for fiscal 2009. This segment's SG&A margin improvement primarily reflects the continued benefits of last year's cost reduction initiatives, combined with lower distribution and warranty expense versus last year. The favorable impact of the headcount reductions completed during the last half of fiscal 2009 was partially offset by higher employee compensation, commissions and benefits in the current year. This segment was also unfavorably impacted by the change in accounting for acquisition-related costs, as discussed above.

Our consumer segment SG&A as a percentage of net sales for fiscal 2010 decreased by 50 bps to 25.8% compared with 26.3% a year ago. However, as a result of higher sales, SG&A increased year over year by 6.5%, primarily reflecting higher bad debt, advertising and compensation and benefits expenses.

SG&A expenses in our corporate/other category increased during fiscal 2010 to \$44.7 million from \$38.1 million during fiscal 2009. This \$6.6 million increase reflects higher professional fees, pension and compensation expenses, including stock based compensation, versus fiscal 2009.

License fee and joint venture income of approximately \$2.7 million and \$3.1 million for each of the years ended May 31, 2010 and 2009, respectively, are reflected as reductions of consolidated SG&A expenses.

We recorded total net periodic pension and postretirement benefit costs of \$30.1 million and \$22.7 million for the years ended May 31, 2010 and 2009, respectively. This increased pension expense of \$7.4 million was primarily the result of a \$4.4 million decline in the expected return on plan assets, combined with approximately \$3.5 million of additional net actuarial losses incurred this year versus the prior year. A decrease in service costs, offset by higher interest expense, favorably impacted pension expense by approximately \$0.5 million. We expect that pension expense will fluctuate on a year-to-year basis, depending primarily upon the investment performance of plan assets and potential changes in interest rates, but such changes are not expected to be material to our consolidated financial results. A decrease of 1.0% in the discount rate or expected rate of return on plan assets assumptions would result in \$4.5 million and \$2.1 million higher pension expense, respectively. The assumptions and estimates used to determine the discount rate and expected return on plan assets are more fully described in Note G, "Pension Plans," and Note H, "Postretirement Benefits," to our Consolidated Financial Statements. Further discussion and analysis of the sensitivity surrounding our most critical assumptions under our pension and postretirement plans is discussed on pages 24–25 of this report under, "Critical Accounting Policies and Estimates — Pension and Postretirement Plans."

Interest Expense Interest expense was \$59.3 million for fiscal 2010 versus \$54.5 million last year. Higher average interest rates this year of 6.24% compared to 5.20% last year, increased interest expense by \$10.1 million, while lower average borrowings, net of additional borrowings for acquisitions, reduced interest expense this year by approximately \$5.3 million versus last year.

Investment Expense (Income), Net Net investment income of \$7.6 million for fiscal 2010 compares to fiscal 2009 net investment expense of \$5.8 million. Net realized gains on the sales of investments resulted in a net gain of \$2.2 million for fiscal 2010 versus a net gain of \$1.6 million for fiscal 2009. Impairments recognized on securities that management has determined are other-than-temporary declines in value during the current fiscal year totaled approximately \$0.3 million, while these losses approximated \$15.1 million for fiscal 2009. Dividend and interest income totaling \$5.7 million during the current year compares with \$7.7 million of income during last year.

Other (Income) Expense, Net Other expense, net of \$9.3 million during fiscal 2010 compares to fiscal 2009 of \$3.3 million. Fiscal 2010 includes the impact of the deconsolidation of Specialty Products Holding Corporation of \$7.9 million, which is more fully described in Note A(2).

Income Before Income Taxes ("IBT") Our consolidated pretax income for fiscal 2010 of \$268.5 million compares with last year's pretax income of \$180.9 million, for a margin on net sales of 7.9% versus 5.4% a year ago. The improvement in fiscal 2010 over fiscal 2009 was driven primarily by the combination of lower raw material costs, the favorable impact during the current fiscal year of the prior year cost reduction initiatives, and the prior year goodwill and other intangible asset impairment, which did not recur in fiscal 2010.

Our industrial segment had IBT of \$225.5 million for fiscal 2010 versus last year's IBT of \$180.4 million, principally reflecting a more benign raw material cost environment experienced during this year versus last year. Last year's industrial segment IBT included goodwill and other intangible asset impairment charges of \$15.5 million during the fourth quarter. Our consumer segment IBT improved to \$147.0 million for the year, from \$97.3 million last year, resulting primarily from the 8.1% organic sales improvement over last year, combined with more stable raw material costs and the benefit of leveraging plant overheads with higher sales volumes.

Income Tax Rate Our effective income tax rate of 32.5% for the year ended May 31, 2010 compared to an effective income tax rate of 33.9% for the year ended May 31, 2009.

For the year ended May 31, 2010 and, to a lesser extent, for the year ended May 31, 2009, the effective tax rate differed from the federal statutory rate due to decreases in the effective tax rate principally as a result of the impact of certain foreign operations on our U.S. taxes and lower effective tax rates in certain of our foreign jurisdictions.

For the years ended May 31, 2010 and May 31, 2009, the decreases in the effective tax rate were partially offset by valuation allowances associated with losses incurred by certain of our foreign businesses, valuation allowances associated with foreign tax credits, state and local income taxes and other non-deductible business operating expenses. In addition, the decrease in the effective tax rate for the year ended May 31, 2009 was partially offset by the non-deductible impairment of goodwill, which impacted the tax provision by \$5.2 million.

As of May 31, 2010, we have determined, based on the available evidence, that it is uncertain whether we will be able to recognize certain deferred tax assets. Therefore, in accordance with the provisions of ASC 740, "Income Taxes" (formerly SFAS No. 109, "Accounting for Income Taxes"), we intend to maintain the tax valuation allowances recorded at May 31, 2010 for certain deferred tax assets until sufficient positive evidence (for example, cumulative positive foreign earnings or additional foreign source income) exists to support their reversal. These valuation allowances relate to U.S. foreign tax credit carryforwards, certain foreign net operating losses and net foreign deferred tax assets recorded in purchase accounting. In accordance with ASC 805, "Business Combinations" (formerly SFAS No. 141R, "Business Combinations") any reversal of a tax valuation allowance that was recorded in purchase accounting will be recorded as a reduction to income tax expense.

Net Income Net income of \$181.1 million for fiscal 2010 compares to net income of \$119.6 million last year, for a net margin on sales of 5.3% compared to the prior year margin of 3.6%. The improved results for the current year over the prior year reflects the benefit of higher gross margins attributable to prior year cost reduction initiatives and more stable raw material comparisons. During fiscal 2010, we had net income from noncontrolling interests of \$1.1 million, which we anticipate will increase in fiscal 2011 and into the future as a result of our deconsolidation of SPHC, as more fully described in Note A and Note I to the Consolidated Financial Statements.

Diluted earnings per share of common stock for this year of \$1.39 compares with \$0.93 last year.

Fiscal 2009 Compared with Fiscal 2008

Net Sales On a consolidated basis, net sales of \$3.4 billion for the year ended May 31, 2009 declined 7.6%, or \$275.6 million, over net sales of \$3.6 billion during fiscal 2008. The organic decline in sales amounted to 10.2%, or \$369.8 million, of the shortfall in net sales over the fiscal 2008 result, which includes volume-related declines of 9.9%, or \$358.4 million, and the impact of net unfavorable foreign exchange rates versus fiscal 2008,

which amounted to 3.4%, or \$123.6 million, offset partially by pricing initiatives representing 3.1% of the fiscal 2008 sales, or \$112.2 million. These pricing initiatives, including those across both of our reportable segments, were instituted primarily during prior periods in order to offset the rising costs of many of our raw materials. Foreign exchange losses resulted from the strong dollar against nearly all major foreign currencies, with the majority of the losses resulting from the weaker euro and Canadian dollar. Eleven small acquisitions provided 2.6% of sales growth over fiscal 2008, or \$94.2 million. The worldwide recession during fiscal 2009 impacted nearly every product line we offer in both of our reportable segments. However, despite the downturn, many of our businesses continued to either maintain their market share or gain market share as competitors dropped out of the marketplace.

Industrial segment net sales, which comprised 70.3% of fiscal 2009 consolidated net sales, totaled \$2.37 billion, a decline of 4.2% from \$2.47 billion during fiscal 2008. This segment's net sales decline resulted primarily from an overall decline in organic sales, which accounted for a 9.3% decline over fiscal 2008 sales, and included 4.0% from net unfavorable foreign exchange differences and volume declines approximating 8.2%, offset partially by 2.9% as a result of prior-period price increases. Nine small acquisitions provided 5.0% growth over fiscal 2008. The organic sales volume decline in the industrial segment resulted primarily from declines in global sealants and roofing products, as well as exterior insulated finishing systems products. There was slow but continued growth throughout fiscal 2009 from ongoing industrial and commercial maintenance and improvement activities in Canada, Latin America, South Africa and the Middle East. Despite the impact of the continued weak economic environment on certain sectors of our domestic commercial construction markets during fiscal 2009, we continued to secure new business through strong brand offerings, new product innovations and international expansion.

Consumer segment net sales, which comprised 29.7% of consolidated net sales for fiscal 2009, totaled \$1.00 billion, a decline of 14.6% from \$1.17 billion during fiscal 2008. The decline in this segment was primarily organic, which accounted for 12.0% of the decline over fiscal 2008 sales and included volume declines approximating 13.5%. Net unfavorable foreign exchange rates accounted for approximately 2.2% of the decline. Prior-period price increases had a 3.6% favorable impact on this segment's sales, while net divestitures represented 2.5% of the total decline. The organic sales volume decline reflected the continued weakness in the economy, including sluggish sales for retailers and distributors impacted by the domestic housing recession during fiscal 2009. Our consumer segment continued to increase market penetration at major retail accounts with various new product launches combined with a renewed focus on sales of our various repair and maintenance product lines.

Gross Profit Margin Our consolidated gross profit declined to 40.2% of net sales during fiscal 2009 from 41.1% of net sales during fiscal 2008, or approximately 90 bps. This decline reflected our overall lower overhead absorption resulting from a 9.9% decline in organic sales volume, as discussed above, which reduced gross profit as a percent of sales by approximately 100 bps. Higher raw material costs during fiscal 2009 versus fiscal 2008 negatively impacted the fiscal 2009 gross profit margin by approximately 200 bps, reflecting increases in oil prices and energy costs, which had previously put upward pressure on many of our raw material, packaging and transportation costs. Higher pricing, which favorably impacted our gross profit margin by approximately 210 bps, partially offset the combination of these year-over-year higher raw material costs and the effect of declining sales volumes. While many of our key raw material costs, such as plasticizers, epoxies, various solvents and resins, were higher during fiscal 2009 than they were during fiscal 2008, we experienced some relief in certain other raw material and transportation costs this year, as a result of declines in certain energy prices.

Our industrial segment gross profit for fiscal 2009 fell by 70 bps, to 41.7% of net sales from 42.4% of net sales during fiscal 2008. This segment's 8.2% decline in organic sales volume unfavorably impacted this segment's gross margin by approximately 120 bps during fiscal 2009, in addition to higher raw material costs, which had a negative impact of approximately 130 bps. Higher selling prices approximating 180 bps slightly offset these costs.

Our consumer segment gross profit for fiscal 2009 declined to 36.5% of net sales from 38.4% of net sales during fiscal 2008, or approximately 190 bps, mainly as a result of the approximate 360 bps impact of higher raw material costs, partially offset by the impact of price increases approximating 270 bps. The remaining 100 bps related to this segment's organic sales volume decline of 13.5% versus net sales volume during fiscal 2008.

SG&A Our consolidated SG&A increased to 32.6% of net sales for fiscal 2009 compared with 30.8% during fiscal 2008. The 180 bps increase in SG&A as a percent of sales primarily reflects the impact of the 9.9% decline in organic sales volume, as previously discussed. The increase in SG&A as a percent of sales also reflects the impact of higher warranty expense during fiscal 2009, approximating 50 bps, and the combination of additional bad debt expense, unfavorable environmental reserve increases, and certain higher employment-related benefit costs. These higher expenses were offset partially by lower stock-based compensation expense, lower distribution expense, reductions in advertising expense and lower legal expenses, totaling approximately 40 bps. There were also certain additional strategic initiatives that were undertaken by certain of our businesses during fiscal 2009 in order to reduce our fixed cost base in light of the current worldwide recession. These initiatives included headcount reductions, which resulted primarily in severance costs approximating 60 bps for fiscal 2009. The costs of these initiatives were slightly more than offset by the end of fiscal 2009 by the savings accumulated from the resulting lower headcount. Our industrial segment SG&A increased to 34.2% of net sales for fiscal 2009 from 31.5% during fiscal 2008, reflecting the impact of the 8.2% decline in sales volume during fiscal 2009 versus fiscal 2008. Also reflected in the increase is the impact of higher warranty expense during fiscal 2009 in this segment, which began to trend higher during the last half of fiscal 2009. There was also additional bad debt expense incurred during fiscal 2009, however, this was more than offset by net favorable foreign currency adjustments. As mentioned above, during fiscal 2009 certain of our businesses incurred severance expense in an effort to bring costs down as a result of the weak economic environment. This segment's fiscal 2009 costs relating to these initiatives were slightly more than offset by the favorable impact of the resulting headcount reductions by the end of the fiscal year.

Our consumer segment SG&A as a percent of net sales for fiscal 2009 increased by 90 bps to 26.3% compared with 25.4% of net sales during fiscal 2008, reflecting the unfavorable margin impact of the 13.5% sales volume decline in net sales in this segment, in addition to unfavorable foreign exchange adjustments during fiscal 2009, higher employment-related benefit expense and unfavorable environmental reserve adjustments. The strategic reductions in this segment's workforce, which resulted in severance and other related costs during fiscal 2009, was offset by the benefits of the reduced headcount expense by the end of fiscal 2009.

SG&A expenses in our corporate/other category decreased during fiscal 2009 by approximately \$4.0 million, to \$38.1 million from \$42.1 million for fiscal 2008. The decrease reflects the combination of lower compensation, including stock based compensation, and lower insurance expense incurred during fiscal 2009 versus fiscal 2008, which provided a combined benefit of approximately \$10.2 million. During fiscal 2009, we also recorded a gain on our partial repurchase of our 4.45% bonds at a discount, totaling approximately \$0.8 million, and had lower year-over-year costs relating to travel, meetings, and other expenses as a result of tighter cost controls implemented during the current year. Partially offsetting these items was the impact of net unfavorable foreign currency adjustments, which totaled approximately \$8.0 million, and other higher employment-related benefit expenses, including higher hospitalization and workers compensation costs. License fee and joint venture income of approximately \$3.1 million and \$3.3 million for each of the years ended May 31, 2009 and 2008, respectively, are reflected as reductions of consolidated SG&A expenses.

We recorded total net periodic pension and postretirement benefit costs of \$22.7 million and \$18.6 million for the years ended May 31, 2009 and 2008, respectively. This increased pension expense of \$4.1 million was the result of higher interest costs approximating \$2.8 million, net actuarial losses incurred of approximately \$0.9 million and approximately \$0.6 million less in curtailment gains during fiscal 2009 versus fiscal 2008. Slightly offsetting these unfavorable items was the impact of \$0.2 million in additional gains relating to the expected return on plan assets during fiscal 2009. We expect that pension expense will fluctuate on a year-to-year basis, depending primarily upon the investment performance of plan assets and potential changes in interest rates, but such changes are not expected to be material to our consolidated financial results.

Asbestos Charge As described in Note I, "Reorganization Proceedings of Certain Subsidiaries," to the Consolidated Financial Statements, we recorded pre-tax asbestos charges of \$288.1 million during the fiscal year ended May 31, 2008, in connection with the calculation of our liability for unasserted-potential-future-asbestos-related claims by an independent consulting firm. There was no related charge taken or incurred during the fiscal years ended May 31, 2010 and 2009. For additional information, please refer to Note I, "Reorganization Proceedings of Certain Subsidiaries," to the Consolidated Financial Statements.

Goodwill and Other Intangible Asset Impairments As described in Note A(11), "Goodwill and Other Intangible Assets," to the Consolidated Financial Statements, we recorded impairment charges related to a reduction of the carrying value of goodwill and other intangible assets totaling \$15.5 million for the fiscal year ended May 31, 2009. The results of our annual impairment testing for the fiscal years ended May 31, 2008 did not result in any adjustments to the carrying value of goodwill or other intangible assets. For additional information, please refer to Note A(11) to the Consolidated Financial Statements and the Critical Accounting Policies discussed herein.

Interest Expense Interest expense was \$54.5 million during fiscal 2009 versus \$65.5 million during fiscal 2008, or a decrease of \$11.0 million. The combination of lower interest rates, which averaged 5.19% overall for fiscal 2009 compared with 5.56% for fiscal 2008, and lower average borrowings, net of additional borrowings for acquisitions, reduced interest expense this year by approximately \$13.2 million versus fiscal 2008. Partially offsetting this reduction was the impact of additional bond financing-related costs approximating \$2.2 million.

Investment Expense (Income), Net Net investment expense of \$5.8 million during fiscal 2009 compares to fiscal 2008 net investment income of \$13.5 million. Net realized gains on the sales of investments resulted in a net gain of \$1.6 million for the year ended May 31, 2009 versus a net gain of \$3.2 million for fiscal 2008. Additionally, there were impairments recognized on securities that management has determined are other-than-temporary declines in value, which approximated \$15.1 million and \$1.4 million for fiscal 2009 and 2008, respectively. Additionally, dividend and interest income totaling \$7.7 million during fiscal 2009 compares with \$11.7 million of income last year. The year-over-year changes in these items reflect the current global economic downturn and related declines in the U.S. financial markets.

Other Expense, Net Other expense, net, of \$3.3 million during fiscal 2009 compares to fiscal 2008 other income, net of \$5.4 million.

IBT Our consolidated IBT for fiscal 2009 of \$180.9 million compares with last year's IBT of \$34.0 million, for a margin on net sales of 5.4% versus 0.9% a year ago. Reflected in the figures for fiscal 2009 was the impact of impairment losses of \$15.5 million resulting from a reduction in the carrying values of goodwill and other intangible assets recognized during the fourth quarter of fiscal 2009. Reflected in the figures for fiscal 2008 was the impact of the \$288.1 million asbestos-related charge taken during the fourth quarter of fiscal 2008, as previously discussed.

Our industrial segment had IBT of \$180.4 million during fiscal 2009 versus IBT of \$267.4 million for fiscal 2008, reflecting this segment's 8.2% decline in organic sales volume during fiscal 2009, as previously discussed, in addition to certain higher raw material costs, the goodwill and other intangible asset impairment loss and additional warranty expense during fiscal 2009. Our consumer segment IBT declined to \$97.3 million for fiscal 2009, from \$146.6 million during fiscal 2008, primarily as a result of the 13.5% organic sales decline combined with unfavorable foreign exchange adjustments and certain higher raw material costs.

Income Tax Rate Our effective income tax expense rate of 33.9% for the year ended May 31, 2009 compared to an effective income tax benefit rate of 30.6% for the year ended May 31, 2008.

For the year ended May 31, 2009 and, to a greater extent, for the year ended May 31, 2008, the effective tax rate differed from the federal statutory rate due to decreases in the effective tax rate principally as a result of the impact of certain foreign operations on our U.S. taxes, U.S. tax benefits associated with the domestic manufacturing deduction and lower effective tax rates in certain of our foreign jurisdictions. In addition, for the year ended May 31, 2009, various state taxing jurisdictions enacted new tax laws which resulted in a one-time decrease in the state effective tax rate of \$1.8 million. The year ended May 31, 2008 was also impacted by a decrease in the effective tax rate as a result of a reversal of valuation allowances associated with foreign tax credits.

For the years ended May 31, 2009 and May 31, 2008, the decreases in the effective tax rate were partially offset by valuation allowances associated with losses incurred by certain of our foreign businesses, state and local income taxes and other non-deductible business operating expenses. In addition, the decreases in the effective tax rate for the year ended May 31, 2009 were offset by the non-deductible impairment of goodwill, which impacted the tax provision by \$5.2 million, and valuation allowances associated with foreign tax credit carryforwards.

Net Income Net income of \$119.6 million for the year ended May 31, 2009 compares to net income of \$44.4 million for fiscal 2008, for a net margin on sales of 3.6% for fiscal 2009 compared to a net margin on sales of 1.2% for fiscal 2008. The fiscal 2009 net income reflects the after-tax impact of the goodwill and other intangible asset impairment losses of \$15.3 million, while net income for fiscal 2008 reflects the after-tax impact of the asbestos-related charge of \$185.1 million. Excluding those items, the net margin on sales for fiscal 2009 and 2008 would have been 4.0% and 6.3%, respectively. The overall decline in the net margin on sales reflects the impact of declining organic sales volume, which impacted sales by 9.9% during fiscal 2009, combined with higher raw material costs and expenses related to higher warranty, bad debt, and other-than-temporary losses on marketable securities incurred during fiscal 2009. Diluted earnings per share of common stock of \$0.93 for fiscal 2009 compares with diluted earnings per share of \$0.36 for fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating activities provided cash flow of \$203.9 million during fiscal 2010 compared with \$267.0 million of cash provided during fiscal 2009, a decrease of approximately 23.6%.

The net decrease in cash from operations includes the favorable change in net income, adjusted for non-cash expenses and income, which increased by approximately \$69.9 million versus last year, more than offset by changes in working capital accounts, asbestos payments and other accruals. The current period increase in accounts receivable since May 31, 2009 used cash of \$17.7 million versus the \$181.6 million of cash generated from collections on accounts receivable during fiscal 2009, or approximately \$199.4 million less cash provided year over year. While our collections of accounts receivable have improved, the cash collected during fiscal 2010 was less than cash collected during fiscal 2009 as a result of the relatively lower accounts receivable balance of May 31, 2009 versus May 31, 2008. Inventory balances required the use of \$15.1 million of cash during fiscal 2010, compared with cash provided by a decrease in inventory of \$75.0 million during fiscal 2009, or \$90.1 million more cash used year over year. With regard to accounts payable, we used \$139.0 million less cash during fiscal 2010 compared to fiscal 2009 as a result of a change in the timing of certain payments. Accrued compensation and benefits used approximately \$36.2 million less cash versus the prior year period due to lower bonus payments made during fiscal 2010 versus fiscal 2009, while other accruals, including those for other short-term and long-term items, provided \$48.2 million more in cash during fiscal 2010 versus fiscal 2009 due to changes in the timing of such payments. Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

As a result of SPHC and Bondex's bankruptcy filing, all Bondex and SPHC asbestos personal injury lawsuits have been stayed due to the imposition of an automatic stay applicable in bankruptcy cases. In addition, at the request of SPHC and Bondex, the Bankruptcy Court has entered orders staying all claims against RPM International Inc. and its affiliates that are derivative of the asbestos claims against SPHC and Bondex. Prior to the bankruptcy filing, SPHC and Bondex had engaged in a strategy of litigating asbestos-related products liability claims brought against them. Claims paid during the year ended May 31, 2010, prior to the bankruptcy filing, were \$92.6 million, which included defense-related payments during the year of \$42.6 million. No claims have been paid since the bankruptcy filing and it is not contemplated that any claims will be paid until a plan of reorganization is confirmed and an asbestos trust is established and operating. See Note I, "Reorganization Proceedings of Certain Subsidiaries," for additional information.

Investing Activities

Capital expenditures, other than for ordinary repairs and replacements, are made to accommodate our continued growth to achieve production and distribution efficiencies, to expand capacity and to enhance our administration capabilities. Capital expenditures of \$23.2 million during fiscal 2010 compare with depreciation of \$61.8 million. We expect capital spending to continue to trail depreciation expense at least through the end of fiscal 2011. Due to additional capacity, which we have brought on-line over the last several years, we believe there is adequate production capacity to meet our needs based on anticipated growth rates. Any additional capital expenditures made over the next few years will likely relate primarily to new products and technology. Not reflected in our capital expenditures is the capacity added through our recent acquisitions of product lines and businesses, which totaled approximately \$11.4 million during fiscal 2010. We presently anticipate that additional shifts at our production facilities, coupled with the capacity added through acquisition activity, will enable us to meet increased demand during the current fiscal year even with these lower levels of capital spending this fiscal year.

Our captive insurance companies invest their excess cash in marketable securities in the ordinary course of conducting their operations, and this activity will continue. Differences in the amounts related to these activities on a year-over-year basis are primarily attributable to differences in the timing and performance of their investments balanced against amounts required to satisfy claims. At May 31, 2010, the fair value of our investments in marketable securities totaled \$113.9 million, of which investments with a fair value of \$31.2 million were in an unrealized loss position. The fair value of our portfolio of marketable securities is based on quoted market prices for identical, or similar, instruments in active or non-active markets or model-derived valuations with observable inputs. We have no marketable securities whose fair value is subject to unobservable inputs. At May 31, 2009, the fair value of our investments in marketable securities totaled \$83.3 million, of which investments with a fair value of \$43.6 million were in an unrealized loss position. Total pre-tax unrealized losses recorded in accumulated other comprehensive income at May 31, 2010 and May 31, 2009 were \$1.8 million and \$3.8 million, respectively.

We regularly review our marketable securities in unrealized loss positions in order to determine whether or not we have the ability and intent to hold these investments. That determination is based upon the severity and duration of the decline, in addition to our evaluation of the cash flow requirements of our businesses. Unrealized losses at May 31, 2010 were generally related to the volatility in valuations over the last several months for a portion of our portfolio of investments in marketable securities. The unrealized losses generally relate to investments whose fair values at May 31, 2010 were less than 15% below their original cost or have been in a loss position for less than six consecutive months. Although we have begun to see recovery in general economic conditions, if we were to experience continuing or significant unrealized losses within our portfolio of investments in marketable securities in the future, we may recognize additional other-than-temporary impairment losses. Such potential losses could have a material impact on our results of operations in any given reporting period. As such, we continue to closely evaluate the status of our investments and our ability and intent to hold these investments.

Financing Activities

As a result of the SPHC bankruptcy filing, our access to the cash flows of SPHC and its subsidiaries has been restricted. However, the bankruptcy filing has not resulted in any reductions in our credit ratings by Moody's Investor Service, Standard & Poors or Fitch Ratings. Therefore, we feel this has not adversely impacted our ability to gain access to capital.

On October 9, 2009, we sold \$300.0 million aggregate principal amount of 6.125% Notes due 2019 (the "Notes"). The net proceeds from the offering of the Notes were used to repay \$163.7 million in principal amount of our unsecured notes due October 15, 2009, and approximately \$120.0 million in principal amount of short-term borrowings outstanding under our accounts receivable securitization program. The balance of the net proceeds was used for general corporate purposes.

On April 7, 2009, we replaced our existing \$125.0 million accounts receivable securitization program, which was set to expire on May 7, 2009, with a new, three-year, \$150.0 million accounts receivable securitization program (the "AR program"). The AR program, which was established with two banks for certain of our subsidiaries ("originating subsidiaries"), contemplates that the originating subsidiaries will sell certain of their accounts receivable to RPM Funding Corporation, a wholly-owned special purpose entity ("SPE"), which will then transfer undivided interests in such receivables to the participating banks. Once transferred to the SPE, such receivables are owned in their entirety by the SPE and are not available to satisfy claims of our creditors or creditors of the originating subsidiaries until the obligations owing to the participating banks have been paid in full. The transactions contemplated by the AR program do not constitute a form of off-balance sheet financing and will be fully reflected in our financial statements. Entry into the AR program increased our liquidity by \$25.0 million, but also increased our financing costs due to higher market rates. The amounts available under the AR program are subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the underlying accounts receivable, and therefore at certain times we may not be able to fully access the \$150.0 million of funding available under the AR program. At February 28, 2010, approximately \$61.9 million was available under this AR program.

On February 20, 2008 we issued and sold \$250.0 million of 6.50% Notes due February 15, 2018. The proceeds were used to repay our \$100.0 million Senior Unsecured Notes due March 1, 2008, the outstanding principal under our \$125.0 million accounts receivable securitization program and \$19.0 million in short-term borrowings under our revolving credit facility. This financing strengthened our credit profile and liquidity position, as well as lengthened the average maturity of our outstanding debt obligations.

On December 29, 2006, we replaced our \$330.0 million revolving credit facility with a \$400.0 million five-year credit facility (the "Credit Facility"). The Credit Facility is used for working capital needs and general corporate purposes, including acquisitions. The Credit Facility provides for borrowings in U.S. dollars and several foreign currencies and provides sublimits for the issuance of letters of credit in an aggregate amount of up to \$35.0 million and a swing-line of up to \$20.0 million for short-term borrowings of less than 15 days. In addition, the size of the Credit Facility may be expanded, subject to lender approval, upon our request by up to an additional \$175.0 million, thus potentially expanding the Credit Facility to \$575.0 million.

On May 29, 2009, we entered into an amendment to our Credit Facility agreement with our lenders. Under the amendment, we are required to comply with various customary affirmative and negative covenants. These include financial covenants requiring us to maintain certain leverage and interest coverage ratios. The definition of EBITDA has been amended to add back the sum of all (i) non-cash charges relating to the write-down or impairment of goodwill and other intangibles during the applicable period, (ii) other non-cash charges up to an aggregate of \$25.0 million during such applicable period and (iii) one-time cash charges incurred during the period from June 1, 2008 through May 31, 2010, but only up to an aggregate of not more than \$25.0 million during such applicable period. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended. The minimum required consolidated interest coverage ratio, EBITDA to interest expense, remains 3.50 to 1 under the amendment, but allowance of the add-backs referred to above has the effect of making this covenant less restrictive. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness at any date to exceed 55% of the sum of such indebtedness and our consolidated shareholders' equity on such date, and may not permit the indebtedness of our domestic subsidiaries (determined on a combined basis and excluding indebtedness to us and indebtedness incurred pursuant to permitted receivables securitizations) to exceed 15% of our consolidated shareholders' equity. This amendment also added a fixed charge coverage covenant beginning with our fiscal quarter ended August 31, 2009. Under the fixed charge coverage covenant, the ratio of our consolidated EBITDA for any four-fiscal-quarter-period to the sum of our consolidated interest expense, income taxes paid in cash (other than taxes on non-recurring gains), capital expenditures, scheduled principal payments on our amortizing indebtedness (other than indebtedness scheduled to be repaid at maturity) and dividends paid in cash (or, for testing periods ending on or before May 31, 2010, 70% of dividends paid in cash), in each case for such four-fiscal-quarter period, may not be less than 1.00 to 1. This amendment also included a temporary, one-year restriction on certain mergers, asset dispositions and acquisitions, and contains customary representations and warranties.

We are subject to the same leverage, interest coverage and fixed charge coverage covenants under the AR program as those contained in our Credit Facility. On May 29, 2009, we also entered into an amendment to our AR program. Included in the amendment were the same amendments to the definition of EBITDA, an identical reduction in the maximum consolidated leverage ratio and the same fixed charge coverage covenants as were included in our Credit Facility amendment, as outlined above.

Our failure to comply with these and other covenants contained in the Credit Facility may result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Credit Facility to be due and payable. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that under certain circumstances, an event of default that results in acceleration of our indebtedness under the Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

As of May 31, 2010, we were in compliance with all covenants contained in our Credit Facility, including the leverage, interest coverage ratio and fixed charge coverage covenants. At that date, our leverage ratio was 46.2%, while our interest coverage and fixed charge coverage ratios were 6.03:1 and 1.72:1, respectively. Additionally, in accordance with these covenants, at May 31, 2010, our domestic subsidiaries indebtedness did not exceed 15% of consolidated shareholders' equity as of that date.

Our access to funds under our Credit Facility is dependent on the ability of the financial institutions that are parties to the Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

We are exposed to market risk associated with interest rates. We do not use financial derivative instruments for trading purposes, nor do we engage in foreign currency, commodity or interest rate speculation. Concurrent with the issuance of our 6.7% Senior Unsecured Notes, RPM United Kingdom G.P. entered into a cross currency swap, which fixed the interest and principal payments in euros for the life of the 6.7% Senior Unsecured Notes and resulted in an effective euro fixed rate borrowing of 5.31%.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at \$688.5 million at May 31, 2010. Our debt-to-capital ratio was 46.2% at May 31, 2010, compared with 44.9% May 31, 2009.

During the first quarter of fiscal 2009, we called for redemption all of our outstanding Senior Convertible Notes due May 13, 2033. Prior to the redemption, virtually all of the holders converted their Senior Convertible Notes into shares of our common stock. For additional information, refer to Note B, "Borrowings," to the Consolidated Financial Statements.

The following table summarizes our financial obligations and their expected maturities at May 31, 2010 and the effect such obligations are expected to have on our liquidity and cash flow in the periods indicated.

CONTRACTUAL OBLIGATIONS

(In thousands)	Total Contractual Payment Stream	Payments Due In			
		2011	2012-13	2014-15	After 2015
Long-term debt obligations	\$ 928,615	\$ 4,307	\$ 23,997	\$201,401	\$ 698,910
Operating lease obligations	149,499	33,788	44,359	24,275	47,077
Other long-term liabilities ⁽¹⁾ :					
Interest payments on long-term debt obligations	393,487	55,276	110,552	85,552	142,107
Contributions to pension and postretirement plans ⁽²⁾	314,400	19,900	75,700	78,300	140,500
Total	\$ 1,786,001	\$113,271	\$254,608	\$389,528	\$1,028,594

(1) Excluded from other long-term liabilities is our liability for unrecognized tax benefits, which totaled \$4.4 million at May 31, 2010. Currently, we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

(2) These amounts represent our estimated cash contributions to be made in the periods indicated for our pension and postretirement plans, assuming no actuarial gains or losses, assumption changes or plan changes occur in any period. The projection results assume \$10.1 million will be contributed to the U.S. plans in fiscal 2011; all other plans and years assume the required minimum contribution will be made.

The condition of the U.S. dollar fluctuated throughout the year, and was moderately stronger against other major currencies where we conduct operations at the fiscal year end versus the previous year end, causing an unfavorable change in the accumulated other comprehensive income (loss) (refer to Note A) component of stockholders' equity of \$44.1 million this year versus an unfavorable change of \$99.5 million last year. The change in fiscal 2010 was in addition to net changes of \$(40.1) million, \$(2.5) million and \$(10.1) million related to adjustments required for minimum pension and other postretirement liabilities, unrealized gains on derivatives and unrealized gains on securities, respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financings, other than the minimum leasing commitments described in Note F, "Leases," to the Consolidated Financial Statements. We have no subsidiaries that are not included in our financial statements, nor do we have any interests in or relationships with any special purpose entities that are not reflected in our financial statements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency exchange rates because we fund our operations through long- and short-term borrowings and denominate our business transactions in a variety of foreign currencies. We utilize a sensitivity analysis to measure the potential loss in earnings based on a hypothetical 1% increase in interest rates and a 10% change in foreign currency rates. A summary of our primary market risk exposures follows.

Interest Rate Risk

Our primary interest rate risk exposure results from our floating rate debt, including various revolving and other lines of credit (refer to Note B, "Borrowings"). At May 31, 2010, approximately 3.3% of our debt was subject to floating interest rates.

If interest rates were to increase 100 bps from May 31, 2009 and, assuming no changes in debt from the May 31, 2010 levels, the additional annual interest expense would amount to approximately \$0.2 million on a pre-tax basis. A similar increase in interest rates in fiscal 2009 would have resulted in approximately \$3.3 million in additional interest expense.

All derivative instruments are recognized on the balance sheet and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or loss in our Consolidated Statement of Income in the current period. Changes in the fair value of derivative instruments used effectively as fair value hedges are recognized in earnings (losses), along with the change in the value of the hedged item. Such derivative transactions are accounted for in accordance with ASC 815, "Derivative and Hedging." We do not hold or issue derivative instruments for speculative purposes.

Foreign Currency Risk

Our foreign sales and results of operations are subject to the impact of foreign currency fluctuations (refer to Note A, "Summary of Significant Accounting Policies"). As most of our foreign operations are in countries with fairly stable currencies, such as Belgium, Canada, France, Germany, the Netherlands and the United Kingdom, this effect has not generally been material. In addition, foreign debt is denominated in the respective foreign currency, thereby eliminating any related translation impact on earnings.

If the U.S. dollar continues to weaken, our foreign results of operations will be positively impacted, but the effect is not expected to be material. A 10% change in foreign currency exchange rates would not have resulted in a material impact to net income for the years ended May 31, 2010 and 2009. We do not currently hedge against the risk of exchange rate fluctuations.

FORWARD-LOOKING STATEMENTS

The foregoing discussion includes forward-looking statements relating to our business. These forward-looking statements, or other statements made by us, are made based on our expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors (including those specified below), which are difficult to predict and, in many instances, are beyond our control. As a result, our actual results could differ materially from those expressed in or implied by any such forward-looking statements. These uncertainties and factors include (a) global markets and general economic conditions, including uncertainties surrounding the volatility in financial markets, the availability of capital and the effect of changes in interest rates, and the viability of banks and other financial institutions; (b) the prices, supply and capacity of raw materials, including assorted pigments, resins, solvents, and other natural gas and oil based materials; packaging, including plastic containers; and transportation services, including fuel surcharges; (c) continued growth in demand for our products; (d) legal, environmental and litigation risks inherent in our construction and chemicals businesses and risks related to the adequacy of our insurance coverage for such matters; (e) the effect of changes in interest rates; (f) the effect of fluctuations in currency exchange rates upon our foreign operations; (g) the effect of non-currency risks of investing in and conducting operations in foreign countries, including those relating to domestic and international political, social, economic and regulatory factors; (h) risks and uncertainties associated with our ongoing acquisition and divestiture activities; (i) risks related to the adequacy of our contingent liability reserves; (j) risks and uncertainties associated with the SPHC bankruptcy proceedings; and (k) other risks detailed in our filings with the Securities and Exchange Commission, including the risk factors set forth in our Annual Report on Form 10-K for the year ended May 31, 2010, as the same may be updated from time to time. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the filing date of this document.

Consolidated Financial Statements
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

May 31	2010	2009 As Adjusted
Assets		
Current Assets		
Cash and cash equivalents	\$ 215,355	\$ 253,387
Trade accounts receivable (less allowances of \$20,525 in 2010 and \$22,934 in 2009)	632,485	638,659
Inventories	386,982	406,175
Deferred income taxes	19,788	44,540
Prepaid expenses and other current assets	194,126	210,155
Total current assets	1,448,736	1,552,916
Property, Plant and Equipment, at Cost		
Land	33,026	33,836
Buildings and leasehold improvements	257,554	305,927
Machinery and equipment	633,506	716,792
	924,086	1,056,555
Less allowance for depreciation and amortization	541,559	586,452
Property, plant and equipment, net	382,527	470,103
Other Assets		
Goodwill	768,244	856,166
Other intangible assets, net of amortization	303,159	358,097
Deferred income taxes, non-current	—	92,500
Other	101,358	80,139
Total other assets	1,172,761	1,386,902
Total Assets	\$ 3,004,024	\$ 3,409,921
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 299,596	\$ 294,814
Current portion of long-term debt	4,307	168,547
Accrued compensation and benefits	136,908	124,138
Accrued loss reserves	65,813	77,393
Asbestos-related liabilities	—	65,000
Other accrued liabilities	124,870	119,270
Total current liabilities	631,494	849,162
Long-Term Liabilities		
Long-term debt, less current maturities	924,308	762,295
Asbestos-related liabilities	—	425,328
Other long-term liabilities	243,829	205,650
Deferred income taxes	43,152	23,815
Total long-term liabilities	1,211,289	1,417,088
Total liabilities	1,842,783	2,266,250
Stockholders' Equity		
Preferred stock, par value \$0.01; authorized 50,000 shares; none issued		
Common stock, par value \$0.01; authorized 300,000 shares; issued 132,219 and outstanding 129,918 as of May 2010; issued 131,230 and outstanding 128,501 as of May 2009	1,299	1,285
Paid-in capital	724,089	796,441
Treasury stock, at cost	(40,686)	(50,453)
Accumulated other comprehensive (loss)	(107,791)	(31,557)
Retained earnings	502,562	427,955
Total RPM International Inc. stockholders' equity	1,079,473	1,143,671
Noncontrolling interest	81,768	—
Total equity	1,161,241	1,143,671
Total Liabilities and Stockholders' Equity	\$ 3,004,024	\$ 3,409,921

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

Year Ended May 31	2010	2009 As Adjusted	2008 As Adjusted
Net Sales	\$ 3,412,716	\$ 3,368,167	\$ 3,643,791
Cost of Sales	1,977,341	2,015,078	2,145,254
Gross Profit	1,435,375	1,353,089	1,498,537
Selling, General and Administrative Expenses	1,105,882	1,093,203	1,118,956
Asbestos Charges	—	—	288,100
Goodwill and Other Intangible Asset Impairments	—	15,462	—
Interest Expense	59,273	54,460	65,523
Investment (Income) Expense, Net	(7,576)	5,794	(13,512)
Other Expense, Net	9,342	3,302	5,463
Income Before Income Taxes	268,454	180,868	34,007
Provision (Benefit) for Income Taxes	87,327	61,252	(10,421)
Net Income	181,127	119,616	44,428
Less: Net Income Attributable to Noncontrolling Interests	1,090	—	—
Net Income Attributable to RPM International Inc. Stockholders	\$ 180,037	\$ 119,616	\$ 44,428
Average Number of Shares of Common Stock Outstanding			
Basic	127,047	126,373	120,151
Diluted	127,731	127,689	121,388
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders			
Basic	\$ 1.40	\$ 0.93	\$ 0.36
Diluted	\$ 1.39	\$ 0.93	\$ 0.36
Cash Dividends Declared per Share of Common Stock	\$ 0.815	\$ 0.790	\$ 0.745

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Year Ended May 31	2010	2009	2008 As Adjusted
Cash Flows From Operating Activities:			
Net income	\$ 181,127	\$ 119,616	\$ 44,428
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	61,823	62,379	62,238
Amortization	22,430	22,765	23,128
Net loss upon deconsolidation of SPHC	7,946	—	—
Goodwill and other intangible asset impairments	—	15,462	—
Other-than-temporary impairments on marketable securities	260	15,062	1,409
Provision for asbestos-related liabilities	—	—	288,100
Deferred income taxes	32,485	2,468	(73,888)
Stock-based compensation expense	10,030	8,008	13,396
Other	(1,768)	(1,316)	(1,645)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:			
(Increase) decrease in receivables	(17,748)	181,617	(55,056)
(Increase) decrease in inventory	(15,059)	75,014	(28,361)
(Increase) decrease in prepaid expenses and other current and long-term assets	2,230	18,024	(5,858)
Increase (decrease) in accounts payable	19,638	(119,327)	10,654
Increase (decrease) in accrued compensation and benefits	7,206	(29,039)	15,810
Increase (decrease) in accrued loss reserves	(2,705)	5,167	(5,382)
Increase (decrease) in other accrued liabilities	42,079	(14,040)	13,748
Payments made for asbestos-related claims	(92,621)	(69,417)	(82,623)
Other	(53,417)	(25,448)	14,616
Cash From Operating Activities	203,936	266,995	234,714
Cash Flows From Investing Activities:			
Capital expenditures	(23,241)	(54,986)	(71,840)
Acquisition of businesses, net of cash acquired	(73,985)	(16,669)	(123,130)
Purchase of marketable securities	(105,364)	(75,410)	(110,225)
Proceeds from sales of marketable securities	93,972	65,862	92,383
Proceeds from sale of assets and businesses	1,892	852	46,544
Decrease in cash due to deconsolidation of SPHC	(18,568)	—	—
Other	(1,659)	(1,196)	(2,946)
Cash (Used For) Investing Activities	(126,953)	(81,547)	(169,214)
Cash Flows From Financing Activities:			
Additions to long-term and short-term debt	314,059	56,816	251,765
Reductions of long-term and short-term debt	(319,642)	(51,412)	(181,074)
Cash dividends	(105,430)	(101,836)	(90,638)
Repurchase of stock	—	(45,360)	(6,057)
Exercise of stock options	14,667	3,188	14,481
Other	(2,283)	—	—
Cash (Used For) Financing Activities	(98,629)	(138,604)	(11,523)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(16,386)	(24,708)	18,258
Net Change in Cash and Cash Equivalents	(38,032)	22,136	72,235
Cash and Cash Equivalents at Beginning of Year	253,387	231,251	159,016
Cash and Cash Equivalents at End of Year	\$ 215,355	\$ 253,387	\$ 231,251
Supplemental Disclosures of Cash Flows Information:			
Cash paid during the year for:			
Interest	\$ 53,897	\$ 51,316	\$ 58,650
Income taxes	\$ 45,090	\$ 62,930	\$ 59,978
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Debt from business combinations	\$ 2,991	\$ 20	\$ 4,314
Issuance of stock for convertible-bond redemption	\$ —	\$ 150,612	\$ —

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Paid-In Capital
	Number of Shares	Par/Stated Value	
Balance at May 31, 2007	120,906	\$ 1,209	\$ 584,845
Cumulative effect of adoption of ASC 470 (formerly APB 14)			15,474
Impact of adoption of measurement date provisions of ASC 715 (formerly SFAS No. 158):			
Net periodic benefit cost for the period March 1, 2007 — May 31, 2007, net of taxes of \$1,722			
Change in fair value and benefit obligation from March 1, 2007 — May 31, 2007, net of taxes of \$6,203			
Impact of adoption of ASC 740 (formerly FIN No. 48)			
Beginning Balance, as adjusted	120,906	1,209	600,319
Net income			
Translation gain and other			
Dividends paid			
Stock option exercises, net	750	8	10,665
Stock based compensation expense			5,239
Restricted stock awards, net	533	5	11,692
Balance at May 31, 2008	122,189	1,222	627,915
Impact of adoption of ASC 715 (formerly EITF 06-4)			
Beginning Balance, as adjusted	122,189	1,222	627,915
Net income			
Translation gain and other			
Dividends paid			
Issuance of stock for convertible bond redemption, including deferred tax benefit of \$7,174	8,030	80	157,706
Shares repurchased	(2,355)	(24)	
Stock option exercises, net	254	2	3,041
Stock based compensation expense			2,743
Restricted stock awards, net	383	5	5,036
Balance at May 31, 2009	128,501	1,285	796,441
Net income			
Translation gain and other			
Dividends paid			
Deconsolidation of SPHC			(84,985)
Stock option exercises, net	981	10	12,341
Stock based compensation expense			3,852
Restricted stock awards, net	436	4	(3,560)
Balance at May 31, 2010	129,918	\$ 1,299	\$ 724,089

The accompanying notes to consolidated financial statements are an integral part of these financial statements.

Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Non-Controlling Interests	Total Equity	Total Comprehensive Income (Loss)
\$ -0-	\$ 25,140	\$ 475,676	\$ 1,086,870	\$	\$ 1,086,870	
		(12,193)	3,281		3,281	
		(3,270)	(3,270)		(3,270)	
	11,658		11,658		11,658	
		(1,689)	(1,689)		(1,689)	
-0-	36,798	458,524	1,096,850		1,096,850	
		44,428	44,428		44,428	\$ 44,428
	64,364		64,364		64,364	64,364
		(90,638)	(90,638)		(90,638)	
			10,673		10,673	
			5,239		5,239	
(6,057)			5,640		5,640	
(6,057)	101,162	412,314	1,136,556		1,136,556	108,792
		(2,139)	(2,139)		(2,139)	—
(6,057)	101,162	410,175	1,134,417		1,134,417	108,792
		119,616	119,616		119,616	119,616
	(132,719)		(132,719)		(132,719)	(132,719)
		(101,836)	(101,836)		(101,836)	
			157,786		157,786	
(43,345)			(43,369)		(43,369)	
(82)			2,961		2,961	
			2,743		2,743	
(969)			4,072		4,072	
(50,453)	(31,557)	427,955	1,143,671		1,143,671	(13,103)
		180,037	180,037	1,090	181,127	181,127
	(83,454)		(83,454)		(83,454)	(83,454)
		(105,430)	(105,430)		(105,430)	
	7,220		(77,765)	80,678	2,913	
			12,351		12,351	
			3,852		3,852	
9,767			6,211		6,211	
\$ (40,686)	\$ (107,791)	\$ 502,562	\$ 1,079,473	\$ 81,768	\$ 1,161,241	\$ 97,673

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Consolidation, Noncontrolling Interests and Basis of Presentation

Our financial statements include all of our majority-owned subsidiaries, except for certain subsidiaries that were deconsolidated on May 31, 2010 (please refer to Note A(2)). We account for our investments in less-than-majority-owned joint ventures under the equity method. Effects of transactions between related companies, except for certain subsidiaries that were deconsolidated, are eliminated in consolidation. Noncontrolling interests are presented in our consolidated financial statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially-owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in our consolidated financial statements. Additionally, our consolidated financial statements include 100% of a controlled subsidiary's earnings, rather than only our share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders provided that these transactions do not create a change in control.

Our business is dependent on external weather factors. Historically, we have experienced strong sales and net income in our first, second and fourth fiscal quarters comprised of the three-month periods ending August 31, November 30 and May 31, respectively, with weaker performance in our third fiscal quarter (December through February).

Certain reclassifications have been made to prior-year amounts to conform to this year's presentation.

2) Deconsolidation of Specialty Products Holding Corp. ("SPHC")

On May 31, 2010, Bondex International, Inc. ("Bondex") and its parent, SPHC, filed Chapter 11 reorganization proceedings in the United States Bankruptcy Court for the District of Delaware. SPHC is our wholly owned subsidiary. In accordance with Accounting Standards Codification, ("ASC"), 810, when a subsidiary becomes subject to the control of a government, court, administrator, or regulator, deconsolidation of that subsidiary is generally required. We have therefore deconsolidated SPHC and its subsidiaries from our balance sheet as of May 31, 2010, and will eliminate the results of SPHC's operations from our results of operations beginning on that date. We believe we have no responsibility for liabilities of SPHC and Bondex. As a result of the Chapter 11 reorganization proceedings, on a prospective basis we will account for our investment in SPHC under the cost method.

We have a net receivable from SPHC at May 31, 2010, that we expect will remain unchanged until the bankruptcy proceedings have been finalized. Included in this net amount are receivables and payables, which we concluded we have the right to report as a net amount based on several factors, including the fact that all amounts are determinable, the balances are due to and from our subsidiaries, and we have been given reasonable assurance that netting the applicable receivables and payables would remain legally enforceable. We analyzed our net investment in SPHC as of May 31, 2010, which included a review of our advances to SPHC, an assessment of the collectibility of our net receivables due from SPHC, and a computation of the gain to be recorded upon deconsolidation based on the carrying amount of our investment in SPHC. In accordance with Generally Accepted Accounting Principles, ("GAAP") in the United States, the gain on deconsolidation, related to the carrying amount of net assets of SPHC at May 31, 2010, was calculated in accordance with ASC 810-10-40-5, as follows:

- a) the aggregate of (1) the fair value of consideration received, (2) the fair value of any retained noncontrolling investment in the former subsidiary at the date the subsidiary is deconsolidated, and (3) the carrying amount of any noncontrolling interest in the former subsidiary; less
- b) the carrying amount of the former subsidiary's assets and liabilities.

In determining the carrying value of any retained noncontrolling investment in SPHC at the date of deconsolidation we considered several factors, including analyses of cash flows combined with various assumptions relating to the future performance of this entity and a discounted value of SPHC's recorded asbestos-related contingent obligations based on information available to us as of the date of deconsolidation. The discounted cash flow approach relies primarily on Level 3 unobservable inputs, whereby expected future cash flows are discounted using a rate that includes assumptions regarding an entity's average cost of debt and equity, incorporates expected future cash flows based on internal business plans, and applies certain assumptions about risk and uncertainties due to the bankruptcy filing. Our estimates are based upon assumptions we believe to be reasonable, but which by nature are uncertain and unpredictable. As a result of this analysis, we determined that the carrying value of our retained interest in SPHC approximated zero.

As a result of the combined analyses of each of the components of our net investment in SPHC we recorded a net loss of approximately \$7.9 million, which is reflected in Other Expense, Net, for the year ended May 31, 2010.

3) Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4) Acquisitions/Divestitures

We account for business combinations using the purchase method of accounting and, accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the acquisition date.

During the fiscal year ended May 31, 2010, we completed seven acquisitions, the majority of which report through our industrial reportable segment. Our fiscal 2010 acquisitions included the following: a manufacturer and installer of expansion joints and waterproofing systems for bridge decks and parking structures based in the U.K.; a supplier and installer of polymer flooring systems based in Australia; a Dutch manufacturer of industrial cleaners and specialty coatings; a U.K.-based fiberglass safety products supplier; a manufacturer of specialty resin-flooring products based in Ireland; a majority interest in an Indian corrosion-control coatings

manufacturer; and certain assets, including intangibles, of a U.S. manufacturer of specialty [corrosion control] products. During the fiscal year ended May 31, 2009, we completed four acquisitions, all of which report through our industrial reportable segment. The acquired product lines and assets included the following: a distributor of flooring and joint sealants based in Switzerland; a contractor for insulation and air leakage control based in Canada; an industrial and commercial flooring products company based in South Africa; and various tangible and intangible assets related to construction-type metering equipment. The purchase price for each acquisition has been allocated to the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. These acquisitions have been aggregated by year of purchase in the following table:

(In thousands)	Fiscal 2010 Acquisitions		Fiscal 2009 Acquisitions	
	Weighted-Average Intangible Asset Amortization Life (In Years)	Total	Weighted-Average Intangible Asset Amortization Life (In Years)	Total
Current assets		\$ 34,446		\$ 6,806
Property, plant and equipment		11,378		870
Goodwill	N/A	43,007	N/A	8,687
Tradenames — indefinite lives	N/A	6,642	N/A	1,083
Other intangible assets	6	15,026	8	3,183
Other long-term assets		242		296
Total Assets Acquired		\$110,741		\$20,925
Liabilities assumed		(32,309)		(4,659)
Net Assets Acquired		\$ 78,432⁽¹⁾		\$16,266⁽²⁾

(1) Figure includes cash acquired of \$5.2 million and reductions to net assets acquired for \$0.8 million for purchase accounting adjustments relating to prior period acquisitions.

(2) Figure includes cash acquired of \$1.1 million and reductions to net assets acquired for \$1.5 million for purchase accounting adjustments relating to prior period acquisitions.

Our Consolidated Financial Statements reflect the results of operations of acquired businesses as of their respective dates of acquisition. Pro-forma results of operations for the years ended May 31, 2010 and May 31, 2009 were not materially different from reported results and, consequently, are not presented.

5) Foreign Currency

The functional currency for each of our foreign subsidiaries is its local currency. Accordingly, for the periods presented, assets and liabilities have been translated using exchange rates at year end, while income and expense for the periods have been translated using a weighted-average exchange rate.

The resulting translation adjustments have been recorded in accumulated other comprehensive income (loss), a component of stockholders' equity, and will be included in net earnings only upon the sale or liquidation of the underlying foreign investment, neither of which is contemplated at this time. Transaction gains and losses have been immaterial during the past three fiscal years.

6) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of the following components:

(In thousands)	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefit Liability Adjustments, Net of Tax	Unrealized Gain (Loss) on Derivatives, Net of Tax	Unrealized Gain (Loss) on Securities, Net of Tax	Total
Balance at June 1, 2007	\$ 70,999	\$ (46,156)	\$ 3,311	\$ 8,644	\$ 36,798
Reclassification adjustments for (gains) losses included in net income				(882)	(882)
Other comprehensive income (loss)	55,857	(1,433)	7,195	7,842	69,461
Deferred taxes		946	(2,404)	(2,757)	(4,215)
Balance at May 31, 2008	126,856	(46,643)	8,102	12,847	101,162
Reclassification adjustments for losses included in net income, net of tax of \$3,989				9,682	9,682
Other comprehensive (loss)	(99,458)	(26,401)	(6,871)	(32,475)	(165,205)
Deferred taxes		9,842	2,283	10,679	22,804
Balance at May 31, 2009	27,398	(63,202)	3,514	733	(31,557)
Reclassification adjustments for losses included in net income, net of tax of \$783				(1,399)	(1,399)
Other comprehensive income (loss)	(44,082)	(69,791)	(3,239)	17,574	(99,538)
Deferred taxes		22,442	1,072	(6,031)	17,483
Adjustment due to deconsolidation of SPHC	222	7,286	(288)		7,220
Balance at May 31, 2010	\$ (16,462)	\$ (103,265)	\$ 1,059	\$ 10,877	\$(107,791)

7) Cash and Cash Equivalents

For purposes of the statement of cash flows, we consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. We do not believe we are exposed to any significant credit risk on cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair value.

8) Marketable Securities

The following tables summarize marketable securities held at May 31, 2010 and 2009 by asset type:

<i>(In thousands)</i>	Available-For-Sale Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Net Carrying Amount)
May 31, 2010				
Equity securities:				
Stocks	\$ 46,188	\$10,926	\$(1,181)	\$ 55,933
Mutual funds	24,168	3,397	(470)	27,095
Total equity securities	70,356	14,323	(1,651)	83,028
Fixed maturity:				
U.S. treasury and other government	19,730	412	(62)	20,080
Corporate bonds	7,921	507	(33)	8,395
State and municipal bonds	387	4	(3)	388
Foreign bonds	1,305	55	(8)	1,352
Mortgage-backed securities	491	178	(2)	667
Total fixed maturity securities	29,834	1,156	(108)	30,882
Total	\$100,190	\$15,479	\$(1,759)	\$ 113,910

<i>(In thousands)</i>	Available-For-Sale Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Net Carrying Amount)
May 31, 2009				
Equity securities:				
Stocks	\$36,475	\$1,949	\$(2,686)	\$ 35,738
Mutual funds	21,321	804	(963)	21,162
Total equity securities	57,796	2,753	(3,649)	56,900
Fixed maturity:				
U.S. treasury and other government	12,729	467	(3)	13,193
Corporate bonds	10,274	605	(36)	10,843
State and municipal bonds	374	3	(4)	373
Foreign bonds	967	111	(1)	1,077
Mortgage-backed securities	895	100	(80)	915
Total fixed maturity securities	25,239	1,286	(124)	26,401
Total	\$83,035	\$4,039	\$(3,773)	\$ 83,301

Marketable securities, included in other current and long-term assets, totaling \$91.7 million and \$22.2 million at May 31, 2010, respectively, and \$74.1 million and \$9.2 million at May 31, 2009, respectively, are composed of available-for-sale securities and are reported at fair value. Realized gains and losses on sales of investments are recognized in net income on the specific identification basis. Changes in the fair values of securities that are considered temporary are recorded as unrealized gains and losses, net of applicable taxes, in accumulated other comprehensive income (loss) within stockholders' equity. Other-than-temporary declines in market value from original cost are reflected in income before income taxes in the period in which the unrealized losses are deemed other-than-temporary. In order to determine whether an other-than-temporary decline in market value has occurred, the duration of the decline in value and our ability to hold the investment are considered in conjunction with an evaluation of the strength of the underlying collateral and the extent to which the investment's amortized cost or cost, as appropriate, exceeds its related market value.

Gross gains and losses realized on sales of investments were \$7.9 million and \$5.7 million, respectively, for the year ended May 31, 2010. Gross gains and losses realized on sales of investments were \$4.7 million and \$3.1 million, respectively, for the year ended May 31, 2009. During fiscal 2010 and 2009, we recognized losses of \$0.3 million and \$15.1 million, respectively, for securities deemed to have other-than-temporary impairments. These amounts are included in investment (income) expense, net in the Consolidated Statements of Income.

Summarized below are the securities we held at May 31, 2010 and 2009 that were in an unrealized loss position included in accumulated other comprehensive (loss), aggregated by the length of time the investments had been in that position:

(In thousands)	May 31, 2010		May 31, 2009	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Total investments with unrealized losses	\$31,249	\$(1,759)	\$43,624	\$(3,773)
Unrealized losses with a loss position for less than 12 months	22,002	(1,385)	43,013	(3,721)
Unrealized losses with a loss position for more than 12 months	9,247	(374)	611	(52)

Included in the figures above for the fiscal year ended May 31, 2009 is our investment in Kemrock Industries, which had a fair value of \$9.2 million, and an unrealized loss of \$2.0 million at that date. We have reviewed all of the securities included in the table above and have concluded that we have the ability and intent to hold these investments until their cost can be recovered, based upon the severity and duration of the decline. Therefore, we did not recognize any other-than-temporary impairment losses on these investments. Unrealized losses at May 31, 2010 were generally related to the volatility in valuations over the last several months for a portion of our portfolio of investments in marketable securities. The unrealized losses generally relate to investments whose fair values at May 31, 2010 were less than 15% below their original cost or have been in a loss position for less than six consecutive months. Although we have seen recovery in general economic conditions during fiscal 2010, if we were to experience continuing or significant unrealized losses within our portfolio of investments in marketable securities in the future, we may recognize additional other-than-temporary impairment losses. Such potential losses could have a material impact on our results of operations in any given reporting period. As such, we continue to closely evaluate the status of our investments and our ability and intent to hold these investments.

The net carrying values of debt securities at May 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

(In thousands)	Amortized Cost	Fair Value
Due:		
Less than one year	\$ 6,324	\$ 6,318
One year through five years	11,310	11,684
Six years through ten years	6,315	6,565
After ten years	5,885	6,315
	\$ 29,834	\$ 30,882

9) Financial Instruments

Financial instruments recorded on the balance sheet include cash and cash equivalents, trade accounts receivable, marketable securities, notes and accounts payable, and debt.

An allowance for anticipated uncollectible trade accounts receivable is established using a combination of specifically identified accounts to be reserved, and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility, past experience, and individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility.

All derivative instruments are recognized on our Consolidated Balance Sheet and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or (loss) in our Consolidated Statement of Income in the current period. Changes in the fair value of derivative instruments used effectively as fair value hedges are recognized in earnings (losses), along with the change in the value of the hedged item. We do not hold or issue derivative instruments for speculative purposes.

Effective June 1, 2008, we implemented new guidance issued by the FASB relating to fair value accounting. The guidance clarifies the definition of fair value, establishes a framework for measuring fair value based on the inputs used to measure fair value and expands the disclosures of fair value measurements. Effective June 1, 2009, we implemented the portion of this new guidance which pertains to our nonfinancial assets and nonfinancial liabilities. Our implementation of these provisions did not have a material impact on our financial statements.

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value, as follows:

Level 1 Inputs — Quoted prices for identical instruments in active markets.

Level 2 Inputs — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs — Instruments with primarily unobservable value drivers.

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

<i>(In thousands)</i>	Quoted Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2010
U.S. Treasury and other government	\$ —	\$ 20,080	\$ —	\$ 20,080
State and municipal bonds		388		388
Foreign bonds		1,352		1,352
Mortgage-backed securities		667		667
Corporate bonds		8,395		8,395
Stocks	55,933			55,933
Mutual funds		27,095		27,095
Cross-currency swap		(1,412)		(1,412)
Total	\$ 55,933	\$ 56,565	\$ —	\$ 112,498

<i>(In thousands)</i>	Quoted Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2009
U.S. Treasury and other government	\$ —	\$ 13,193	\$ —	\$ 13,193
State and municipal bonds		373		373
Foreign bonds		1,077		1,077
Mortgage-backed securities		915		915
Corporate bonds		10,843		10,843
Stocks	35,738			35,738
Mutual funds		21,162		21,162
Cross-currency swap		(21,733)		(21,733)
Interest-rate swap		2,300		2,300
Total	\$ 35,738	\$ 28,130	\$ —	\$ 63,868

Our marketable securities are composed of mainly available-for-sale securities, and are valued using a market approach based on quoted market prices for identical instruments. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For most of our financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

Our cross-currency swap was designed to fix our interest and principal payments in euros for the life of our unsecured 6.70% senior notes due November 1, 2015, which resulted in an effective euro fixed-rate borrowing of 5.31%. The basis for determining the rates for this swap included three legs at the inception of the agreement: the USD fixed rate to a USD floating rate; the euro floating to euro fixed rate; and the dollar to euro basis fixed rate at inception. Therefore, we essentially exchanged fixed payments denominated in USD for fixed payments denominated in fixed euros, paying fixed euros at 5.31% and receiving fixed USD at 6.70%. The ultimate payments are based on the notional principal amounts of 150 million USD and approximately 125 million euros. There will be an exchange of the notional amounts at maturity.

The rates included in this swap are based upon observable market data, but are not quoted market prices, and therefore, the cross-currency swap is considered a Level 2 liability on the fair value hierarchy. Additionally, our cross-currency swap has been designated as a hedging instrument, and is classified as other long-term liabilities in our consolidated balance sheets.

Our interest rate swap was a fixed-to-floating interest rate exchange of debt, with a fair value of zero at inception. The variable leg of this swap is based upon the benchmark interest rate designated as the interest rate risk being hedged, which is USD-LIBOR-BBA. As this rate is observable, we consider our interest rate swap to be a Level 2 asset under the fair value hierarchy.

The carrying value of our current financial instruments, which include cash and cash equivalents, marketable securities, trade accounts receivable, accounts payable, and short-term debt, approximates fair value because of the short-term maturity of these financial instruments. At May 31, 2010, the fair value of our long-term debt was estimated using active market quotes, based on our current incremental borrowing rates for similar types of borrowing arrangements which

are considered to be Level 2 inputs. Based on the analysis performed, the fair value and the carrying value of our financial instruments and long-term debt as of May 31, 2010 and 2009 are as follows:

<i>(In thousands)</i>	At May 31, 2010	
	Carrying Value	Fair Value
Cash and cash equivalents	\$ 215,355	\$ 215,355
Marketable equity securities	83,028	83,028
Marketable debt securities	30,882	30,882
Long-term debt, including current portion	928,615	1,000,128

<i>(In thousands)</i>	May 31, 2009	
	Carrying Value	Fair Value
Cash and cash equivalents	\$ 253,387	\$ 253,387
Marketable equity securities	56,900	56,900
Marketable debt securities	26,401	26,401
Long-term debt, including current portion	930,842	887,500

10) Inventories

Inventories are stated at the lower of cost or market, cost being determined on a FIFO basis and market being determined on the basis of replacement cost or net realizable value. Inventory costs include raw materials, labor and manufacturing overhead. Inventories were composed of the following major classes:

May 31	2010	2009
<i>(In thousands)</i>		
Raw materials and supplies	\$ 123,144	\$ 133,708
Finished goods	263,838	272,467
Total Inventories	\$ 386,982	\$ 406,175

11) Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with the provisions of ASC 350 (formerly SFAS No. 142, "Goodwill and Other Intangible Assets") and account for business combinations using the purchase method of accounting and accordingly, the assets and liabilities of the entities acquired are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price paid over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets.

We perform the required annual impairment assessments as of the first day of our fourth fiscal quarter, using a fair-value approach at the reporting unit level. Our reporting units have been identified at the component level, which is the operating segment level or one level below.

The annual goodwill impairment assessment involves estimating the fair value of each reporting unit and comparing it with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, additional steps are followed to determine and recognize, if appropriate, an impairment loss. Calculating the fair value of the reporting units requires our significant use of estimates and assumptions. We estimate the fair values of our reporting units by applying a combination of third-party market-value indicators, when observable market data is available, and discounted future cash flows to each of our reporting unit's projected EBITDA. In applying this methodology, we rely on a number of factors, including actual and forecasted operating results and market data.

For the fiscal year ended May 31, 2010, our fair value determinations did not indicate any impairment of our goodwill balances. However, for the fiscal year ended May 31, 2009, our fair value determinations indicated a potential goodwill impairment for one of our reporting units.

Therefore, our fiscal 2009 tests included the establishment of a fair value estimate of each tangible and intangible asset for that reporting unit. This process required our estimation of the discounted cash flows expected to be generated by each asset in addition to independent asset appraisals, as deemed appropriate. Our cash flow estimates were based on our historical experience and our internal business plans, and appropriate discount rates were applied. This testing resulted in an impairment charge related to a reduction of the carrying value of goodwill in the amount of \$14.9 million at this reporting unit for the fiscal year ended May 31, 2009. The goodwill impairment resulted primarily from soft domestic commercial construction sales coupled with continued low cash flow projections for this reporting unit.

Additionally, we test all indefinite-lived intangible assets for impairment annually. The results of our annual impairment test for the fiscal year ended May 31, 2010 did not result in any impairment; however, the tests performed during the fiscal year ended May 31, 2009 resulted in a reduction in the carrying value of certain indefinite-lived tradenames of \$0.5 million. The impairment resulted from continued slow sales associated with the ongoing declines in residential housing construction during fiscal 2009.

Should the future earnings and cash flows at our reporting units decline and/or discount rates increase, future impairment charges to goodwill and other intangible assets may be required.

The results of our annual impairment test for the fiscal year ended May 31, 2008 did not result in any adjustment to the carrying value of goodwill or indefinite-lived intangible asset impairments.

The changes in the carrying amount of goodwill, by reportable segment, for the years ended May 31, 2010 and 2009, are as follows:

<i>(In thousands)</i>	Industrial Segment	Consumer Segment	Total
Balance as of June 1, 2008	\$ 521,023	\$ 387,335	\$ 908,358
Acquisitions, net of divestitures	8,687		8,687
Purchase accounting adjustments ⁽¹⁾	816		816
Goodwill impairment charged to operations	(14,942)		(14,942)
Translation adjustments	(35,295)	(11,458)	(46,753)
Balance as of May 31, 2009	480,289	375,877	856,166
Acquisitions	33,545	9,462	43,007
Purchase accounting adjustments ⁽¹⁾	(2,641)		(2,641)
Translation adjustments	(14,838)	(9,945)	(24,783)
Adjustment resulting from deconsolidation of SPHC	(103,505)		(103,505)
Balance as of May 31, 2010	\$ 392,850	\$ 375,394	\$ 768,244

(1) Relates primarily to other accruals and finalization of certain property, plant and equipment and intangibles

Other intangible assets consist of the following major classes:

(In thousands)	Amortization Period (in Years)	Gross Carrying Amount	Accumulated Amortization	Impairment Charged to Operations	Net Other Intangible Assets
As of May 31, 2010					
Amortized intangible assets					
Formulae	4 to 33	\$168,667	\$ 88,789	\$ —	\$ 79,878
Customer-related intangibles	5 to 33	101,844	35,885		65,959
Trademarks/names	3 to 40	21,553	8,029		13,524
Other	1 to 40	41,661	19,719		21,942
Total Amortized Intangibles		333,725	152,422		181,303
Indefinite-lived intangible assets					
Tradenames		121,856			121,856
Total Other Intangible Assets		\$455,581	\$ 152,422	\$ —	\$303,159
As of May 31, 2009					
Amortized intangible assets					
Formulae	4 to 33	\$206,466	\$ 104,882	\$ —	\$101,584
Customer-related intangibles	5 to 33	117,932	43,266		74,666
Trademarks/names	3 to 40	27,235	8,766		18,469
Other	1 to 40	38,974	23,007		15,967
Total Amortized Intangibles		390,607	179,921		210,686
Indefinite-lived intangible assets					
Tradenames		147,931		520	147,411
Total Other Intangible Assets		\$538,538	\$ 179,921	\$ 520	\$358,097

The aggregate intangible asset amortization expense for the fiscal years ended May 31, 2010, 2009 and 2008 was \$22.2 million, \$22.5 million and \$20.6 million, respectively. For the next five fiscal years, we estimate annual intangible asset amortization expense related to our existing intangible assets to approximate the following: 2011 — \$22 million, 2012 — \$21 million, 2013 — \$20 million, 2014 — \$18 million, and 2015 — \$17 million.

12) Depreciation

Depreciation is computed primarily using the straight-line method over the following ranges of useful lives:

Land improvements	3 to 25 years
Buildings and improvements	3 to 50 years
Machinery and equipment	1 to 25 years

Total depreciation expense for each fiscal period includes the charges to income that result from the amortization of assets recorded under capital leases.

We review long-lived assets for impairment when circumstances indicate that the carrying values of these assets may not be recoverable. For assets that are to be held and used, an impairment charge is recognized when the estimated undiscounted future cash flows associated with the asset or group of assets are less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded for the difference between the carrying value and the fair value. Fair values are determined based on quoted market values, discounted cash flows, internal appraisals or external appraisals, as applicable. Assets to be disposed of are carried at the lower of their carrying value or estimated net realizable value.

13) Revenue Recognition

Revenues are recognized when realized or realizable, and when earned. In general, this is when title and risk of loss pass to the customer. Further, revenues are realizable when we have persuasive evidence of a sales arrangement, the product has been shipped or the services have been provided to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured. We reduce our revenues for estimated customer returns and allowances, certain rebates, sales incentives, and promotions in the same period the related sales are recorded.

We also record revenues generated under long-term construction contracts, mainly in connection with the installation of specialized roofing and flooring systems, and related services. Certain long-term construction contracts are accounted for under the percentage-of-completion method, and therefore we record contract revenues and related costs as our contracts progress. This method recognizes the economic results of contract performance on a timelier basis than does the completed-contract method; however, application of this method requires reasonably dependable estimates of progress toward completion, as well as other dependable estimates. When reasonably dependable estimates cannot be made, or if other factors make estimates doubtful, the completed contract method is applied. Under the completed contract method, billings and costs are accumulated on the balance sheet as the contract progresses, but no revenue is recognized until the contract is complete or substantially complete.

14) Shipping Costs

Shipping costs paid to third-party shippers for transporting products to customers are included in selling, general and administrative expenses. For the years ended May 31, 2010, 2009 and 2008, shipping costs were \$101.7 million, \$108.8 million and \$124.2 million, respectively.

15) Advertising Costs

Advertising costs are charged to operations when incurred and are included in SG&A expenses. For the years ended May 31, 2010, 2009 and 2008, advertising costs were \$39.4 million, \$36.2 million and \$39.9 million, respectively.

16) Research and Development

Research and development costs are charged to operations when incurred and are included in selling, general and administrative expenses. The amounts charged to expense for the years ended May 31, 2010, 2009 and 2008 were \$41.3 million, \$40.1 million and \$40.2 million, respectively.

17) Cost Reduction Initiatives

During fiscal 2009, we undertook various actions to lower the fixed cost base of certain of our businesses in response to the volatile economic environment at that time. As a result of those cost reduction measures, which included personnel reductions, during fiscal 2009 we incurred employee separation costs of \$20.3 million in pre-tax charges. Of the \$20.3 million incurred, \$14.6 million was related to our industrial reportable segment ("industrial segment") and \$5.5 million was related to our consumer reportable segment ("consumer segment"), with the remainder recognized at the nonoperating level. These costs, all of which were cash costs, were reflected within SG&A expenses on our fiscal 2009 Consolidated Statements of Income. At May 31, 2009, the balance included in other accrued liabilities in our Consolidated Balance Sheets for these initiatives totaled approximately \$5.2 million. We incurred an additional \$5.2 million of various new cost reduction initiatives during fiscal 2010, and paid \$4.5 million in cash for existing accruals, for an ending balance in this accrual of \$5.9 million at May 31, 2010.

18) Stock-Based Compensation

Stock-based compensation represents the cost related to stock-based awards granted to our employees and directors, which may include restricted stock, stock options and stock appreciation rights ("SARs"). We measure stock-based compensation cost at the date of grant, based on the estimated fair value of the award. We recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the related vesting period. Refer to Note E, "Stock-Based Compensation," for further information.

19) Investment (Income) Expense, Net

Investment (income) expense, net, consists of the following components:

Year Ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Interest (income)	\$ (4,035)	\$ (5,935)	\$ (9,411)
(Gain)/loss on sale of marketable securities	(2,160)	(1,577)	(3,169)
Other-than-temporary impairment on securities	260	15,062	1,409
Dividend (income)	(1,641)	(1,756)	(2,341)
Investment (income) expense, net	\$ (7,576)	\$ 5,794	\$ (13,512)

20) Other (Income) and Expense, Net

Other (income) and expense, net, consists of the following components:

Year Ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Net loss upon deconsolidation of SPHC	\$ 7,946	\$ —	\$ —
Miscellaneous (income) and expense, net	1,396	3,302	5,463
Other (income) and expense, net	\$ 9,342	\$ 3,302	\$ 5,463

21) Income Taxes

The provision for income taxes is calculated using the liability method. Under the liability method, deferred income taxes are recognized for the tax effect of temporary differences between the financial statement carrying amount of assets and liabilities and the amounts used for income tax purposes and for certain changes in valuation allowances. Valuation allowances are recorded to reduce certain deferred tax assets when, in our estimation, it is more likely than not that a tax benefit will not be realized.

We have not provided for U.S. income and foreign withholding taxes on approximately \$843.0 million of foreign subsidiaries' undistributed earnings as of May 31, 2010, because such earnings have been retained and reinvested by the subsidiaries. Accordingly, no provision has been made for U.S. or foreign withholding taxes, which may become payable if undistributed earnings of foreign subsidiaries were paid to us as dividends. The additional income taxes and applicable withholding taxes that would result had such earnings actually been repatriated are not practically determinable.

22) Earnings Per Share of Common Stock

On June 1, 2009, we implemented the provisions of recent guidance issued by the Financial Accounting Standards Board ("FASB") regarding the computation of earnings per share. The FASB's updated guidance clarifies that unvested share-based payment awards that contain rights to receive non-forfeitable dividends are participating securities. Our unvested restricted shares are considered participating securities. The FASB also updated their guidance on how to allocate earnings to participating securities and compute earnings per share using the two-class method. We have retroactively applied the provisions of this guidance to the financial information included herein, which impacted prior year reported figures by reducing basic earnings per share for the fiscal year ended May 31, 2009 by \$0.02, from reported basic earnings per share of \$0.95 to as-adjusted basic earnings per share of \$0.93; and by reducing basic and diluted earnings per share for the fiscal year ended May 31, 2008 by \$0.03, from reported basic and diluted earnings per share of \$0.40 and \$0.39, respectively, to as-adjusted basic and diluted earnings per share of \$0.36 and \$0.36, respectively. No other prior year figures were impacted by this change.

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share, as calculated using the two-class method, for the fiscal years ended May 31, 2010, 2009 and 2008.

Year Ended May 31, 2010 2009 2008

(In thousands, except per share amounts)

Numerator for earnings per share:			
Net income attributable to RPM International Inc. stockholders	\$ 180,037	\$ 119,616	\$ 44,428
Less: Allocation of earnings and dividends to participating securities	(2,180)	(1,664)	(666)
Net income available to common shareholders — basic	177,857	117,952	43,762
Add: Undistributed earnings reallocated to unvested shareholders	6	2	(39)
Add: Income effect of contingently issuable shares		280	
Net income available to common shareholders — diluted	\$ 177,863	\$ 118,234	\$ 43,723
Denominator for basic and diluted earnings per share:			
Basic weighted average common shares	127,047	126,373	120,151
Average diluted options	684	474	1,237
Additional shares issuable assuming conversion of convertible securities		842	
Total shares for diluted earnings per share	127,731	127,689	121,388
Earnings Per Share:			
Basic earnings per share of common stock	\$ 1.40	\$ 0.93	\$ 0.36
Diluted earnings per share of common stock	\$ 1.39	\$ 0.93	\$ 0.36

For the years ended May 31, 2010, 2009 and 2008, approximately 1,905,000, 1,652,000 and 1,471,000 shares of stock, respectively, granted under stock-based compensation plans were excluded from the calculation of diluted EPS, as the effect would have been anti-dilutive. For the year ended May 31, 2008, conversion of approximately 8.0 million shares of common stock associated with our convertible securities was not assumed, as the result would have been anti-dilutive.

23) Other Recent Accounting Pronouncements

Accounting Standards Codification — In June 2009, the Financial Accounting Standards Board (the “FASB”) issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the “ASC”), which identifies itself as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The ASC became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC does not change GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. Effective September 15, 2009, all of our public filings reference the ASC as the sole source of authoritative literature.

Subsequent Events — In February 2010, the FASB issued guidance which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Under the new guidance, entities that are SEC filers are required to evaluate subsequent events through the date the financial statements are issued. The guidance was effective upon issuance of the new provisions. Our adoption of the provisions of this new guidance had no impact on our financial position, results of operations or cash flows.

Financial Instruments — In April 2009, the FASB issued new guidance regarding disclosures of the fair values of financial instruments for interim and annual reporting periods. The guidance is effective for interim reporting periods ending after June 15, 2009. We adopted the new guidance as of June 1, 2009.

Business Combinations — In December 2007, the FASB issued guidance regarding the accounting for business combinations. Under the updated guidance, transaction costs are no longer considered part of the fair value of an acquisition, but are required to be expensed as incurred. Additionally under the updated guidance, upon initially obtaining control of another entity or business, an acquirer must recognize 100% of the fair values of assets acquired, including goodwill and liabilities assumed, with limited exceptions, even if the acquirer has not acquired 100% of the target. We adopted the provisions of this guidance as of June 1, 2009. For the year ended May 31, 2010, we recognized approximately \$4.2 million of acquisition-related expense in SG&A. The impact of our adoption on future periods will depend upon the nature and significance of any acquisitions subject to this statement.

Consolidation of Noncontrolling Interests — In December 2007, the FASB issued guidance surrounding the accounting and reporting of noncontrolling interests, which requires entities to report noncontrolling (minority) interests in subsidiaries and deconsolidated subsidiaries as a separate component of equity in the Consolidated Financial Statements. Our June 1, 2009 adoption of this new guidance did not have a material impact on our financial statements. However, the application of this new accounting guidance in connection with the recent bankruptcy and resulting deconsolidation of SPHC will have a material impact on our financial position, results of operations and disclosures in future periods.

Convertible Debt — In May 2008, the FASB issued guidance which requires the issuer of certain convertible debt instruments that may be settled in cash upon conversion to separately account for liability and equity components of the instrument in a manner that reflects the issuer’s nonconvertible debt borrowing rate. Although we called for redemption all of our outstanding Senior Convertible Notes due May 13, 2033 during the first fiscal quarter of 2009, the FASB’s guidance requires retrospective application to all years presented. We adopted this guidance effective June 1, 2007, and as a result, recorded additional interest expense of \$5.0 million during our fiscal year ended May 31, 2008, which resulted in an after-tax decrease to reported net income of \$3.3 million and a reduction of reported basic and diluted earnings per share of common stock of \$0.03 per share. There was no impact on our results of operations for our fiscal years ended May 31, 2010 or 2009. The cumulative effect of our adoption of this guidance as of June 1, 2007 was a reduction of retained earnings of approximately \$15.5 million. The following tables illustrate the retrospective changes made to our comparative financial statements for fiscal 2009 and 2008:

(In thousands)	Year Ended May 31, 2008		
	As Originally Reported	Adjustment	As Adjusted
Income Before Income Taxes	\$ 39,054	\$ (5,047)	\$ 34,007
(Benefit) for Income Taxes	(8,655)	(1,766)	(10,421)
Net Income	\$ 47,709	\$ (3,281)	\$ 44,428

(In thousands)	As of May 31, 2009		
	As Originally Reported	Adjustment	As Adjusted
Paid-in Capital	\$780,967	\$ 15,474	\$796,441
Retained Earnings	\$443,429	\$(15,474)	\$427,955

Fair Value Measurements — In September 2006, the FASB issued guidance pertaining to fair value measurements. The guidance clarified the definition of fair value, established a framework for measuring fair value and required expanded disclosures on fair value measurements. We adopted the provisions relating to fair value measurements as of June 1, 2008. See page 43 for the disclosures required by this statement. The adoption of this standard had no impact on our Consolidated Financial Statements.

As of June 1, 2008, we adopted new guidance surrounding the fair value option for financial assets and financial liabilities. The guidance provides companies with the option to measure, at fair value, certain financial instruments and other items that are not currently required to be measured at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. The application of this guidance had no impact on our financial statements.

Split Dollar Life Insurance Arrangements — We adopted guidance pertaining to the accounting for deferred compensation and postretirement benefit aspects of endorsement split-dollar life insurance arrangements as of June 1, 2008. This guidance addresses the recognition of a liability and related compensation costs for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. We elected to adopt the provisions of this accounting guidance as a change in accounting principle through a cumulative-effect adjustment to beginning retained earnings. Our adoption of these provisions did not have a material impact on our Consolidated Financial Statements.

Share-Based Payment Awards — We adopted guidance pertaining to the accounting for income tax benefits of dividends on share-based payment awards as of June 1, 2008. This guidance addresses recognition of income tax benefits received on certain dividend payments. The guidance requires that the realized income tax benefits associated with those dividends should be recognized in additional paid-in capital.

Our adoption of the provisions of this guidance was prospective and did not have a material impact on our Consolidated Financial Statements.

Earnings Per Share — In June 2008, the FASB issued guidance which requires all shares that qualify as participating securities prior to vesting to be included in the earnings allocation in computing earnings per share under the two-class method. Upon adoption, the provisions of this FSP are required to be retrospectively applied to all earnings per share data presented. This guidance became effective beginning with our current fiscal year ended May 31, 2010. Refer to page 47 for information outlining the impact this requirement has had on our financial statements.

24) Subsequent Events

We have evaluated events subsequent to May 31, 2010, through the date the financial statements were issued, and have determined no events have occurred that require adjustment of or disclosure in the consolidated financial statements.

NOTE B — BORROWINGS

A description of long-term debt follows:

May 31	2010	2009
(In thousands)		
Unsecured 4.45% senior notes due October 15, 2009	\$ —	\$163,715
Unsecured 6.25% senior notes due December 15, 2013	200,000	200,000
Unsecured 6.50% senior notes due February 14, 2018 ⁽¹⁾	247,153	246,785
Unsecured 6.125% senior note due October 15, 2019 ⁽²⁾	299,706	
Unsecured 6.70% senior notes due November 1, 2015 ⁽³⁾	150,000	150,000
Revolving credit agreement for \$400,000 with a syndicate of banks, through December 29, 2011. Interest, which is tied to LIBOR and prime rate, averaged 2.48% and 4.38%, respectively, for U.S. dollar denominated debt at May 31, 2010	22,520	158,904
Other obligations, including capital leases, and unsecured notes payable at various rates of interest due in installments through 2016	9,236	11,438
	928,615	930,842
Less current portion	4,307	168,547
Total Long-Term Debt, Less Current Maturities	\$924,308	\$762,295

(1) The \$250.0 million face amount of the notes due 2018 is adjusted for the amortization of the original issue discount, which approximated \$2.8 million and \$3.2 million at May 31, 2010 and 2009, respectively. The original issue discount effectively reduced the ultimate proceeds from the financing. The effective interest rate on the notes, including the amortization of the discount, is 6.704% for both years presented.

(2) The \$300.0 million face amount of the notes due 2019 is adjusted for the amortization of the original discount, which approximated \$0.3 million at May 31, 2010. The original issue discount effectively reduced the ultimate proceeds from the financing. The effective interest rate on the notes, including the amortization of the discount, is 6.139%.

(3)

We entered into a cross-currency swap, which fixed the interest and principal payments in euros, resulting in an effective fixed-rate borrowing of 5.31%.

The aggregate maturities of long-term debt for the five years subsequent to May 31, 2010 are as follows: 2011 — \$4.3 million; 2012 — \$23.3 million; 2013 — \$0.7 million; 2014 — \$200.7 million; 2015 — \$0.7 million; and thereafter \$698.9 million. Additionally, at May 31, 2010, we had unused lines of credit totaling \$473.1 million.

On October 9, 2009, we sold \$300.0 million aggregate principal amount of 6.125% Notes due 2019 (the "Notes"). The net proceeds from the offering of the Notes were used to repay \$163.7 million in principal amount of our unsecured notes due October 15, 2009, and approximately \$120.0 million in principal amount of short-term borrowings outstanding under our accounts receivable securitization program. The balance of the net proceeds was used for general corporate purposes.

On April 7, 2009, we replaced our existing \$125.0 million accounts receivable securitization program, which was set to expire on May 7, 2009, with a new, three-year, \$150.0 million accounts receivable securitization program (the "AR program"). The AR program, which was established with two banks for certain of our subsidiaries ("originating subsidiaries"), contemplates that the originating subsidiaries will sell certain of their accounts receivable to RPM Funding Corporation, a wholly-owned special purpose entity ("SPE"), which will then transfer undivided interests in such receivables to the participating banks. Once transferred to the SPE, such receivables are owned in their entirety by the SPE and are not available to satisfy claims of our creditors or creditors of the originating subsidiaries until the obligations owing to the participating banks have been paid in full. The transactions contemplated by the AR program do not constitute a form of off-balance sheet financing and will be fully reflected in our financial statements. Entry into the AR program potentially increased our liquidity by \$25.0 million, but also increased our financing costs due to higher market rates. The amounts available under the AR program are subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the underlying accounts receivable, and therefore at certain times we may not be able to fully access the \$150.0 million of funding available under the AR program. At May 31, 2010, approximately \$116.6 million was available under this AR program.

During our first quarter of fiscal 2009, our Senior Convertible Notes (the "Convertible Notes") due May 13, 2033 became eligible for conversion based upon the price of RPM International Inc. common stock. On June 13, 2008, we called for the redemption of all of our outstanding Convertible Notes on the effective date of July 14, 2008 (the "Redemption Date"). Prior to the Redemption Date, virtually all of the holders had already converted their Convertible Notes into 8,030,455 shares of RPM International Inc. common stock, or 27.0517 shares of common stock for each \$1,000 Face Value Convertible Note they held. Any fractional shares from the conversion were paid in cash.

On February 20, 2008 we issued and sold \$250.0 million of 6.50% Notes due February 15, 2018. The proceeds were used to repay our \$100.0 million Senior Unsecured Notes due March 1, 2008, the outstanding principal under our \$125.0 million accounts receivable securitization program and \$19.0 million in short-term borrowings under our revolving credit facility. This financing strengthened our credit profile and liquidity position, as well as lengthened the average maturity of our outstanding debt obligations.

On December 29, 2006, we replaced our \$330.0 million revolving credit facility with a \$400.0 million five-year credit facility (the "Credit Facility"). The Credit Facility is used for working capital needs and general corporate purposes, including acquisitions. The Credit Facility provides for borrowings in U.S. dollars and several foreign currencies and provides sublimits for the issuance of letters of credit in an aggregate amount of up to \$35.0 million and a swing-line of up to \$20.0 million for short-term borrowings of less than 15 days. In addition, the size of the Credit Facility may be expanded, subject to lender approval, upon our request by up to an additional \$175.0 million, thus potentially expanding the Credit Facility to \$575.0 million.

On October 19, 2005, RPM United Kingdom G.P., our indirect wholly-owned finance subsidiary, issued and sold \$150.0 million of 6.70% Senior Unsecured Notes due 2015, which are fully and unconditionally guaranteed by us. Concurrent with the issuance of the 6.70% Senior Unsecured Notes, RPM United Kingdom G.P. entered into a cross-currency swap, which fixed the interest and principal payments in euros for the life of the Senior Unsecured Notes and resulted in an effective euro fixed-rate borrowing of 5.31%. As of May 31, 2010 and 2009, the fair value of this cross-currency swap, which is designated as a cash flow hedge, was a \$1.4 million liability and a \$21.7 million liability, respectively, which is reflected in other long-term liabilities on the Consolidated Balance Sheets.

On September 30, 2004, we issued and sold \$200.0 million of 4.45% Senior Unsecured Notes due 2009, which we concurrently swapped back to floating interest rate debt. As of May 31, 2009 the fair value of this interest-rate swap, which was in an asset position, was \$2.3 million. During the second quarter of fiscal 2010, the swap terminated in conjunction with the maturity of the debt.

Our hedged risks are associated with certain fixed-rate debt whereby, at May 31, 2009, we had a \$163.7 million notional amount interest rate swap contract designated as a fair value hedge to pay floating rates of interest based on six-month LIBOR that matured in fiscal 2010. Because critical terms of the debt and interest rate swap match, the hedge was considered perfectly effective against changes in the fair value of debt, and therefore, there was no need to periodically reassess the effectiveness during the term of the hedge. During October 2009, we repaid \$163.7 million in principal amount of our unsecured notes using a portion of the proceeds from our \$300.0 million aggregate principal amount of 6.125% Notes due 2019.

On May 29, 2009, we entered into an amendment to our Credit Facility agreement with our lenders. Under the amendment, we are required to comply with various customary affirmative and negative covenants. These include financial covenants requiring us to maintain certain leverage and interest coverage ratios. The definition of EBITDA has been amended to add back the sum of all (i) non-cash charges relating to the write-down or impairment of goodwill and other intangibles during the applicable period, (ii) other non-cash charges up to an aggregate of \$25.0 million during such applicable period and (iii) one-time cash charges incurred during the period from June 1, 2008 through May 31, 2010, but only up to an aggregate of not more than \$25.0 million during such applicable period. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended. The minimum required consolidated interest coverage ratio, EBITDA to interest expense, remains 3.50 to 1 under the amendment, but allowance of the add-backs referred to above has the effect of making this covenant less restrictive. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness at any date to exceed 55% of the sum of such indebtedness and our consolidated shareholders' equity on such date, and may not permit the indebtedness of our domestic subsidiaries (determined on a combined basis and excluding indebtedness to us and indebtedness incurred pursuant to permitted receivables securitizations) to exceed 15% of our consolidated shareholders' equity. This amendment also added a fixed charge coverage covenant beginning with our fiscal quarter ended August 31, 2009. Under the

fixed charge coverage covenant, the ratio of our consolidated EBITDA for any four-fiscal-quarter-period to the sum of our consolidated interest expense, income taxes paid in cash (other than taxes on non-recurring gains), capital expenditures, scheduled principal payments on our amortizing indebtedness (other than indebtedness scheduled to be repaid at maturity) and dividends paid in cash (or, for testing periods ending on or before May 31, 2010, 70% of dividends paid in cash), in each case for such four-fiscal-quarter period, may not be less than 1.00 to 1. This amendment also included a temporary, one-year restriction on certain mergers, asset dispositions and acquisitions, and contains customary representations and warranties.

On May 28, 2010, we entered into Amendment No. 2 to our Credit Facility agreement with our lenders. Pursuant to Amendment No. 2, Specialty Products Holding Corp., an Ohio corporation, and its subsidiaries, including Bondex, (collectively, the "Excluded Subsidiaries"), are to be excluded from the defined term "Subsidiary" as used in the Credit Agreement. Furthermore, the defined term "EBITDA" as used in the Credit Agreement has been revised to add back non-cash charges or losses and subtract non-cash gains in each case related to or resulting from the bankruptcy filing of any Excluded Subsidiary.

We are subject to the same leverage, interest coverage and fixed charge coverage covenants under the AR program as those contained in our Credit Facility. On May 29, 2009, we also entered into an amendment to our AR program. Included in the amendment were the same amendments to the definition of EBITDA, an identical reduction in the maximum consolidated leverage ratio and the same fixed charge coverage covenants as were included in our Credit Facility amendment, as outlined above.

In addition, on May 28, 2010 we entered into an amendment to the AR Program whereby certain "Excluded Subsidiaries" would be excluded from the defined term, "Subsidiary" as used in the Receivables Agreement. Furthermore, the defined term "EBITDA" as used in the Receivables Agreement has been revised to add back non-cash charges or losses and subtract non-cash gains in each case related to or resulting from the bankruptcy filing of any Excluded Subsidiary.

Our failure to comply with these and other covenants contained in the Credit Facility may result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Credit Facility to be due and payable. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that under certain circumstances, an event of default that results in acceleration of our indebtedness under the Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

As of May 31, 2010, we were in compliance with all covenants contained in our Credit Facility, including the leverage, interest coverage ratio and fixed charge coverage covenants. At that date, our leverage ratio was 46.2%, while our interest coverage and fixed charge coverage ratios were 6.03:1 and 1.72:1, respectively. Additionally, in accordance with these covenants, at May 31, 2010, our domestic subsidiaries indebtedness did not exceed 15% of consolidated shareholders' equity as of that date.

Our access to funds under our Credit Facility is dependent on the ability of the financial institutions that are parties to the Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

Moreover, the obligations of the financial institutions under our Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

We are exposed to market risk associated with interest rates. We do not use financial derivative instruments for trading purposes, nor do we engage in foreign currency, commodity or interest rate speculation. Concurrent with the issuance of our 6.7% Senior Unsecured Notes, RPM United Kingdom G.P. entered into a cross currency swap, which fixed the interest and principal payments in euros for the life of the 6.7% Senior Unsecured Notes and resulted in an effective euro fixed rate borrowing of 5.31%.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at \$688.5 million at May 31, 2010. Our debt-to-capital ratio was 46.2% at May 31, 2010, compared with 44.9% at May 31, 2009.

NOTE C — INCOME TAXES

The provision for income taxes is calculated in accordance with ASC 740 (formerly SFAS No. 109, "Accounting for Income Taxes"), which requires the recognition of deferred income taxes using the liability method.

Income (loss) before income taxes as shown in the Consolidated Statements of Income is summarized below for the periods indicated.

Certain foreign operations are branches of RPM International Inc.'s subsidiaries and are therefore subject to income taxes in both the United States and the respective foreign jurisdictions. Accordingly, the provision (benefit) for income taxes by jurisdiction and the income (loss) before income taxes by jurisdiction may not be directly related.

Year Ended May 31	2010	2009	2008
<i>(In thousands)</i>			
United States	\$ 198,103	\$ 90,425	\$ (99,211)
Foreign	70,351	90,443	133,218
Income Before Income Taxes	\$ 268,454	\$ 180,868	\$ 34,007

Provision (benefit) for income taxes consists of the following for the periods indicated:

Year Ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Current:			
U.S. federal	\$ 8,407	\$ 27,743	\$ 18,087
State and local	4,854	3,764	8,085
Foreign	41,581	27,277	37,295
Total Current	54,842	58,784	63,467
Deferred:			
U.S. federal	37,651	3,347	(69,643)
State and local	1,235	(2,617)	(3,039)
Foreign	(6,401)	1,738	(1,206)
Total Deferred	32,485	2,468	(73,888)
Provision (Benefit) for Income Taxes	\$ 87,327	\$ 61,252	\$ (10,421)

The significant components of deferred income tax assets and liabilities as of May 31, 2010 and 2009 were as follows:

	2010	2009
<i>(In thousands)</i>		
Deferred income tax assets related to:		
Inventories	\$ 7,168	\$ 7,237
Allowance for losses	9,700	6,344
Accrued compensation and benefits	72,202	49,011
Asbestos-related liabilities	—	173,552
Accrued other expenses	7,391	11,771
Other long-term liabilities	23,393	26,608
Net operating loss and credit carryforwards	47,050	26,032
Total Deferred Income Tax Assets	166,904	300,555
Less: valuation allowances	(46,360)	(24,056)
Net Deferred Income Tax Assets	120,544	276,499
Deferred income tax (liabilities) related to:		
Depreciation	(44,969)	(53,888)
Pension and other postretirement benefits	(9,481)	(5,190)
Amortization of intangibles	(89,458)	(104,196)
Total Deferred Income Tax (Liabilities)	(143,908)	(163,274)
Deferred Income Tax (Liabilities) Assets, Net	\$ (23,364)	\$ 113,225

At May 31, 2010, we had U.S. federal foreign tax credit carryforwards of approximately \$13.4 million, which expire starting in 2013. Additionally at May 31, 2010 we had approximately \$10.0 million of state net operating loss carryforwards that expire at various dates beginning in 2011 and foreign net operating loss carryforwards of approximately \$113.2 million, of which approximately \$7.3 million will expire at various dates beginning in 2011 and approximately \$105.9 million that have an indefinite carryforward period. These net operating loss and foreign tax credit carryforwards may be used to offset a portion of future taxable income and, thereby, reduce or eliminate our U.S. federal, state or foreign income taxes otherwise payable.

We have determined, based on the available evidence, that it is uncertain whether future taxable income of certain of our foreign subsidiaries, as well as anticipated foreign source income, will be significant enough to recognize certain of these deferred tax assets. As a result, valuation allowances of approximately \$46.4 million and \$24.1 million have been recorded as of May 31, 2010 and 2009, respectively. Valuation allowances relate to U.S. federal foreign tax credit carryforwards, certain foreign net operating losses and net foreign deferred tax assets. A portion of the valuation allowance is associated with deferred tax assets recorded in purchase accounting. In accordance with ASC 805, any reversal of a valuation allowance that was recorded in purchase accounting reduces income tax expense.

The following table reconciles income tax expense (benefit) computed by applying the U.S. statutory federal income tax rate against income (loss) before income taxes to the provision (benefit) for income taxes:

Year Ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Income tax expense (benefit) at the U.S. statutory federal income tax rate	\$ 93,959	\$ 63,304	\$ 11,903
Impact of foreign operations	(32,529)	(11,285)	(23,478)
Nondeductible impairment of goodwill		5,230	
State and local income taxes, net of federal income tax benefit	3,958	746	3,280
Tax benefits from the domestic manufacturing deduction	(756)	(1,018)	(1,894)
Nondeductible business expense	1,560	1,490	1,591
Valuation allowance	18,107	3,252	(1,614)
Other	3,028	(467)	(209)
Provision (Benefit) for Income Tax Expense	\$ 87,327	\$ 61,252	\$(10,421)
Effective Income Tax Rate	32.5%	33.9%	(30.6)%

On June 1, 2007, we adopted the subtopics of ASC 740 related to the accounting for uncertain income tax positions. As required, the cumulative effect of applying these subtopics has been recorded as a \$1.7 million decrease to retained earnings. Upon adoption of these subtopics, our unrecognized tax benefits were \$2.8 million, of which \$1.9 million would affect the effective tax rate, if recognized. Further, unrecognized tax benefits have been classified as other long-term liabilities unless expected to be paid in one year.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. At May 31, 2010, 2009 and 2008, the accrual for interest and penalties was \$1.5 million, \$1.6 million and \$1.3 million, respectively.

The following table summarizes the activity related to unrecognized tax benefits:

<i>(In millions)</i>	2010	2009	2008
Balance at June 1	\$ 2.8	\$ 3.2	\$ 2.8
Additions based on tax positions related to current year	0.3		0.4
Additions for tax positions of prior years	1.2		
Reductions for tax positions of prior years	(0.2)	(0.2)	
Settlements	(1.4)	(0.2)	
Balance at May 31	\$ 2.7	\$ 2.8	\$ 3.2

The total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was \$1.8 million at May 31, 2010, \$2.0 million at May 31, 2009 and \$2.4 million at May 31, 2008. We do not anticipate any significant changes to the total unrecognized tax benefits within the next 12 months.

We, or our subsidiaries, file income tax returns in the U.S. and in various state, local and foreign jurisdictions. As of May 31, 2010 we are subject to U.S. federal income tax examinations for the fiscal years 2007 through 2010. In addition, with limited exceptions, we, or our subsidiaries, are subject to state and local or non-U.S. income tax examinations by tax authorities for the fiscal years 2003 through 2010. We are currently subject to an Internal Revenue Service audit for the fiscal 2007 and 2008 tax years. Although the outcome of the examination is uncertain, we do not expect the results to have a material impact on the financial statements.

NOTE D — COMMON STOCK

On April 21, 2009, our board of directors adopted a new Stockholder Rights Plan to replace the rights plan that was originally adopted in 1999 and expired in May 2009. The new plan is substantively similar to its predecessor. Under the new plan, our board declared a dividend distribution of one right for each outstanding share of our common stock, payable May 11, 2009. The rights will initially trade together with shares of our common stock and will not be exercisable. The rights generally will become exercisable and allow the holder to acquire shares of our common stock at a discounted price if a person or group acquires 15% or more of our outstanding shares. Rights held by persons who exceed the applicable threshold will be void. Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price. Our board may, at its option, redeem all rights for \$0.001 per right, generally at any time prior to the rights becoming exercisable. The rights will expire May 11, 2019, unless earlier redeemed, exchanged or amended by the board. The new plan specifically provides that our board will review the status of the new plan at the end of five years to determine if any such action should be taken. On January 8, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of our common stock at our discretion for general corporate purposes. Our intention with regard to this program is to limit our repurchases only to amounts required to offset dilution created by stock issued in connection with our equity-based compensation plans, or approximately one to two million shares per year. As a result of this authorization, we may repurchase shares from time to time in the open market or in private transactions at various times and in amounts and for prices that we deem appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases has depended upon, and will continue to depend upon, prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time. During the fiscal year ended May 31, 2009, we repurchased approximately 2.4 million shares of our common stock at a cost of approximately \$43.4 million, or an average cost of \$18.41 per share, under this program. There was no activity under this program during fiscal 2010 or 2008.

NOTE E — STOCK-BASED COMPENSATION

Stock-based compensation represents the cost related to stock-based awards granted to our employees and directors; these awards include restricted stock, stock options and SARs. We grant stock-based incentive awards to our employees and/or our directors under various share-based compensation plans. Plans that provide for stock option grants or share-based payment awards include the 1996 Key Employees Stock Option Plan (the "1996 Plan") and the 2004 Omnibus Equity and Incentive Plan (the "Omnibus Plan"), which includes provisions for grants of restricted stock, restricted stock units, performance stock, performance stock units and SARs. Other plans, which provide for restricted stock grants only, include the 2003 Restricted Stock Plan for Directors (the "2003 Plan") and the 2007 Restricted Stock Plan (the "2007 Plan"). The 2007 Plan succeeded the 1997 Restricted Stock Plan ("the 1997 Plan"), which expired by its terms at May 31, 2007.

We measure stock-based compensation cost at the date of grant, based on the estimated fair value of the award. We recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the related vesting period.

The following table represents total stock-based compensation expense included in our Consolidated Statements of Income:

Year ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Selling, general and administrative expense	\$ 10,030	\$ 8,008	\$ 13,396
Income tax (benefit)	(3,538)	(2,622)	(4,074)
Total stock-based compensation expense	\$ 6,492	\$ 5,386	\$ 9,322

Total unrecognized compensation cost related to non-vested awards at May 31, 2010 was \$15.0 million, and is expected to be recognized over a weighted-average period of approximately three years.

Stock Option Plans

Stock options are awards which allow our employees to purchase shares of our common stock at a fixed price. We grant stock options at an exercise price equal to the stock price on the date of the grant. The fair value of SARs granted is estimated as of the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Year Ended May 31	2010	2009	2008
Risk-free interest rate	3.2%	3.9%	4.5%
Expected life of option	7.5 yrs	7.4 yrs	7.5 yrs
Expected dividend yield	4.3%	5.7%	3.3%
Expected volatility rate	30.4%	28.4%	26.7%

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of options

granted is derived from the input of the option-pricing model and represents the period of time that options granted are expected to be outstanding. Expected volatility rates are based on historical volatility of shares of our common stock.

The 1996 Plan, which expired by its terms on August 15, 2006, provided for the granting of stock options for up to 9,000,000 shares. Stock options were granted to employees and directors at an exercise price equal to the fair market value of our common stock at the date of grant. These options are generally exercisable cumulatively in equal annual installments commencing one year from the grant date, and have expiration dates ranging from October 2010 to October 2014. Compensation cost for these awards is recognized on a straight-line basis over the related vesting period. No shares vested during the year ended May 31, 2010. Shares of common stock under option are not eligible for dividend payments until the shares are exercised.

The Omnibus Plan was approved by our stockholders on October 8, 2004, and is intended to be the primary stock-based award program for covered employees. A wide variety of stock and stock-based awards, as well as dollar-denominated performance-based awards, may be granted under the Omnibus Plan. On October 7, 2009, an amendment to the Omnibus Plan was approved by our stockholders, which authorized an additional 6,000,000 shares of Common Stock available for issuance under this plan, or a total of 12,000,000 shares of our common stock to be subject to awards under this plan. Of the 12,000,000 shares of common stock issuable under the Omnibus Plan, any number of shares that remain available after "full-value" awards are granted, or up to a maximum of 12,000,000 shares, may be in the form of SARs grants or other types of awards other than "full-value" awards such as restricted stock awards, restricted stock unit awards, performance share awards or performance unit awards. SARs are issued at fair value at the date of grant, have up to ten-year terms and have graded-vesting terms over four years. Compensation cost for these awards is recognized on a straight-line basis over the related vesting period. Currently all SARs outstanding are to be settled with stock. As of May 31, 2010, there were 2,337,500 SARs outstanding and 1,924,775 stock options outstanding.

The following table summarizes option and share-based payment activity (including SARs) under these plans during the three fiscal years ended May 31:

	2010		2009		2008	
	Weighted Average Exercise Price	Number of Shares Under Option	Weighted Average Exercise Price	Number of Shares Under Option	Weighted Average Exercise Price	Number of Shares Under Option
Share-Based Payments						
<i>(In thousands, except per share amounts)</i>						
Balance at June 1	\$ 15.70	4,946	\$ 15.71	4,742	\$ 14.67	4,950
Options granted	\$ 18.96	565	\$ 14.05	520	\$ 22.88	600
Options canceled/expired	\$ 16.69	(175)	\$ 18.16	(55)	\$ 15.58	(24)
Options exercised	\$ 13.35	(1,074)	\$ 12.04	(261)	\$ 14.64	(784)
Balance at May 31	\$ 16.68	4,262	\$ 15.70	4,946	\$ 15.71	4,742
Exercisable at May 31	\$ 15.99	3,034	\$ 14.90	3,719	\$ 14.09	3,548

At May 31, 2010, the aggregate intrinsic value and weighted-average remaining contractual life of options outstanding was \$15.0 million and 5.2 years respectively, while the aggregate intrinsic value and weighted-average remaining contractual life of options exercisable was \$12.4 million and 3.9 years, respectively. Stock options granted during the years ended May 31, 2010, 2009 and 2008 were granted at exercise prices equivalent to the stock price on the date of grant and had weighted-average grant-date fair values of \$4.09, \$2.40 and \$5.61, respectively.

The total intrinsic value of options exercised during the years ended May 31, 2010, 2009 and 2008 was \$6.8 million, \$1.6 million and \$6.6 million, respectively. There was a tax benefit of \$2.4 million, \$0.3 million and \$1.8 million realized for the tax deductions from option exercises of the share-based payment for the year ended May 31, 2010, 2009 and 2008, respectively.

The fair values of all nonvested share-based payment awards have been calculated using the market value of the shares on the date of issuance. We anticipate that approximately 1.2 million shares at a weighted-average exercise price of \$18.40 and a weighted-average remaining contractual term of 8.5 years will ultimately vest under these plans.

A summary of the status of our nonvested share-based payment awards, including SARs, as of May 31, 2010, and the changes during the year then-ended, is incorporated as follows:

Nonvested Share-Based Payment Awards

	Weighted Average Grant-Date Fair Value	Number of Shares Under Option	Weighted Average Remaining Contractual Term
<i>(Shares in thousands)</i>			
June 1, 2009	\$3.93	1,227	
Granted	\$4.09	565	
Vested	\$4.12	(469)	
Forfeited/expired	\$3.78	(94)	
May 31, 2010	\$3.92	1,229	8.45

The total fair value of shares that vested during the fiscal years ended May 31, 2010, 2009 and 2008 was \$1.9 million, \$2.2 million, and \$3.0 million, respectively.

At May 31, 2010, the total unamortized stock-based compensation expense related to SARs that were previously granted was \$3.5 million.

Restricted Stock Plans

We also grant stock-based awards, which may be made in the form of restricted stock, restricted stock units, performance stock and performance stock units. These awards are granted to eligible employees or directors, and entitle the holder to shares of our common stock as the award vests. The fair value of the awards is determined and fixed based on the stock price at the date of grant. A description of our restricted stock plans follows.

Under the Omnibus Plan, as previously discussed, a total of 12,000,000 shares of our common stock may be subject to awards. Of the 12,000,000 shares of common stock issuable under the Omnibus Plan, up to 6,000,000 shares may be subject to "full-value" awards such as restricted stock, restricted stock unit, performance stock and performance stock unit awards. During the fiscal year ended May 31, 2010, we granted 85,500 shares of performance-earned restricted stock under the Omnibus Plan at a weighted-average grant price of \$18.82. The restricted stock cliff vests after three years. Nonvested restricted shares of common stock under the Omnibus Plan are eligible for dividend payments. In addition, during July and October 2009, we granted 7,330 and 129,593 restricted stock units, respectively, under the Omnibus Plan at a weighted average price of \$14.66 and \$18.82, respectively. The restricted stock units begin to vest on a straight line basis upon the participants' attainment of age 55 through age 65. At May 31, 2010, unamortized deferred compensation expense of \$0.1 million and \$1.4 million, respectively, remained and are being amortized over the applicable vesting period for each participant. At May 31, 2010, the total remaining unamortized stock-based compensation expense was \$4.5 million.

In July 2007, performance-contingent restricted stock ("PCRS") awards were approved. PCRS awards were made pursuant to the Omnibus Plan and are contingent upon the level of attainment of performance goals for the three-year period from June 1, 2007 ending May 31, 2010. During the fiscal years ended May 31, 2010, 2009 and 2008, we did not grant any PCRS awards. Since the performance goals were not met, the PCRS awards were forfeited on April 19, 2010.

The 2003 Plan was approved on October 10, 2003 by our stockholders, and was established primarily for the purpose of recruiting and retaining directors, and to align the interests of directors with the interests of our stockholders. Only directors who are not our employees are eligible to participate. Under the 2003 Plan, up to 500,000 shares of our common stock may be awarded, with awards cliff vesting over a three-year period. For the year ended May 31, 2010, 32,400 shares were granted at a weighted-average price of \$18.96 per share, with 321,000 shares available for future grant. For the year ended May 31, 2009, 36,000 shares were granted at a weighted-average price of \$14.05 per share. For the year ended May 31, 2008, 22,000 shares were granted at a weighted-average price of \$22.88 per share. Unamortized deferred compensation expense relating to restricted stock grants for directors of \$0.8 million at May 31, 2010, is being amortized over a three-year vesting period. Nonvested restricted shares of common stock under the 2003 Plan are eligible for dividend payments.

Under the 2007 Plan, up to 1,000,000 shares may be awarded to certain employees, generally subject to forfeiture. The shares vest upon the latter of attainment of age 55 and the fifth anniversary of the May 31st immediately preceding the date of the grant. The following table sets forth awards under the 2007 Plan for the years ended May 31, 2010, 2009 and 2008:

For the fiscal year ended	2010	2009	2008
Number of shares awarded	404,831	52,108	48,009
Weighted-average grant-date price	\$ 14.66	\$ 20.26	\$ 23.47

As of May 31, 2010, 495,052 shares were available for future issuance under the 2007 Plan. At May 31, 2010, unamortized stock-based compensation expense of \$4.4 million relating to the 2007 Plan, and an additional \$0.3 million remaining under the 1997 Plan, is being amortized over the applicable vesting period associated with each participant.

The following table summarizes the activity for all nonvested restricted shares during the year ended May 31, 2010:

Nonvested Restricted Shares

(Shares in thousands)	Weighted Average Grant-Date Fair Value	Number of Shares
June 1, 2009	\$19.09	1,795
Granted	\$16.26	660
Vested	\$18.64	(404)
Forfeited/expired	\$18.77	(101)
May 31, 2010	\$18.24	1,950

The remaining weighted-average contractual term of nonvested restricted shares at May 31, 2010 is the same as the period over which the remaining cost of the awards will be recognized, which is approximately 1.4 years. The fair value of the nonvested restricted share awards have been calculated using the market value of the shares on the date of issuance. For the years ended May 31, 2010, 2009 and 2008, the weighted-average grant-date fair value for restricted share grants was \$16.26, \$14.68 and \$23.16, respectively. The total fair value of shares that vested during the years ended May 31, 2010, 2009 and 2008 was \$7.7 million, \$5.8 million and \$12.9 million, respectively. We anticipate that approximately 1.9 million shares at a weighted-average grant-date fair value of \$18.24 and a weighted-average remaining contractual term of 1.4 years will ultimately vest, based upon the unique terms and participants of each plan. Approximately 30,309 shares of restricted stock were vested at June 1, 2009, with 64,861 restricted shares vested as of May 31, 2010. The total intrinsic value of restricted shares converted during the years ended May 31, 2010, 2009 and 2008 was \$0.6 million, \$0.09 million and \$8.5 million, respectively. Total unrecognized compensation cost related to nonvested awards of restricted shares of common stock was \$11.5 million as of May 31, 2010. That cost is expected to be recognized over a weighted-average period of 1.4 years. We did not receive any cash from employees as a result of employee vesting and release of restricted shares for the year ended May 31, 2010.

NOTE F — LEASES

We lease certain property, plant and equipment under long-term operating lease agreements, some of which provide for increased rental payments based upon increases in the cost-of-living index. The following table illustrates our future minimum lease commitments under all non-cancelable lease agreements, for each of the next five years and in the aggregate, as of May 31, 2010:

May 31

(In thousands)

2011	\$ 33,788
2012	25,646
2013	18,713
2014	13,025
2015	11,250
Thereafter	47,077
Total Minimum Lease Commitments	\$149,499

Total rental expense for all operating leases amounted to \$41.8 million in fiscal 2010, \$40.4 million in fiscal 2009 and \$38.5 million in fiscal 2008.



NOTE G — PENSION PLANS

We sponsor several pension plans for our employees, including our principal plan (the "Retirement Plan"), which is a non-contributory defined benefit pension plan covering substantially all domestic non-union employees. Pension benefits are provided for certain domestic union employees through separate plans. Employees of our foreign subsidiaries receive pension coverage, to the extent deemed appropriate, through plans that are governed by local statutory requirements.

On May 31, 2007 and June 1 2007, we adopted the recognition and measurement date provisions, respectively, of ASC 715.

The Retirement Plan provides benefits that are based upon years of service and average compensation with accrued benefits vesting after five years. Benefits for union employees are generally based upon years of service, or a combination of years of service and average compensation. Our pension funding policy is to contribute an amount on an annual basis that can be deducted for federal income tax purposes, using a different actuarial cost method and different assumptions from those used for financial reporting. For the fiscal year ending May 31, 2011, we expect to contribute approximately \$10.1 million to the retirement plans in the U.S. and approximately \$8.9 million to our foreign plans.

Net periodic pension cost consisted of the following for the year ended May 31:

<i>(In thousands)</i>	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Service cost	\$ 14,020	\$ 14,721	\$ 14,240	\$ 1,971	\$ 3,033	\$ 3,282
Interest cost	13,499	11,907	10,296	7,352	7,655	6,545
Expected return on plan assets	(9,795)	(12,893)	(13,319)	(6,068)	(7,387)	(6,725)
Amortization of:						
Prior service cost	351	342	240	9	4	16
Net actuarial losses recognized	6,554	2,652	1,415	963	1,243	1,509
Curtailment/settlement (gains) losses				(76)	(119)	(699)
Net Pension Cost	\$ 24,629	\$ 16,729	\$ 12,872	\$ 4,151	\$ 4,429	\$ 3,928

The changes in benefit obligations and plan assets, as well as the funded status of our pension plans at May 31, 2010 and 2009, were as follows:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Benefit obligation at beginning of year	\$ 192,639	\$ 185,569	\$ 106,374	\$ 130,571
Service cost	14,020	14,721	1,971	3,033
Interest cost	13,499	11,907	7,352	7,655
Benefits paid	(13,070)	(10,463)	(5,851)	(6,072)
Participant contributions			941	815
Acquisitions and new plans				5,646
Plan amendments			66	62
Actuarial (gains)/losses	55,711	(9,095)	34,072	(20,608)
Settlements/Curtailments				(317)
Premiums paid			(150)	(67)
Currency exchange rate changes			(6,954)	(14,344)
Adjustment for deconsolidation of SPHC	(4,044)			
Benefit Obligation at End of Year	\$ 258,755	\$ 192,639	\$ 137,821	\$ 106,374
Fair value of plan assets at beginning of year	\$ 112,678	\$ 147,884	\$ 98,299	\$ 115,424
Actual return on plan assets	18,546	(34,976)	14,035	(12,153)
Employer contributions	32,080	10,233	10,196	8,027
Participant contributions			941	815
Acquisitions				5,029
Benefits paid	(13,070)	(10,463)	(5,851)	(6,072)
Premiums paid			(150)	(67)
Currency exchange rate changes			(5,035)	(12,704)
Adjustment for deconsolidation of SPHC	(2,864)			
Fair Value of Plan Assets at End of Year	\$ 147,370	\$ 112,678	\$ 112,435	\$ 98,299
(Deficit) of plan assets versus benefit obligations at end of year	\$ (111,385)	\$ (79,961)	\$ (25,386)	\$ (8,075)
Net Amount Recognized	\$ (111,385)	\$ (79,961)	\$ (25,386)	\$ (8,075)
Accumulated Benefit Obligation	\$ 213,984	\$ 156,423	\$ 123,460	\$ 97,257

The fair value of the assets held by our pension plans has increased at May 31, 2010 since our previous measurement date at May 31, 2009, due primarily to the combination of gains in the stock markets and our additional plan contributions. At the same time, plan liabilities have increased significantly due to decreases in discount rates. As such, we have increased our recorded liability for the net underfunded status of our

pension plans, and we expect pension expense in fiscal 2011 to increase from fiscal 2010. Any declines in the value of our pension plan assets or increases in our plan liabilities could require us to further increase our recorded liability for the net underfunded status of our pension plans and could also require accelerated and higher cash contributions to our pension plans. Amounts recognized in the Consolidated Balance Sheets for the years ended May 31, 2010 and 2009 are as follows:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Noncurrent assets	\$	\$	\$	\$ 4,245
Current liabilities	(98)	(97)	(326)	(416)
Noncurrent liabilities	(111,287)	(79,864)	(25,060)	(11,904)
Net Amount Recognized	\$(111,385)	\$(79,961)	\$(25,386)	\$ (8,075)

The following table summarizes the relationship between our plans' benefit obligations and assets:

<i>(In thousands)</i>	U.S. Plans			
	2010		2009	
	Benefit Obligation	Plan Assets	Benefit Obligation	Plan Assets
Plans with projected benefit obligation in excess of plan assets	\$258,755	\$147,370	\$192,639	\$112,678
Plans with accumulated benefit obligation in excess of plan assets	213,984	147,370	156,423	112,678

<i>(In thousands)</i>	Non-U.S. Plans			
	2010		2009	
	Benefit Obligation	Plan Assets	Benefit Obligation	Plan Assets
Plans with projected benefit obligation in excess of plan assets	\$137,821	\$112,435	\$50,052	\$37,731
Plans with accumulated benefit obligation in excess of plan assets	63,562	51,957	43,878	37,731
Plans with assets in excess of projected benefit obligations			56,322	60,568
Plans with assets in excess of accumulated benefit obligations	59,898	60,478	53,379	60,568

The following table presents the pre-tax net actuarial loss, prior service (costs) and transition assets/(obligations) recognized in accumulated other comprehensive income (loss) not affecting retained earnings:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Net actuarial loss	\$(118,007)	\$(79,291)	\$(45,083)	\$(20,675)
Prior service (costs)	(2,321)	(2,725)	(121)	(82)
Total recognized in accumulated other comprehensive income not affecting retained earnings	\$(120,328)	\$(82,016)	\$(45,204)	\$(20,757)

The following table includes the changes recognized in other comprehensive income:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Changes in plan assets and benefit obligations recognized in other comprehensive income:				
Prior service cost			\$ 66	\$ 62
Net loss (gain) arising during the year*	\$46,961	\$38,774	26,105	(1,267)
Effect of exchange rates on amounts included in AOCI			(829)	(3,166)
Amounts recognized as a component of net periodic benefit cost:				
Amortization or curtailment recognition of prior service credit (cost)	(351)	(342)	(9)	(4)
Amortization or settlement recognition of net gain (loss)	(6,554)	(2,652)	(886)	(1,243)
Adjustment for deconsolidation of SPHC	(1,744)			
Total recognized in other comprehensive loss (income)	\$38,312	\$35,780	\$24,447	\$(5,618)

* Includes curtailment gains not recognized as a component of net periodic pension cost.

The following table presents the amounts in accumulated other comprehensive income (loss) as of May 31, 2010 that have not yet been recognized in net periodic pension cost, but will be recognized in our Consolidated Statements of Income during the fiscal year ending May 31, 2011:

<i>(In thousands)</i>	U.S. Plans	Non-U.S. Plans
Net actuarial loss	\$(8,782)	\$ (2,339)
Prior service (costs)	\$ (358)	\$ (11)

In measuring the projected benefit obligation and net periodic pension cost for our plans, we utilize actuarial valuations. These valuations include specific information pertaining to individual plan participants, such as salary, age and years of service, along with certain assumptions. The most significant assumptions applied include discount rates, expected return on plan assets and rate of compensation increases. We evaluate these assumptions, at a minimum, on an annual basis, and make required changes, as applicable. In developing our expected long-term rate of return on pension plan assets, we consider the current and expected target asset allocations of the pension portfolio, as well as historical returns and future expectations for returns on various categories of plan assets. Expected return on assets is determined by using the weighted-average return on asset classes based on expected return for the target asset allocations of the principal asset categories held by each plan. In determining expected return, we consider both historical performance and an estimate of future long-term rates of return. The assumption will typically be within the 25th to 75th percentile of 20-year returns given by our actuary's portfolio return calculator. The following weighted-average assumptions were used to determine our year-end benefit obligations and net periodic pension cost under the plans:

Year-End Benefit Obligations	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Discount rate	5.75%	6.90%	5.26%	6.96%
Rate of compensation increase	3.28%	3.28%	3.81%	3.76%

Net Periodic Pension Cost	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	6.90%	6.50%	6.00%	6.96%	5.88%	5.23%
Expected return on plan assets	8.75%	8.75%	8.75%	5.94%	6.28%	6.38%
Rate of compensation increase	3.28%	3.78%	3.79%	3.76%	3.97%	3.88%

The following tables illustrate the weighted-average actual and target allocation of plan assets:

<i>(Dollars in millions)</i>	U.S. Plans			
	Target Allocation		Actual Asset Allocation	
	as of May 31, 2010		2010	2009
Equity securities	65%		\$ 95.3	\$ 76.7
Fixed income securities	25%		21.6	24.8
Cash			23.2	4.5
Other	10%		7.3	6.8
Total assets	100%		\$ 147.4	\$ 112.8

	Non-U.S. Plans			
	Target Allocation		Actual Asset Allocation	
	as of May 31, 2010		2010	2009
Equity securities	42%		\$ 48.3	\$ 42.3
Fixed income securities	51%		60.9	49.1
Cash	1%		0.2	2.0
Property and other	6%		3.0	4.9
Total assets	100%		\$ 112.4	\$ 98.3

U.S. Plans				
(In thousands)	Quoted Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2010
U.S. Treasury and other government	\$ —	\$ 3,086	\$ —	\$ 3,086
State and municipal bonds		107		107
Foreign bonds		1,514		1,514
Mortgage-backed securities		4,723		4,723
Corporate bonds		12,208		12,208
Stocks	54,987			54,987
Mutual funds		40,272		40,272
Cash and cash equivalents	23,166			23,166
Limited partnerships			7,307	7,307
Total	\$ 78,153	\$ 61,910	\$ 7,307	\$ 147,370

Non-U.S. Plans				
(In thousands)	Quoted Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2010
Pooled equities	\$ —	\$ 47,839	\$ —	\$ 47,839
Pooled fixed income		37,535		37,535
Foreign bonds		308		308
Insurance contracts			26,030	26,030
Mutual funds		507		507
Cash and cash equivalents	216			216
Total	\$ 216	\$ 86,189	\$ 26,030	\$ 112,435

The following table includes the activity that occurred during the year ended May 31, 2010 for our Level 3 assets:

	Balance at Beginning of Period	Actual Return on Plan Assets For:		Purchases, Sales and Settlements, net ⁽¹⁾	Transfers In/Out of Level 3	Balance at End of Period
		Assets Still Held at Reporting Date	Assets Sold During Year			
Year ended May 31, 2010	\$ 35,430	1,497	—	(3,590)	—	\$ 33,337

(1) Includes the impact of exchange rate changes during the year.

The primary objective for the investments of the Retirement Plan is to provide for long-term growth of capital without undue exposure to risk. This objective is accomplished by utilizing a strategy of equities, fixed income securities and cash equivalents in a mix that is conducive to participation in a rising market, while allowing for adequate protection in a falling market. Our Investment Committee oversees the investment allocation process, which includes the selection and evaluation of investment managers, the determination of investment objectives and risk guidelines, and the monitoring of actual investment performance. In order to manage investment risk properly, Plan policy prohibits short selling, securities lending, financial futures, options and other specialized investments except for certain alternative investments specifically approved by the Investment Committee. The Investment Committee reviews, on a quarterly basis, reports of actual Plan investment performance provided by independent third parties, in addition to its review of the Plan investment policy on an annual basis. The investment objectives are similar for our plans outside of the U.S., subject to local regulations. In general, investments for all plans are managed by private investment managers, reporting to our Investment Committee on a regular basis.

The goals of the investment strategy for pension assets include: The total return of the funds shall, over an extended period of time, surpass an index composed of the Standard & Poor's 500 Stock Index (equity), the Barclays Aggregate Bond Index (fixed income), and 30-day Treasury Bills (cash); weighted appropriately to match the asset allocation of the plans. The equity portion of the funds shall surpass the Standard & Poor's 500 Stock Index over a full market cycle, while the fixed income portion shall surpass Barclays Aggregate Bond Index over a full market cycle. The purpose of the core fixed income fund is to increase return in the form of cash flow, provide a hedge against inflation and to reduce the volatility of the fund overall. Therefore, the primary objective of the core fixed income portion is to match the Barclays Aggregate Bond Index. The purpose of including opportunistic fixed income assets such as, but not limited to, global and high yield securities in the portfolio is to enhance the overall risk-return characteristics of the Fund.

In addition to the defined benefit pension plans discussed above, we also sponsor employee savings plans under Section 401(k) of the Internal Revenue Code, which cover most of our employees in the U.S. We record expense for defined contribution plans for any employer matching contributions made in conjunction with services

rendered by employees. The majority of our plans provide for matching contributions made in conjunction with services rendered by employees. Matching contributions are invested in the same manner that the participants invest their own contributions. Matching contributions charged to income were \$10.4 million, \$10.7 million and \$10.7 million for the years ending May 31, 2010, 2009 and 2008, respectively.

We expect to pay the following estimated pension benefit payments in the next five years (in millions): \$17.8 in 2011; \$19.9 in 2012; \$20.6 in 2013; \$21.9 in 2014; and \$23.0 in 2015. In the five years thereafter (2016–2020) we expect to pay \$126.2 million.

NOTE H — POSTRETIREMENT BENEFITS

We sponsor several, unfunded–health–care–benefit plans for certain of our retired employees as well as post–retirement life insurance for certain key employees. Eligibility for these benefits is based upon various requirements. The following table illustrates the effect on operations of these plans for the three years ended May 31, 2010:

<i>(In thousands)</i>	U.S. Plans			Non–U.S. Plans		
	2010	2009	2008	2010	2009	2008
Service cost — Benefits earned during this period	\$ 3	\$ 3	\$	\$ 338	\$ 358	\$ 531
Interest cost on the accumulated obligation	569	576	522	664	688	725
Amortization of prior service cost	(165)	(123)	(28)			
Amortization of unrecognized losses				(139)		96
Net Periodic Postretirement Expense	\$ 407	\$ 456	\$494	\$ 863	\$1,046	\$1,352

The changes in the benefit obligations of the plans at May 31, 2010 and 2009 were as follows:

<i>(In thousands)</i>	U.S. Plans		Non–U.S. Plans	
	2010	2009	2010	2009
Accumulated postretirement benefit obligation at beginning of year	\$8,584	\$6,952	\$ 8,133	\$11,772
Service cost	3	3	338	358
Interest cost	569	576	664	688
Benefit payments	(568)	(700)	(323)	(264)
Plan amendments	(592)			
Medicare subsidy received	104	104		
Actuarial (gains)	(164)	(490)	5,856	(3,365)
Impact of new accounting standard*		2,139		
Currency exchange rate changes			306	(1,056)
Accumulated and accrued postretirement benefit obligation at end of year	\$7,936	\$8,584	\$14,974	\$ 8,133

* Represents the impact new accounting guidance pertaining to split-dollar life insurance arrangements. Please refer to Note A(23), "Other Recent Accounting Pronouncements," for further information.

In determining the postretirement benefit amounts outlined above, measurement dates as of May 31 for each period were applied. The following table presents the amounts recognized in the Consolidated Balance Sheets for the years ended May 31, 2010 and 2009:

<i>(In thousands)</i>	U.S. Plans		Non–U.S. Plans	
	2010	2009	2010	2009
Current liabilities	\$ (578)	\$ (653)	\$ (315)	\$ (273)
Noncurrent liabilities	(7,358)	(7,931)	(14,659)	(7,860)
Net Amount Recognized	\$(7,936)	\$(8,584)	\$(14,974)	\$(8,133)

The following table presents the pre–tax net actuarial gain (loss) and prior service credits recognized in accumulated other comprehensive income (loss) not affecting retained earnings:

<i>(In thousands)</i>	U.S. Plans		Non–U.S. Plans	
	2010	2009	2010	2009
Net actuarial gain (loss)	\$2,227	\$2,201	\$(2,824)	\$3,055
Prior service credits	776	210		
Total recognized in accumulated other comprehensive income not affecting retained earnings	\$3,003	\$2,411	\$(2,824)	\$3,055

The following table includes the changes we recognized in other comprehensive income:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Changes in plan assets and benefit obligations recognized in other comprehensive income:				
Prior service cost	\$(592)	\$	\$	\$
Net loss (gain) arising during the year*	(164)	(490)	5,799	(3,696)
Effect of exchange rates on amounts included in AOCI			(57)	301
Amounts recognized as a component of net periodic benefit cost:				
Amortization or curtailment recognition of prior service credit (cost)	26	28		
Amortization or settlement recognition of net gain (loss)	138	96	137	
Total recognized in other comprehensive loss (income)	\$(592)	\$(366)	\$5,879	\$(3,395)

* Includes curtailment gains not recognized as a component of net periodic pension cost.

The following weighted-average assumptions were used to determine our year-end benefit obligations and net periodic postretirement benefit costs under the plans:

Year-End Benefit Obligations	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Discount rate	5.75%	6.90%	5.75%	8.00%
Current healthcare cost trend rate	8.04%	8.60%	7.40%	10.00%
Ultimate healthcare cost trend rate	4.50%	4.50%	4.50%	5.00%
Year ultimate healthcare cost trend rate will be realized	2029	2029	2030	2024

Net Periodic Postretirement Benefit Cost	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	6.90%	6.50%	6.00%	8.00%	6.50%	5.50%
Healthcare cost trend rate	8.60%	8.50%	9.00%	10.00%	6.50%	7.00%
Ultimate healthcare cost trend rate	4.50%	5.00%	5.00%	5.00%	4.50%	4.50%
Year ultimate healthcare cost trend rate will be realized	2029	2015	2015	2024	2012	2012

Increasing or decreasing current healthcare cost trend rates by 1% would affect our accumulated postretirement benefit obligation and net postretirement expense by the following amounts for the years ended May 31, 2010 and 2009:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
1% Increase in trend rate				
Accumulated Benefit Obligation	\$ 380	\$ 488	\$ 3,231	\$ 1,430
Postretirement Cost	34	35	209	135
1% Decrease in trend rate				
Accumulated Benefit Obligation	\$(338)	\$(432)	\$(2,499)	\$(1,138)
Postretirement Cost	(30)	(31)	(161)	(260)

We expect to pay approximately \$1.0 million in estimated postretirement benefits in each of the next five years. In the five years thereafter (2016–2020) we expect to pay a cumulative total of \$6.8 million.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"), was signed into law on December 8, 2003. The Act provides for prescription drug benefits under Medicare Part D and contains a subsidy to plan sponsors who provide "actuarially equivalent" prescription drug plans. Our actuary has determined that the prescription drug benefit provided by our postretirement plan is considered to be actuarially equivalent to the benefits provided under the Act for all years since inception.

We have included the impact of our portion of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 subsidy in the determination of accumulated postretirement benefit obligation for the U.S. nonpension postretirement benefit plan for the periods ended May 31, 2010. For the fiscal years ended May 31, 2010 and 2009, we received reimbursements from Medicare related to this law amounting to approximately \$100,000 each year.

NOTE I — REORGANIZATION PROCEEDINGS OF CERTAIN SUBSIDIARIES

General — Bondex and SPHC are defendants in various asbestos-related bodily injury lawsuits filed in various state courts. These cases generally seek unspecified damages for asbestos-related diseases based on alleged exposures to asbestos-containing products.

On May 31, 2010, Bondex and its parent, SPHC, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. SPHC is the parent company of Bondex and is also the parent company for various operating companies that are not part of the reorganization filing, including Chemical Specialties Manufacturing Corp., Day-Glo Color Corp., Dryvit Holdings, Inc., Guardian Protection Products Inc., Kop-Coat Inc., TCI, Inc. and RPM Wood Finishes Group, Inc. SPHC and Bondex (the "filing entities") took this action to permanently and comprehensively resolve all pending and future asbestos-related liability claims associated with Bondex and SPHC-related products. As a result of the filing, all Bondex and SPHC asbestos personal injury lawsuits have been stayed due to the imposition of an automatic stay applicable in bankruptcy cases. In addition, at the request of SPHC and Bondex, the bankruptcy court has entered orders staying all claims against RPM International Inc. and its affiliates that are derivative of the asbestos claims against SPHC and Bondex. Through the Chapter 11 proceedings, the filing entities intend ultimately to establish a trust in accordance with section 524(g) of the Bankruptcy Code and seek the imposition of a channeling injunction that will direct all future SPHC-related and Bondex-related claims to the trust. It is anticipated that the trust will compensate claims at appropriate values established by the trust documents and approved by the bankruptcy court. Because the case is in the beginning stages, it is not possible to predict how long the proceedings will last, the form of any ultimate resolution or when an ultimate resolution might occur.

Prior to the bankruptcy filing, the filing entities had engaged in a strategy of litigating asbestos-related products liability claims brought against them. Claims paid during the year ended May 31, 2010, prior to the bankruptcy filing, were \$92.6 million, which included defense-related payments during the year of \$42.6 million. No claims have been paid since the bankruptcy filing and it is not contemplated that any claims will be paid until a plan of reorganization is confirmed and an asbestos trust is established and operating.

Prior to the Chapter 11 bankruptcy filing, we recorded asbestos-related contingent liabilities that included estimations of future costs, which by nature are subject to many uncertainties that may change over time, including (i) the ultimate number of claims filed; (ii) the amounts required to resolve both currently known and future unknown claims; (iii) the amount of insurance, if any, available to cover such claims, including the outcome of coverage litigation against the filing entities' third-party insurers; (iv) future earnings and cash flow of the filing entities; (v) the impact of bankruptcies of other companies whose share of liability may be imposed on the filing entities under certain state liability laws; (vi) the unpredictable aspects of the litigation process including a changing trial docket and the jurisdictions in which trials are scheduled; (vii) the outcome of any such trials including judgments or jury verdicts, as a result of our more aggressive defense posture, which includes taking selective cases to verdict; (viii) the lack of specific information in many cases concerning exposure to products for which one of our subsidiaries is responsible and the claimants' diseases; (ix) potential changes in applicable federal and/or state law; and (x) the potential impact of various proposed structured settlement transactions or subsidiary bankruptcies by other companies, some of which are the subject of federal appellate court review, the outcome of which could have materially affected future asbestos-related liability estimates.

Historical Asbestos Liability Reserve — In fiscal 2006, management retained Crawford & Winiarski ("C&W"), an independent, third-party consulting firm with expertise in the area of asbestos valuation work, to assist it in calculating an estimate of Bondex's liability for unasserted-potential-future-asbestos-related claims. C&W's methodology to project Bondex's liability for unasserted-potential-future-asbestos-related claims included an analysis of: (a) a widely accepted forecast of the population likely to have been exposed to asbestos; (b) epidemiological studies estimating the number of people likely to develop asbestos-related diseases; (c) the historical rate at which mesothelioma incidences resulted in the payment of claims by Bondex; (d) the historical settlement averages to value the projected number of future compensable mesothelioma claims; (e) the historical ratio of mesothelioma-related indemnity payments to non-mesothelioma indemnity payments; and (f) the historical defense costs and their relationship with total indemnity payments. Based upon the results of this analysis, Bondex recorded an accrued liability for asbestos claims through 2016 as of May 31, 2006 of \$421.3 million. This amount was calculated on a pre-tax basis and was not discounted for the time value of money.

During the fiscal year ended May 31, 2008, the ten-year asbestos liability established as of May 31, 2006 was reviewed and evaluated. As part of that process, the credibility of epidemiological studies of Bondex's mesothelioma claims, first introduced to management by C&W some two-and-one-half years earlier, was validated. At the core of the evaluation process, and the basis of C&W's actuarial work on behalf of Bondex, is the Nicholson Study. The Nicholson Study is the most widely recognized reference in bankruptcy trust valuations, global settlement negotiations and the Congressional Budget Office's work done on the proposed FAIR Act in 2006. Based on our ongoing comparison of the Nicholson Study projections and Bondex's specific actual experience, which at that time continued to bear an extremely close correlation to the study's projections, the asbestos liability projection was extended out to the year 2028. C&W assisted in calculating an estimate of our liability for unasserted-potential-future-asbestos-related claims out to 2028. C&W projected that the cost of extending the asbestos liability to 2028, coupled with an updated evaluation of Bondex's current known claims to reflect its most recent actual experience, would be \$288.1 million. Therefore, management added \$288.1 million to the existing asbestos liability, which brought Bondex's total asbestos-related balance sheet liabilities at May 31, 2008 to \$559.7 million. On May 30, 2010, the day prior to the bankruptcy filing, Bondex had recorded an asbestos related product liability of \$397.7 million.

62 RPM International Inc. and Subsidiaries

The table below illustrates movements in the Bondex asbestos liability for fiscal 2008, 2009 and 2010:
Asbestos Liability Movement (Current and Long-Term)

(In thousands)	Balance at Beginning of Period	Additions to Asbestos Charge	Deductions ⁽¹⁾	Impact of Deconsolidation of SPHC ⁽²⁾	Balance at End of Period
Year Ended May 31, 2010	\$490,328		\$ 92,621	\$ (397,707)	\$ 0
Year Ended May 31, 2009	559,745		69,417		490,328
Year Ended May 31, 2008	354,268	\$ 288,100	82,623		559,745

(1) Deductions include payments for defense-related costs and amounts paid to settlement claims.

(2) During the year ended May 31, 2010, SPHC and Bondex filed Chapter 11 reorganization proceedings in the United States Bankruptcy Court for the District of Delaware, and as a result, were deconsolidated from our results, as required. Refer to Note A(2) for further information.

This liability, as a result of the accounting for the deconsolidation of SPHC and its subsidiaries set forth in Note A(2), is no longer included in RPM International Inc.'s consolidated balance sheet, effective May 31, 2010.

Insurance Coverage Litigation — During calendar year 2003, the filing entities' third-party insurers claimed exhaustion of coverage. On July 3, 2003, certain of our subsidiaries, including the filing entities, filed the case of Bondex International, Inc. et al. v. Hartford Accident and Indemnity Company et al., Case No. 1:03-cv-1322, in the United States District Court for the Northern District of Ohio, for declaratory judgment, breach of contract and bad faith against the named third-party insurers, challenging their assertion that their policies covering asbestos-related claims had been exhausted. On December 1, 2008, the trial court denied the plaintiffs' motions for partial summary judgment and granted the defendants' motions for summary judgment against plaintiffs, including the filing entities, and entered judgment on all remaining claims and counterclaims, and dismissed the action. Plaintiffs, including the filing entities, appealed the trial court's decision to the United States Court of Appeals for the Sixth Circuit, which appeal is currently pending. The Sixth Circuit has stayed the appeal as a result of the bankruptcy filing, but an agreement in principle has been reached with the insurers that may result in the appeal resuming in October 2010. Bondex has not included any potential benefits from the ongoing insurance coverage litigation in calculating its asbestos liability.

Debtor-in-Possession ("DIP") Financing — In connection with the bankruptcy filing, SPHC, Bondex and certain of SPHC's subsidiaries entered into a three-year, \$40.0 million DIP Credit facility (the "DIP Credit Facility") with Wachovia Capital Finance Corporation (New England). The Bankruptcy Court approved this facility, and granted Wachovia a super priority administrative expense claim for all amounts owed under the facility. The facility is secured by security interests and liens in virtually all of the real and personal property and assets of Bondex, SPHC and certain of SPHC's subsidiaries. The DIP Credit Facility generally permits borrowings for working capital, capital expenditures and other general corporate purposes. The DIP Credit Facility also imposes certain financial and non-financial covenants on SPHC and its subsidiaries. RPM International is not a party to the DIP Credit Facility and it has not guaranteed obligations under such facility.

Financial Results and Reorganization Items — The SPHC condensed consolidated financial statements set forth below have been prepared in conformity with ASC 852, Reorganizations ("ASC 852").

**Specialty Products Holding Corp.
Consolidated Statements of Income**

In thousands

Year Ended May 31,	2010	2009	2008
Net Sales	\$301,142	\$314,038	\$ 370,373
Net sales to RPM	18,431	15,084	19,613
Total net sales	319,573	329,122	389,986
Cost of sales	203,082	213,310	241,327
Gross profit	116,491	115,812	148,659
Selling, general & administrative expenses	99,798	99,781	110,361
Asbestos charges			288,100
Interest expense	22	9	43
Investment expense (income), net	(266)	(415)	(520)
Other (income) and expense, net	282	210	153
Income (loss) before income taxes	16,655	16,227	(249,478)
Provision (benefit) for income taxes	5,520	5,528	(88,175)
Net income (loss)	\$ 11,135	\$ 10,699	\$(161,303)

**Specialty Products Holding Corp.
Condensed Consolidated Balance Sheet**

(In thousands)

	May 31, 2010
Current Assets	\$ 130,155
Property, Plant and Equipment, Net	45,839
Other Assets	299,779
Total Assets	\$ 475,773
Other Current Liabilities	\$ 38,810
Asbestos-Related Liabilities, Current	20,000
Other Long-Term Liabilities	31,310
Due to RPM, net ⁽¹⁾	122,275
Asbestos-Related Liabilities, Long-Term	377,707
Total Stockholders' Equity (Deficit)	(114,329)

(1)

As of May 30, 2010, the day prior to the bankruptcy filing, SPHC and its subsidiaries had intercompany payables of approximately \$209.6 million and intercompany receivables to and from other entities within the RPM group of companies (other than subsidiaries of SPHC) of approximately \$87.3 million.

SPHC and its subsidiaries routinely engage in intercompany transactions with other entities within RPM in the ordinary course of business, including services provided by RPM International Inc. to SPHC and its subsidiaries under an administrative services agreement. These services include risk management and insurance services, benefits administration, IT services, legal services, environmental, health and safety compliance management, tax planning and compliance services, treasury and cash management, various accounting services, including preparation of accounting books and financial statement preparation, internal audit services, benefits associated with group purchasing of various supplies and equipment, and consulting services associated with various business development activities. The Bankruptcy Court has approved this administrative services agreement.

As a result of its bankruptcy filing, SPHC and Bondex are precluded from paying dividends to shareholders and making payments on any pre-bankruptcy filing accounts or notes payable that are due and owing to any other entity within the RPM group of companies (the "Pre-Petition Intercompany Payables") or other pre-petition creditors during the pendency of the bankruptcy case, without the Bankruptcy Court's approval. Moreover, no assurances can be given that any of the Pre-Petition Intercompany Payables will ever be paid or otherwise satisfied.

When SPHC emerges from the jurisdiction of the Bankruptcy Court, the subsequent accounting will be determined based upon the applicable circumstances and facts at such time, including the terms of any plan of reorganization.

SPHC has assessed its liquidity position as a result of the bankruptcy filing and believes that it can continue to fund its and its subsidiaries' operating activities and meet its debt and capital requirements for the foreseeable future. The SPHC condensed consolidated financial information set forth above has been prepared on a going concern basis which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the ordinary course of business.

NOTE J — CONTINGENCIES AND LOSS RESERVES

Accrued loss reserves and asbestos-related liabilities consist of the following:

May 31	<u>2010</u>	<u>2009</u>
<i>(In thousands)</i>		
Accrued product liability reserves	\$47,811	\$ 51,453
Accrued warranty reserves	14,918	18,993
Accrued environmental reserves	3,084	6,947
Accrued loss reserves — current	65,813	77,393
Asbestos-related liabilities — current ⁽¹⁾	—	65,000
Total Reserves — Current	\$65,813	\$142,393
Accrued product liability reserves — noncurrent	\$ 4,331	\$ 7,067
Accrued warranty liability — noncurrent	2,684	—
Accrued environmental reserves — noncurrent	4,408	3,846
Accrued loss reserves — noncurrent	11,423	10,913
Asbestos-related liabilities — noncurrent ⁽¹⁾	—	425,328
Total Reserves — Noncurrent	\$11,423	\$436,241

(1) During the year ended May 31, 2010, SPHC and Bondex filed Chapter 11 reorganization proceedings in the United States Bankruptcy Court for the District of Delaware, and as a result, were deconsolidated from our results, as required, and presented as an investment on our balance sheet using the cost method. Accordingly, SPHC and Bondex's accrued asbestos-related liabilities have been eliminated in the presentation of our consolidated balance sheet as of May 31, 2010. Refer to Note A(2) and Note I for further information.

EIFS Litigation

As of May 31, 2010, Dryvit, one of SPHC's wholly owned subsidiaries, was a defendant or co-defendant in various single family residential exterior insulating finishing systems ("EIFS") cases, the majority of which are pending in the southeastern region of the country. Dryvit is also defending EIFS lawsuits involving commercial structures, townhouses and condominiums. The vast majority of Dryvit's EIFS lawsuits seek monetary relief for water intrusion related property damages, although some claims in certain lawsuits allege personal injuries from exposure to mold.

Third-party excess insurers have historically paid varying shares of Dryvit's defense and settlement costs in the individual commercial and residential EIFS lawsuits under various cost-sharing agreements. Dryvit has assumed a greater share of the costs associated with its EIFS litigation as it seeks funding commitments from our third-party excess insurers and will likely continue to do so pending the outcome of coverage litigation involving these same third-party insurers. This coverage litigation, Dryvit Systems, Inc. et al v. Chubb Insurance Company et al, Case No. CV 05 578004, is pending in the Cuyahoga Court of Common Pleas. The parties in the coverage litigation are required by court order to engage in settlement negotiations through private mediation. If the mediation is not successful, the parties will complete discovery in anticipation of conducting a jury trial.

Other Contingencies

We provide, through our wholly-owned insurance subsidiaries, certain insurance coverage, primarily product liability, to our other subsidiaries. Excess coverage is provided by third-party insurers. Our reserves provide for these potential losses as well as other uninsured claims.

We also offer warranty programs at several of our industrial businesses and have established a product warranty liability. We review this liability for adequacy on a quarterly basis and adjust it as necessary. The primary factors that could affect this liability may include changes in the historical system performance rate as well as the costs of replacement. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted, as required, to reflect actual experience. It is probable that we will incur future losses related to warranty claims we have received, but that have not been fully investigated, and claims not yet received, which are not currently estimable due to the significant number of variables contributing to the extent of any necessary remediation. While our warranty liability represents our best estimate at May 31, 2010, we can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to resolve such claims beyond the amounts accrued or beyond what we may recover from our suppliers. Product warranty expense is recorded within selling, general and administrative expense.

The following table includes the changes in our accrued warranty balances:

Year Ended May 31,	2010	2009	2008
<i>(In thousands)</i>			
Beginning Balance	\$ 18,993	\$ 8,055	\$ 8,676
Deductions ⁽¹⁾	(23,209)	(16,215)	(8,200)
Provision charged to SG&A expense	24,897	27,153	7,133
Acquisitions	46		446
Impact of Deconsolidation of SPHC	(3,125)		
Ending Balance	\$ 17,602	\$ 18,993	\$ 8,055

(1) Primarily claims paid during the year.

In addition, like other companies participating in similar lines of business, some of our subsidiaries are involved in several proceedings relating to environmental matters. It is our policy to accrue remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. These liabilities are undiscounted.

NOTE K — SEGMENT INFORMATION

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We manage our portfolio by organizing our businesses and product lines into two reportable segments: the industrial reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate several operating segments that consist of individual groups of companies and product lines, which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our five operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief executive officer in determining how to allocate the assets of the Company and evaluate performance. These five operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. Over the past several years, a number of product lines included within our RPM II/Consumer Group were either sold to third-parties or reassigned to other operating segments within our consumer reportable segment to better align with how management views our business. After a comprehensive review and analysis of the remaining product lines in the RPM II/Consumer Group and the current customer base and markets served, it was determined that these remaining businesses are more appropriately accounted for in our RPM II/ Industrial Group. Total net sales for these businesses approximated 3.0% of consolidated net sales for the year ended May 31, 2010. The financial statements and notes contained herein reflect the reclassification of these product lines to the RPM II/Industrial Group (now referred to as the RPM II Group) for all periods presented.

Our industrial reportable segment products are sold throughout North America and also account for the majority of our international sales. Our industrial product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. This reportable segment comprises three separate operating segments — our Building Solutions Group, Performance Coatings Group, and RPM II Group. Products and services within this reportable segment include construction chemicals; roofing systems; weatherproofing and other sealants; polymer flooring; wood stains; edible coatings and specialty glazes for pharmaceutical, cosmetic and food industries; and other specialty chemicals.

Our consumer reportable segment manufactures and markets professional use and do-it-yourself ("DIY") products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment's major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe. Consumer segment products are sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops and to other smaller customers through distributors. This reportable segment comprises two operating segments — our DAP Group and our Rust-Oleum Group. Products within this reportable segment include specialty, hobby and professional paints; caulks; adhesives; silicone sealants; and wood stains. In addition to our two reportable segments, there is a category of certain business activities and expenses, referred to as corporate/ other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets and other expenses not directly associated with either reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses, deferred pension assets, and headquarters' property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income (loss) before income taxes, identifiable assets, capital expenditures, and depreciation and amortization.

We reflect income from our joint ventures on the equity method, and receive royalties from our licensees. Total income from royalties and joint ventures amounted to approximately \$2.7 million, \$3.1 million and \$3.3 million for the years ended May 31, 2010, 2009 and 2008, respectively, and are therefore included as an offset to selling, general and administrative expenses.

The following table reflects the results of our reportable segments consistent with our management philosophy, and represents the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses.

Year ended May 31	2010	2009	2008
<i>(In thousands)</i>			
Segment Information			
Net Sales			
Industrial	\$2,328,194	\$2,367,401	\$2,472,421
Consumer	1,084,522	1,000,766	1,171,370
Total	\$3,412,716	\$3,368,167	\$3,643,791
Gross Profit			
Industrial	\$1,008,147	\$ 988,262	\$1,048,221
Consumer	427,228	364,827	450,316
Total	\$1,435,375	\$1,353,089	\$1,498,537
Income (Loss) Before Income Taxes ⁽¹⁾			
Industrial ⁽²⁾	\$ 225,528	\$ 180,395	\$ 267,424
Consumer	147,019	97,279	146,602
Corporate/Other	(104,093)	(96,806)	(380,019)
Total	\$ 268,454	\$ 180,868	\$ 34,007
Identifiable Assets			
Industrial	\$1,666,005	\$1,778,526	\$2,071,920
Consumer	1,135,211	1,187,633	1,341,406
Corporate/Other	202,808	443,762	350,241
Total	\$3,004,024	\$3,409,921	\$3,763,567
Capital Expenditures			
Industrial	\$ 17,887	\$ 34,603	\$ 49,869
Consumer	4,400	19,828	20,901
Corporate/Other	954	555	1,070
Total	\$ 23,241	\$ 54,986	\$ 71,840
Depreciation and Amortization			
Industrial	\$ 56,104	\$ 55,793	\$ 52,417
Consumer	26,771	27,996	29,275
Corporate/Other	1,378	1,355	3,674
Total	\$ 84,253	\$ 85,144	\$ 85,366
Geographic Information			
Net Sales (based on shipping location)			
United States	\$2,148,893	\$2,161,494	\$2,384,357
Foreign			
Canada	308,395	260,928	306,339
Europe	728,118	734,853	775,651
Other Foreign	227,310	210,892	177,444
Total Foreign	1,263,823	1,206,673	1,259,434
Total	\$3,412,716	\$3,368,167	\$3,643,791
Long-Lived Assets ⁽³⁾			
United States	\$ 966,453	\$1,171,288	\$1,216,705
Foreign			
Canada	127,672	128,888	144,027
Europe	415,411	424,119	501,828
Other Foreign	45,752	40,210	28,278
Total Foreign	588,835	593,217	674,133
Total	\$1,555,288	\$1,764,505	\$1,890,838

(1) Asbestos-related charges, totaling \$288.1 million in fiscal 2008 and the impact of an asbestos-related insurance settlement of \$15.0 million in fiscal 2007, are reflected in Corporate/Other, and relate to our Bondex International, Inc. subsidiary.

(2) Includes the impact of impairment losses related to a reduction of the carrying value of goodwill and indefinite-lived intangible assets, totaling \$15.5 million

during the fiscal year ended May 31, 2009.

(3)

Long-lived assets include all non-current assets, excluding non-current deferred income taxes.

NOTE L — QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended May 31, 2010 and 2009:

(In thousands, except per share amounts)	For Quarter Ended			
	August 31	November 30	February 28	May 31
2010				
Net Sales	\$915,953	\$858,658	\$666,594	\$971,511
Gross Profit	\$393,830	\$363,211	\$259,832	\$418,502
Net Income (Loss) Attributable to RPM International Inc. Stockholders	\$ 73,025	\$ 55,893	\$ (9,400)	\$ 60,519
Basic Earnings (Loss) Per Share Attributable to RPM International Inc. Stockholders	\$ 0.57	\$ 0.44	\$ (0.07)	\$ 0.47
Diluted Earnings (Loss) Per Share Attributable to RPM International Inc. Stockholders	\$ 0.57	\$ 0.43 ^(a)	\$ (0.07) ^(a)	\$ 0.47
Dividends Per Share	\$ 0.200	\$ 0.205	\$ 0.205	\$ 0.205

(In thousands, except per share amounts)	For Quarter Ended			
	August 31	November 30	February 28	May 31
2009				
Net Sales	\$985,465	\$889,965	\$635,396	\$857,341
Gross Profit	\$403,589	\$356,726	\$234,658	\$358,116
Net Income (Loss) Attributable to RPM International Inc. Stockholders	\$ 69,517	\$ 41,726	\$ (30,933)	\$ 39,306 ^(b)
Basic Earnings (Loss) Per Share Attributable to RPM International Inc. Stockholders	\$ 0.55	\$ 0.33	\$ (0.24)	\$ 0.31
Diluted Earnings (Loss) Per Share Attributable to RPM International Inc. Stockholders	\$ 0.53	\$ 0.33	\$ (0.24) ^(a)	\$ 0.31
Dividends Per Share	\$ 0.190	\$ 0.200	\$ 0.200	\$ 0.200

(a) For the quarters ended November 30, 2009, February 28, 2010 and February 28, 2009, the treasury stock method was utilized for the purpose of computing diluted earnings per share, as the result under the two-class method would have been anti-dilutive.

(b) Includes impairment charges related to a reduction of the carrying value of goodwill and indefinite-lived intangible assets, which impacted net income and basic and diluted earnings per share by \$15.5 million and \$0.12 per share, respectively, during the fourth quarter of the fiscal year ended May 31, 2009.

Quarterly earnings per share may not total to the yearly earnings per share due to the weighted-average number of shares outstanding in each quarter.

Quarterly Stock Price and Dividend Information

Shares of our common stock are traded on the New York Stock Exchange under the symbol RPM. The high and low sales prices for the shares of common stock, and the cash dividends paid on the common stock, for each quarter of the two most recent fiscal years are set forth in the table below.

Range of Sales Prices and Dividends Paid

Fiscal 2010	High	Low	Dividends paid per share
	First Quarter	\$17.03	\$13.08
Second Quarter	\$20.35	\$15.85	\$ 0.205
Third Quarter	\$21.49	\$18.05	\$ 0.205
Fourth Quarter	\$22.90	\$18.41	\$ 0.205
Fiscal 2009	High	Low	Dividends paid per share
First Quarter	\$25.19	\$19.31	\$ 0.190
Second Quarter	\$22.00	\$10.05	\$ 0.200
Third Quarter	\$14.32	\$10.58	\$ 0.200
Fourth Quarter	\$15.70	\$ 9.09	\$ 0.200

Source: New York Stock Exchange

Cash dividends are payable quarterly, upon authorization of the Board of Directors. Regular payment dates are approximately the last day of July, October, January and April.

The number of holders of record of our common stock as of July 16, 2010 was approximately 28,062 in addition to 53,692 beneficial holders.

Management's Report on Internal Control Over Financial Reporting

The management of RPM International Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. RPM's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of RPM's internal control over financial reporting as of May 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on this assessment, management concluded that, as of May 31, 2010, RPM's internal control over financial reporting is effective.

The independent registered public accounting firm Ernst & Young LLP, has also audited the Company's internal control over financial reporting as of May 31, 2010 and their report thereon is included on page 70 of this report.



Frank C. Sullivan
Chairman and Chief Executive Officer



Robert L. Matejka
Senior Vice President and Chief Financial Officer

July 29, 2010

68 RPM International Inc. and Subsidiaries

Report of Independent Registered Public Accounting Firm
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
RPM International Inc. and Subsidiaries
Medina, Ohio

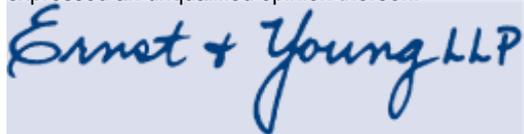
We have audited the accompanying consolidated balance sheets of RPM International Inc. and Subsidiaries ("RPM" or "the Company") as of May 31, 2010 and 2009 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended May 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RPM at May 31, 2010 and 2009 and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note G to the consolidated financial statements, effective on May 31, 2007 and June 1, 2007, the Company adopted the recognition and measurement date provisions, respectively, of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment to FAS 87, 88, 106 and 132(R)" (codified in FASB ASC Topic 715, "Compensation—Retirement Benefits").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of RPM's internal control over financial reporting as of May 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 29, 2010 expressed an unqualified opinion thereon.

The image shows a handwritten signature in blue ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style. The text is set against a light blue rectangular background.

Cleveland, Ohio

July 29, 2010

RPM International Inc. and Subsidiaries 69

Report of Independent Registered Public Accounting Firm
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
RPM International Inc. and Subsidiaries
Medina, Ohio

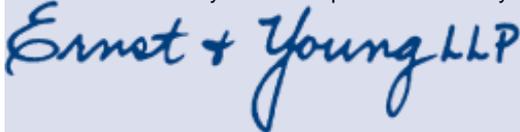
We have audited RPM International Inc. and Subsidiaries' ("RPM" or "the Company") internal control over financial reporting as of May 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("the COSO criteria"). RPM's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, RPM maintained, in all material respects, effective internal control over financial reporting as of May 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of RPM as of May 31, 2010 and 2009 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended May 31, 2010 and our report dated July 29, 2010 expressed an unqualified opinion thereon.

A handwritten signature in blue ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style. The text is set against a light blue rectangular background.

Cleveland, Ohio

July 29, 2010

70 RPM International Inc. and Subsidiaries

The following is a list of subsidiaries of RPM International Inc. as of July 23, 2010:

<u>Company Name</u>	<u>Place of Incorporation</u>
A/D Fire Protection Systems Corp.	Nevada (USA)
A/D Fire Protection Systems Inc.	Canada
Advanced Construction Materials Limited (<i>Dormant</i>)	United Kingdom
Advanced Sealants Limited (<i>Dormant</i>)	United Kingdom
Agpro (N.Z.) Limited	New Zealand
AgriCoat Industries Limited (<i>Dormant</i>)	United Kingdom
AgriCoat NatureSeal Limited (<i>83% JV</i>)	United Kingdom
Alteco Technik GmbH	Germany
Amtred Limited (<i>Dormant</i>)	United Kingdom
Anglo Building Products Limited (<i>Dormant</i>)	United Kingdom
Ardenbrite Products Limited (<i>Dormant</i>)	United Kingdom
Ascoat Contracting Pty. Ltd.	Australia
Ascoat Pty. Ltd.	Australia
AWCI Insurance Company, Ltd. (<i>27.03% JV</i>)	Bermuda
Beijing Dryvit Chemical Building Materials Co., Ltd. (<i>88% JV</i>)	China
Bondex International, Inc.	Delaware (USA)
Bridgcare (UK) Limited	United Kingdom
Brittflex Limited (<i>Dormant</i>)	United Kingdom
CAI-Tec GmbH	Switzerland
Canam Building Envelope Specialists Inc.	Canada
Carboline Company	Delaware (USA)
Carboline Dalian Paint Production Co., Ltd. (<i>49% JV</i>)	China
Carboline Dubai Corporation	Missouri (USA)
Carboline France S.A.S.	France
Carboline (India) Private Limited (<i>80% JV</i>)	India
Carboline International Corporation	Delaware (USA)
Carboline Italia S.p.A.	Italy
Carboline Korea Ltd. (<i>49% JV</i>)	Korea
Carboline Marine Europe AS	Norway
Carboline Norge AS	Norway
Chemical Specialties Manufacturing Corporation	Maryland (USA)
Chemrite Equipment Systems (Pty.) Ltd.	South Africa
Chemspec Europe Limited	United Kingdom
Chemtec Chemicals B.V.	Netherlands
Colcon NV	Belgium
Corgrate Fiberglass Systems, S.A. de C.V.	Mexico
Crossco (261) Limited (<i>Dormant</i>)	United Kingdom
Crossco (754) Limited (<i>Dormant</i>)	United Kingdom
Dane Color UK Limited	United Kingdom
DAP Brands Company	Delaware (USA)
DAP Holdings, LLC	Delaware (USA)
DAP Products Inc.	Delaware (USA)
Day-Glo Color Corp.	Ohio (USA)
Day-Glo Hong Kong Limited	Hong Kong
Deancove Limited (<i>Dormant</i>)	United Kingdom
Dore Holdings Limited (<i>In liquidation</i>)	United Kingdom
Dryvit Holdings, Inc.	Delaware (USA)
Dryvit Systems, Inc.	Rhode Island (USA)
Dryvit Systems USA (Europe) Sp. zo.o.	Poland
Dryvit UK Limited	United Kingdom
Duratec Coatings Consultants Limited (<i>Dormant</i>)	United Kingdom

Company Name	Place of Incorporation
Ecoloc NV	Belgium
Espan Corporation Pte. Ltd.	Singapore
Euclid Admixture Canada Inc.	Canada
The Euclid Chemical Company	Ohio (USA)
Euclid Chemical International Sales Corp. (<i>In liquidation</i>)	Ohio (USA)
Euclid Chemical, Venezuela, S.A.	Venezuela
Euclid Ecuador, S.A.	Ecuador
Eucomex S.A. de C.V.	Mexico
Failsafe Metering International Limited	United Kingdom
Fibergrate Composite Structures Incorporated	Delaware (USA)
Fibergrate Composite Structures Limited	United Kingdom
FibreGrid Limited	United Kingdom
First Continental Services Co.	Vermont (USA)
Flowcrete Asia Sdn. Bhd.	Malaysia
Flowcrete Australia Pty. Ltd.	Australia
Flowcrete Europe Limited (<i>Dormant</i>)	United Kingdom
Flowcrete Europe s.r.o. (<i>In liquidation</i>)	Czech Republic
Flowcrete Group Limited	United Kingdom
Flowcrete (Hong Kong) Limited	Hong Kong
Flocrete India Private Limited	India
Flowcrete International Limited (<i>Dormant</i>)	United Kingdom
Flowcrete Middle East FZCO	United Arab Emirates
Flowcrete New Zealand Limited	New Zealand
Flowcrete North America, Inc.	Texas (USA)
Flowcrete Norway AS	Norway
Flowcrete Polska Sp. zo.o	Poland
Flowcrete S.A. (Pty.) Limited	South Africa
Flowcrete Sweden AB	Sweden
Flowcrete UK Limited	United Kingdom
GJP Holdings Limited	United Kingdom
GJP Overseas Limited	United Kingdom
Gloucester Co., Inc.	Massachusetts (USA)
Grandcourt NV	Netherlands Antilles
Grupo StonCor, S.A. de C.V.	Colombia
Grupo StonCor, S.A. de C.V.	Mexico
Guardian Protection Products, Inc.	Delaware (USA)
Harry A. Crossland Investments, Ltd.	Nevada (USA)
Holdtite Adhesives Limited	United Kingdom
Hummervoll Industrieblegg AS	Norway
ilbruck Holdings Limited (<i>Dormant</i>)	United Kingdom
ilbruck Sealant Systems NV	Belgium
Industrial Flooring Services Limited (<i>Dormant</i>)	United Kingdom
Isocrete Floor Screeds Limited	United Kingdom
Ivory Industrials (Pty.) Limited (<i>Dormant</i>)	South Africa
Japan Carboline Company Ltd. (<i>50% JV</i>)	Japan
Juárez Inmobiliaria, S.A.	Mexico
Karochemie AG	Switzerland
Kop-Coat Australia Pty. Ltd.	Australia
Kop-Coat, Inc.	Ohio (USA)
Kop-Coat New Zealand Limited	New Zealand
Magnagro Industries Pte. Ltd. (<i>Dormant</i>)	China
Mantrose-Haeuser Co., Inc.	Massachusetts (USA)
Mantrose UK Limited	United Kingdom

Company Name	Place of Incorporation
Martin Mathys NV	Belgium
Modern Masters Inc.	California (USA)
Monile France S.à.r.l.	France
NatureSeal, Inc. (83% JV)	Delaware (USA)
NMBFil, Inc.	Ohio (USA)
Nufins Limited (Dormant)	United Kingdom
Nullifire Limited (Dormant)	United Kingdom
Oakdyke Limited (Dormant)	United Kingdom
Paramount Technical Products, Inc.	South Dakota (USA)
Parklin Management Group, Inc.	New Jersey (USA)
PDR GmbH (9.214% JV)	Germany
PDR Recycling GmbH & Co. KG (8.32% JV)	Germany
Permaquik Western Ltd. (77% JV) (In Liquidation)	Canada
Perstorp Industrial Surfaces Limited (20% JV)	China
Pitchmastic PMB Limited	United Kingdom
Plasite, S.A. de C.V. Mexico (Dormant)	Mexico
Portazul, S.A. (94%)	Dominican Republic
Productos Cave S.A.	Chile
Productos DAP de Mexico, S.A. de C.V.	Mexico
Radiant Color NV	Belgium
Redwood Transport, Inc.	Ohio (USA)
Republic Powdered Metals, Inc.	Ohio (USA)
ROC Sales, Inc.	Delaware (USA)
RPM Asia Pte. Ltd.	Singapore
RPM/Belgium NV	Belgium
RPM Building Solutions Europe GmbH	Germany
RPM Building Solutions Group, Inc.	Delaware (USA)
RPM Canada, a General Partnership	Canada
RPM Canada Company	Canada
RPM Canada Investment Company	Canada
RPM China Pte. Ltd.	Singapore
RPM Consumer Holding Company	Delaware (USA)
RPM Enterprises, Inc.	Delaware (USA)
RPM Europe Coöperatief U.A.	Dutch Co-op
RPM Europe Holdco B.V.	Netherlands
RPM Europe SA	Belgium
RPM FCP I, Inc.	Delaware (USA)
RPM FCP II, Inc.	Delaware (USA)
RPM FCP Belgium SPRL	Belgium
RPM Funding Corporation	Delaware (USA)
RPM German Real Estate GmbH & Co. KG	Germany
RPM German Real Estate Management GmbH	Germany
RPM Germany GmbH	Germany
RPM Holdco Corp.	Delaware (USA)
RPM Holdings UK Limited (In liquidation)	United Kingdom
RPM Industrial Holding Company	Delaware (USA)
RPM International Inc.	Delaware (USA)
RPM Ireland IP Limited	Ireland
RPM Lux Enterprises S.à.r.l.	Luxembourg
RPM Lux Holdco S.à.r.l.	Luxembourg
RPM Nova Scotia ULC	Canada
RPM Performance Coatings Group, Inc.	Delaware (USA)
RPM United Kingdom G.P.	Non-registered UK Partnership.

Company Name	Place of Incorporation
RPM Wood Finishes Group, Inc.	Nevada (USA)
RPM Wood Finishes — Hong Kong Limited	Hong Kong
RPM Wood Finishes Ltd. — Shanghai	China
RPOW France S.A.S.	France
RPOW UK Limited	United Kingdom
RSIF International Limited	Ireland
Rust–Oleum Argentina S.A.	Argentina
Rust–Oleum Brands Company	Delaware (USA)
Rust–Oleum Corporation	Illinois (USA)
Rust–Oleum France S.A.S.	France
Rust–Oleum International, LLC	Delaware (USA)
Rust–Oleum Japan Corporation	Japan
Rust–Oleum Mathys Italia S.r.l. (<i>In Liquidation</i>)	Italy
Rust–Oleum Netherlands B.V.	Netherlands
Rust–Oleum Sales Company, Inc.	Ohio (USA)
Rust–Oleum UK Limited	United Kingdom
Sandco 953 Limited (<i>Dormant</i>)	United Kingdom
Shanghai Tremco International Trading Co., Ltd. (<i>Dormant</i>)	China
Sino–British Flowcrete (Beijing) Trading Limited	China
SK Polymers FZCO (<i>50% JV</i>)	United Arab Emirates
Specialty Products Holding Corp.	Ohio
StonCor Africa (Pty.) Ltd.	South Africa
StonCor Benelux B.V.	Netherlands
StonCor Corrosion Specialists Group Ltda.	Brazil
StonCor (Deutschland) GmbH	Germany
StonCor España SL	Spain
StonCor Group, Inc.	Delaware (USA)
StonCor Ireland Limited	Ireland
StonCor Lux S.ár.l	Luxembourg
StonCor Middle East LLC (<i>49% JV</i>)	United Arab Emirates
StonCor Namibia (Pty.) Ltd.	Namibia
StonCor Poland Sp. zo.o.	Poland
StonCor South Cone S.A.	Argentina
StonCor (Zhangjiagang Free Trade Zone) Trading Co., Ltd.	China
Stonhard de Mexico, S.A. de C.V. (<i>99.99%</i>)	Mexico
Stonhard Nederland B.V.	Netherlands
Stonhard S.A.S.	France
Stonhard (U.K.) Limited	United Kingdom
Structurecare Limited	United Kingdom
TCI, Inc.	Georgia (USA)
TCI Powder Coatings de Mexico, S.A. de C.V.	Mexico
The Testor Corporation	Ohio (USA)
Timberex International Limited (<i>Dormant</i>)	United Kingdom
Tor Coatings Limited	United Kingdom
Toxement S.A.	Colombia
Tremco Asia Pacific Pty. Limited (<i>Dormant</i>)	Australia
Tremco Asia Pte. Ltd.	Singapore
Tremco Barrier Solutions, Inc.	Delaware (USA)
Tremco Far East Limited (<i>99.999%</i>)	Hong Kong
Tremco GmbH (<i>Dormant</i>)	Germany
Tremco illbruck AB	Sweden
Tremco illbruck B.V.	Netherlands
Tremco illbruck Coatings Limited	United Kingdom

Company Name	Place of Incorporation
Tremco illbruck Export Limited	United Kingdom
Tremco illbruck GmbH	Austria
Tremco illbruck GmbH & Co. KG	Germany
Tremco illbruck kft	Hungary
Tremco illbruck Limited	United Kingdom
Tremco illbruck NV	Belgium
Tremco illbruck ooo	Russia
Tremco illbruck OY	Finland
Tremco illbruck Productie B.V.	Netherlands
Tremco illbruck Production SAS	France
Tremco illbruck Produktion GmbH	Germany
Tremco illbruck SAS	France
Tremco illbruck Sp. zo.o.	Poland
Tremco illbruck s.r.o.	Czech Republic
Tremco Incorporated	Ohio (USA)
Tremco (Malaysia) Sdn. Bhd.	Malaysia
Tremco Pty. Limited	Australia
Tremco Roofing UK Limited	United Kingdom
Tretobond Limited (<i>Dormant</i>)	United Kingdom
Tretol Group Limited (<i>Dormant</i>)	United Kingdom
Tretol Limited (<i>Dormant</i>)	United Kingdom
Universal Sealants Limited (<i>Dormant</i>)	United Kingdom
Universal Sealants (U.K.) Limited	United Kingdom
USL Asia Pacific Pte. Ltd. (<i>25% JV</i>)	Singapore
Vandex AG (<i>95%</i>)	Switzerland
Vandex Holding AG (<i>99%</i>)	Switzerland
Vandex International AG (<i>99.88%</i>)	Switzerland
Vandex Isoliermittel Gesellschaft m.b.H	Germany
Vandex (UK) Limited	United Kingdom
Vandex (USA) LLC (<i>49% JV</i>)	Pennsylvania (USA)
Visul Systems Limited	United Kingdom
Watco GmbH	Germany
Watco Group Manufacturing Limited (<i>Dormant</i>)	United Kingdom
Watco International Limited (<i>Dormant</i>)	United Kingdom
Watco Limited (<i>Dormant</i>)	United Kingdom
Watco S.à.r.l.	France
Watco UK Limited	United Kingdom
Weatherproofing Technologies, Inc.	Delaware (USA)
Wm. Zinsser Limited (<i>Dormant</i>)	United Kingdom
Zhongshan Star Marine Coating Ltd. (<i>25% JV</i>) (<i>Dormant</i>)	China
Zinsser Asia Pacific Pty. Limited	Australia
Zinsser Brands Company	Delaware (USA)
Zinsser Divestiture Co., Inc.	New York (USA)
Zinsser Europe NV (<i>Dormant</i>) (<i>In liquidation</i>)	Belgium
Zinsser Holdings, LLC	Delaware (USA)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of RPM International Inc. (RPM) of our reports dated July 29, 2010, with respect to the consolidated financial statements of RPM, and the effectiveness of internal control over financial reporting of RPM, included in the 2010 Annual Report to Stockholders of RPM.

Our audits also included the financial statement schedule of RPM listed in Item 15(a). This schedule is the responsibility of RPM's management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is July 29, 2010, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-8 Nos. 333-35967 and 333-60104, 1996 Stock Option Plan; 333-101512, Deferred Compensation Plan; 333-101501, 401(k) Trust and Plan and Union 401(k) Retirement Savings Trust and Plan; 333-117581, 2003 Restricted Stock Plan for Directors; 333-120067, 2004 Omnibus Equity and Incentive Plan; and 333-139906, 2007 Restricted Stock Plan); and

(2) Registration Statement (Form S-3 No. 333-149232) of RPM International Inc.

of our reports dated July 29, 2010, with respect to the consolidated financial statements of RPM, and the effectiveness of internal control over financial reporting of RPM, incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of RPM included in this Annual Report (Form 10-K) of RPM.

/s/ Ernst & Young LLP

Cleveland, Ohio
July 29, 2010

RULE 13a-14(a) CERTIFICATION

I, Frank C. Sullivan, certify that:

1. I have reviewed this Annual Report on Form 10-K of RPM International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2010

/s/ Frank C. Sullivan

Frank C. Sullivan
Chairman and Chief Executive Officer

RULE 13a-14(a) CERTIFICATION

I, Robert L. Matejka, certify that:

1. I have reviewed this Annual Report on Form 10-K of RPM International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2010

/s/ Robert L. Matejka

Robert L. Matejka
Senior Vice President and Chief Financial Officer

Certification

Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

- (1) The Annual Report on Form 10–K for the period ended May 31, 2010 (the “Form 10–K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10–K fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10–K.

Date: July 29, 2010

/s/ Frank C. Sullivan

Frank C. Sullivan

Chairman and Chief Executive Officer

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10–K or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification

Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

- (1) The Annual Report on Form 10–K for the period ended May 31, 2010 (the “Form 10–K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10–K fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10–K.

Date: July 29, 2010

/s/ Robert L. Matejka

Robert L. Matejka

Senior Vice President and Chief Financial Officer

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10–K or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.