# 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, 2016**

**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** | **02-0642224** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(IRS Employer Identification No.)** |
| **P.O. Box 777, 2628 Pearl Road, Medina, Ohio** | **44258** |
| **(Address of Principal Executive Offices)** | **(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 | ☐ | (Do not check if a smaller reporting company) | 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, 2015, the last business day of the Registrant's most recently completed second fiscal quarter) was approximately $6,158,746,744. For purposes of this information, the 2,225,503 outstanding shares of Common Stock which were owned beneficially as of November 30, 2015 by executive officers and Directors of the Registrant were deemed to be the shares of Common Stock held by affiliates.

As of July 25, 2016, 133,132,651 shares of Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's 2016 Annual Report to Stockholders for the fiscal year ended May 31, 2016 (the "2016 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 6, 2016 (the "2016 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, 2016.

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# 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 originally incorporated in 1947 under the name Republic Powdered Metals, Inc. and changed its name to RPM, Inc. in 1971.

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.

## 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 the industrial, specialty and consumer markets. Our family of products includes those marketed under brand names such as API, Carboline, CAVE, DAP, Day-Glo, Dri-Eaz, Dryvit, Euclid, EUCO, Fibergrate, Flecto, Flowcrete, Grupo PV, Hummervoll, illbruck, Mohawk, Rust-Oleum, Stonhard, TCI, Toxement, Tremco, Tuf-Strand, Universal Sealants, Viapol, Watco and Zinsser. As of May 31, 2016, our subsidiaries marketed products in approximately 164 countries and territories and operated manufacturing facilities in approximately 120 locations in the United States, Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Colombia, France, Germany, India, Italy, Malaysia, Mexico, The Netherlands, New Zealand, Norway, Poland, Saudi Arabia, South Africa, Spain, Sweden, Turkey, the United Arab Emirates and the United Kingdom. Approximately 36% of our sales are generated in international markets through a combination of exports to and direct sales in foreign countries. For the fiscal year ended May 31, 2016, we recorded net sales of $4.8 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 three reportable segments: the industrial reportable segment (“industrial segment”), the specialty reportable segment (“specialty segment”) and the consumer reportable segment (“consumer 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 (Tremco Group, tremco illbruck Group, and RPM Performance Coatings Group), which comprises approximately 51% of our total net sales, includes maintenance and protection products for roofing and waterproofing systems, flooring, passive fire protection, corrosion control and other construction chemicals. The specialty segment (Specialty Products Group) comprises approximately 15% of our total net sales, and includes industrial cleaners, restoration services equipment, colorants, exterior finishes, edible coatings and other specialty original equipment manufacturer (“OEM”) coatings. The consumer segment (Rust-Oleum Group, DAP Group and SPG-Consumer Group) comprises approximately 34% of our total net sales and includes rust-preventative, special purpose and decorative paints, caulks, sealants, primers, nail enamels, cement and woodcare coatings and other branded consumer products. See Note O, “Segment Information,” of the Notes to Consolidated Financial Statements, which appears in the 2016 Annual Report to Stockholders, and is incorporated herein by reference, for financial information relating to our three reportable segments and financial information by geographic area.

On May 31, 2010, Bondex International, Inc. and its parent, SPHC, voluntarily 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 had therefore deconsolidated SPHC and its subsidiaries from our balance sheet as of May 31, 2010, and had eliminated the results of SPHC's operations from our results of operations beginning on that date. Effective as of December 23, 2014, the United States Bankruptcy Court in Delaware and the United States District Court in Delaware confirmed the Bankruptcy Plan for SPHC and related entities and these entities emerged from bankruptcy. Accordingly, financial results of SPHC's operating subsidiaries, which had not been included in our financial reports since the bankruptcy filing, have been reconsolidated with our results as of January 1, 2015, and are included in our results from that point forward.

**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 $2.4 billion in net sales for the fiscal year ended May 31, 2016 and includes the following major product lines and brand names:

Tremco Group:

- Waterproofing, coatings and institutional roofing systems used in building protection, maintenance and weatherproofing applications marketed under our Tremco, AlphaGuard, PowerPly, TremPly, TremLock, Vulkem and TREMproof brand names;
- sealants, air barriers, tapes and foams that seal and insulate joints in various construction assemblies and glazing assemblies marketed under our Tremco, Dymonic, ExoAir and Spectrem brand names;
- new residential home weatherization systems marketed under our TUFF-N-DRI, Watchdog Waterproofing and Enviro-Dri brand names; and
- specialized roofing and building maintenance and related services marketed by our Weatherproofing Technologies subsidiary.

tremco illbruck Group:

- sealing and bonding solutions for windows, facades, interiors and exteriors under our illbruck brand name;
- flooring, waterproofing and in-plant glazing solutions under our Tremco brand name;
- solutions for passive fire protection under our Nullifire and Firetherm brand names; and
- solutions for the manufacturing industry under our Pactan brand name.

RPM Performance Coatings Group:

- high-performance polymer flooring systems for industrial, institutional and commercial facilities, as well as offshore and marine structures and cruise, ferry and navy ships marketed under our Stonhard, Flowcrete, Hummervoll and API brand names;
- commercial, decorative flooring for architectural and design applications under the Flowcrete, Liquid Elements, Expanko, and Fritztile 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, containment linings, fireproofing and soundproofing products and heat and cryogenic insulation products for a wide variety of industrial infrastructure applications marketed under our Carboline, Nullifire, Grupo PV, A/D Fire, Thermo-Lag, Plasite and Perlifoc brand names;
- rolled asphalt roofing materials, waterproofing products, chemical admixtures and industrial epoxy flooring systems marketed under our Viapol and Betumat brand names;

- concrete and masonry admixtures, concrete fibers, curing and sealing compounds, structural grouts, epoxy adhesives, floor hardeners and toppings, joint fillers, industrial and architectural coatings, decorative color/stains/stamps, and a comprehensive selection of restoration materials marketed under the Euclid, CAVE, Toxement, Viapol, Dural, Euco, Eucon, Fiberstrand, Increte, Plastol, Sentinel, Speed Crete and Tuf-Strand brand names; and
- specialty construction products including bridge expansion joints, bridge deck and parking deck membranes, curb and channel drains, highway markings, protective coatings and concrete repair marketed under our Universal Sealants, BridgeCare, StructureCare, Pitchmastic, Nufins, Visul, EnviroKerb, EnviroChannel, EnviroDeck, EnviroGrate and Epoplex brand names.

**Specialty Segment**

Our specialty segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The specialty segment generated $732.1 million in net sales for the fiscal year ended May 31, 2016 and includes the following major product lines and brand names:

- fluorescent colorants and pigments marketed under our Day-Glo, Radiant and Dane Color brand names;
- shellac-based-specialty coatings for industrial and pharmaceutical uses, edible glazes, food coatings and ingredients marketed under our Mantrose-Haeuser, NatureSeal and Holton Foods brand names;
- highly insulated building cladding materials (Exterior Insulating and Finishing Systems, “EIFS”) marketed in the U.S., Canada, U.K. and Poland under the Dryvit brand name;
- fire and water damage restoration products marketed under the Dri-Eaz, Unsmoke and Odorx brand names;
- professional carpet cleaning and disinfecting products marketed under the Sapphire and Chemspec brand names;
- 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;
- wood furniture finishes and touch-up products marketed under our CCI, Mohawk, Chemical Coatings, Behlen, Westfield Coatings, Finishworks and Morrells brand names; and
- a variety of products for specialized applications, including powder coatings for exterior and interior applications marketed under our TCI brand name.

**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, Australia, South Africa and South America. Consumer segment products are sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops, cosmetic companies and to other smaller customers through distributors. Our consumer segment generated $1.6 billion in net sales in the fiscal year ended May 31, 2016 and is composed of the following major product lines and brand names:

Rust-Oleum 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, Universal, Varathane, NeverWet, Watco, Epoxy Shield, Restore, Rock Solid, Spraymate, Krud Kutter, Zinsser, XIM, Industrial Choice, Labor Saver, Road Warrior, Sierra Performance, Hard Hat, Mathys, CombiColor, Noxyde, Blackfriar, HiChem and MultiSpec. In addition, Rust-Oleum branded products in Canada are marketed under the Rust-Oleum, Tremclad, Varathane and Zinsser brand names;
- 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 under our Wolman brand name;

- metallic and faux finish coatings marketed under our Modern Masters brand name;
- exterior wood deck and concrete restoration systems, and flooring finishes marketed under our Restore and RockSolid brand names; 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', '53', '1012', 4000, 7000, Alex, Alex Fast Dry, Alex Plus, Alex Ultra, Alex Flex, Fast Patch, Beats The Nail, Blend-Stick, Blockade, Butyl-Flex, Caulk-Be-Gone, Crack Shot, Custom-Patch, DAP 3.0, DAP CAP, DAPtex, DryDex, Dynaflex 230, Dynagrip, Elastopatch, Fast 'N Final, FastPatch, Kwik Foam, Kwik Seal, Kwik Seal Plus, Mono, Patch Stick, Patch-N-Paint, Plastic Wood, Presto Patch, Quick Plug, Rely-On, Seal 'N Peel, SIDE Winder, Silicone Plus, Simple Seal, SMARTBOND, StrongStik, Weldwood and Phenoseal, which is a brand of Gloucester Company Inc., which is a subsidiary of DAP Products Inc.

SPG-Consumer Group:

- nail care enamel polish and coating components for the personal care industry.

**Foreign Operations**

For the fiscal year ended May 31, 2016, our foreign operations accounted for approximately 34% 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, 2016. 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, Australia, Belgium, Brazil, Canada, Chile, China, Colombia, France, Germany, India, Italy, Malaysia, Mexico, The Netherlands, New Zealand, Norway, Poland, Saudi Arabia, South Africa, Spain, Sweden, Turkey, the United Arab Emirates and the United Kingdom. We also have sales offices or warehouse facilities in Austria, The Czech Republic, Egypt, Finland, Hong Kong, Hungary, Indonesia, Japan, Kuwait, Oman, Portugal, Qatar, Russia, Singapore, Switzerland, Thailand, Vietnam 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 2016 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, national and multi-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 coatings; hobby paints; small project paints; industrial-corrosion-control products; fireproofing; consumer rust-preventative coatings; polymer floorings; fluorescent coatings and pigments; fiberglass-reinforced-plastic gratings; nail polish; water and fire damage restoration products; carpet cleaning systems 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 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 and special purpose paint and 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, public utility and bridge and highway 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 protective industrial coating products are marketed primarily under our Carboline, Plasite, Nullifire, A/D Fire, Thermo-lag, Perlifoc and Epoplex 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, 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. Our roofing systems are primarily marketed under our Tremco and Viapol brands. Historically, our typical roofing systems customers have included governmental facilities, universities, schools, hospitals, museums and certain manufacturing facilities. However, we are also very active in the growing market of sustainable roofing systems, and our Tremco Roofing fluid applied and restoration coating systems represent our fastest growing product segment. Our restoration systems meet sustainable objectives including energy efficiency through reflectivity and emissivity, and eliminate environmentally and economically costly landfill waste.

***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, Flowcrete, Expanko, Fritztile, Hummervoll and API 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 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. Other structural composites include trench drains, channel drains, curbing and structural members. 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, Safe-T-Span, EnviroKerb, EnviroChannel, EnviroDeck and EnviroGrate 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 or asphalt 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 balconies, pedestrian walkways and parking structures. In the concrete and masonry additives market, a variety of chemicals and fibers can be added to concrete and masonry to improve the processability, performance, or appearance of these products. Chemical admixtures for concrete are typically grouped according to their functional characteristics, such as water-reducers, set controllers, superplasticizers and air-entraining agents. Curing and sealing compounds, structural grouts, epoxy adhesives, floor hardeners and toppings, joint fillers, industrial and architectural coatings, decorative color/stains/stamps, and a comprehensive selection of restoration materials are used to protect, repair or improve new or existing concrete structures used in the construction industry. 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, Toxement, Viapol, Betumat, CAVE, illbruck, Tamms, AlphaGuard, PowerPly, TremPly, TremLock, Vulkem, TREMproof, Dymonic, Increte, TUFF-N-DRI, Nufins, StructureCare, BridgeCare, Pitchmastic, Watchdog Waterproofing, PSI, Tuf-Strand and Enviro-Dri 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 1,000 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 products sold by Rust-Oleum Corporation and related companies.

Carboline Company and some of our other subsidiaries own more than 280 other trademark registrations or applications in the United States and numerous other countries covering the products sold by the Carboline Company and related companies, including two United States trademark registrations for the trademark "Carboline®".

DAP Brands Company and other subsidiaries of the Company own more than 410 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 85 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 and some of our other subsidiaries that are the subject of registrations or applications in the United States and numerous other countries, bringing the total number of registrations and applications covering products sold under the Tremco brand and related brands to more than 490.

Our other principal product trademarks include: 2X Ultra Cover, AlphaGuard ®, Alumanation®, Betumat®, B-I-N®, Bitumastic®, Bulls Eye 1-2-3®, Chemgrate®, Dri-Eaz, Dymonic®, EnerEDGE®, Enviro-Dri®, EUCO®, ExoAir®, Expanko®, Flecto®, Fibergrate®, Floquil®, Fritztile®, Paraseal®, Permaroof®, Plasite®, Proglaze®, Sanitile®, Solargard®, Spectrem®, Stonblend®, Stonclad®, Stonhard®, Stonlux®, Stonshield®, Testors®, TREMproof®, TUFF-N-DRI®, Varathane®, Viapol®, Vulkem®, Watchdog Waterproofing®, Woolsey®, Zinsser® and Z-Spar®; and, in Europe, API™, Perlifoc®, Hummervoll®, USL®, Nufins®, Pitchmastic®, Visul®, Flowcretetm, Nullifire™, Radglo™ and Martin Mathystm. Our 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.

**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. While certain oil-based raw material costs have eased over the past 12 months, our material costs can experience significant (and usually volatile) cost changes due to changes in global demand, unusually high planned and unplanned raw material production shutdowns, certain changes in global crop yields, certain changing feedstock costs, foreign exchange effects, supplier consolidation and related pricing discipline, and decreased natural gas costs relative to the cost of oil, which has caused a reduction in the supply of certain materials. In particular, foreign exchange has had a significant impact recently upon the costs of sales, since several of our foreign operations pay their suppliers in U.S. dollars, which has strengthened recently against many other foreign currencies. On a long-term basis, we anticipate the costs of the raw materials we use will continue to be subject to upward pressure.

**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, on a combined basis represented approximately 23%, 23% and 24% of our total net sales for the fiscal years ended May 31, 2016, 2015 and 2014, 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, 2016.

**Research and Development**

Our research and development work is performed at various laboratory locations. During fiscal years 2016, 2015 and 2014, approximately $61.5 million, $56.7 million and $54.6 million, respectively, was charged to expense for 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 environmental, health and safety issues for 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.

For information regarding environmental accruals, see Note N, “Contingencies and Other Accrued Losses,” of the Notes to our Consolidated Financial Statements, which appears in the 2016 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, 2016, we employed 13,394 persons, of whom approximately 897 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 because these factors could cause our actual results or financial condition to differ materially from those projected in our forward-looking statements.*

**We are the subject of an ongoing SEC investigation, which could divert management's focus, result in substantial investigation expenses and have an adverse impact on our reputation, financial condition, results of operations and cash flows.**

We were notified by the SEC on June 24, 2014 that we are the subject of a formal investigation pertaining to the timing of our disclosure and accrual of loss reserves in fiscal 2013 with respect to the previously disclosed DOJ and GSA investigation into compliance issues relating to Tremco Roofing Division's GSA contracts. As previously disclosed, our audit committee completed an investigation into the facts and circumstances surrounding the timing of our disclosure and accrual of loss reserves with respect to the GSA and DOJ investigations, and determined to restate our financial results for the first, second and third quarters of fiscal 2013. The restatement shifted accrual amounts among the three quarters, which had the effect of reducing net income by $7.2 million and $10.8 million for the quarterly periods ended August 31, 2012 and November 30, 2012, respectively, and increasing net income for the quarterly period ended February 28, 2013 by $18.0 million. These restatements had no impact on our audited financial results for the fiscal year ended May 31, 2013. The audit committee's investigation concluded that there was no intentional misconduct on the part of any of our officers.

We are cooperating with the SEC in its investigation and have engaged in discussions with the staff of the SEC's Division of Enforcement (the "Staff") concerning potential issues arising out of the SEC's investigation. On October 26, 2015, we and our General Counsel received Wells notices from the SEC's Division of Enforcement in connection with its investigation. A Wells notice is not a formal allegation or a finding of wrongdoing, but is a preliminary determination by the Staff that it may recommend to the SEC that a civil enforcement action or administrative proceeding be brought against the recipient. Our Wells notice also indicated that the Staff had preliminarily determined to recommend that the SEC pursue a clawback claim relating to incentive compensation payments paid to our Chief Executive Officer and Chief Financial Officer during the periods prior to the restatement. The Staff did not indicate an intention to recommend any charges against either of these officers.

Under SEC procedures, a recipient of a Wells notice has an opportunity to respond in the form of a Wells submission that seeks to persuade the SEC that such an action should not be brought. We have provided to the Staff a Wells submission further explaining RPM's views concerning such matters and our belief that no enforcement action is warranted against us or our officers. We intend to contest any charges that may be brought.

We have incurred significant legal and accounting expenditures in connection with the SEC's investigation. We are unable to predict how long the SEC's investigation will continue or whether, at the conclusion of its investigation, the SEC will seek to impose fines or file an enforcement action against us. Any action by the SEC could result in sanctions against us and/or certain of our officers. A protracted enforcement action could impose substantial additional costs and distractions, regardless of its outcome. Furthermore, publicity surrounding an enforcement action, even if ultimately resolved favorably for us, could have an adverse impact on our reputation, business, financial condition, results of operations or cash flows.

**Our operations have been and could continue to be adversely affected by global market and economic conditions in ways we may not be able to predict or control.**

Global economic uncertainty continues to exist, both related to the United Kingdom's vote to leave the European Union ("Brexit") and otherwise. Our operations could be adversely affected by global economic conditions if global markets were to decline in the future, whether related to Brexit or otherwise. Any future economic declines may result 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. In addition, customer difficulties in the future could result from economic declines or issues arising from the cyclical nature of their business and, in turn, result in decreases in product demand, increases in bad debt write-offs, decreases in timely collection of accounts receivable and adjustments to our allowance for doubtful accounts receivable, resulting in material reductions to our revenues and net earnings.

**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.

**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, 2016, we had approximately $1.8 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 either a qualitative assessment or 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 years ended May 31, 2016, 2015 and 2014, our impairment testing did not result in any impairment loss. In the future, if global economic conditions were to decline significantly, or if our reporting units experienced significant declines in business, we may incur 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.**

Our total debt levels were approximately $1.7 billion at May 31, 2016 and 2015, which compares with $1.4 billion in stockholders' equity at May 31, 2016. 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 downgrade 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.

We cannot assure you that our business always will be able to make timely or sufficient payments of our debt. Should we fail to comply with covenants in our debt instruments, such failure could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

**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. Although certain petroleum-based raw materials have eased lately, the costs of the raw materials we use are under generally upward pressure, over the longer term, due to escalating energy and related feedstock costs, increased levels of global demand, and improved levels of supplier pricing discipline. If the prices of raw materials begin 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, as a result of the consolidation of competitors, including the proposed merger of Sherwin-Williams and Valspar, or otherwise, 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 Akzo Nobel, Ferro, GCP Applied Technologies, H.B. Fuller, Masco, PPG, 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.

**Our success depends upon our ability to attract and retain key employees and the succession of senior management.**

Our success largely depends on the performance of our management team and other key employees. If we are unable to attract and retain talented, highly qualified senior management and other key people, our business, results of operations, cash flows and financial condition could be adversely affected. In addition, if we are unable to effectively provide for the succession of senior management, including our Chief Executive Officer, our business, results of operations, cash flows and financial condition may be adversely affected. While we follow a disciplined, ongoing succession planning process and have succession plans in place for senior management and other key executives, these do not guarantee that the services of qualified senior executives will continue to be available to us at particular moments in time.

**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, Cotter & Company, Do It Best, The Home Depot, Lowe's, Menards, Orgill, Rona, Wal-Mart and W.W. Grainger. Sales to our ten largest consumer segment customers accounted for approximately 23%, 23% and 24% of our total net sales for the fiscal years ended May 31, 2016, 2015 and 2014, respectively, and 68%, 67% and 64%, respectively, of the consumer segment's net sales for those same fiscal years. Sales to the Home Depot represented less than 10% of our consolidated net sales for fiscal 2016, 10% and 11% of our consolidated net sales for fiscal 2015 and 2014, respectively, and 28%, 29% and 29% of our consumer segment net sales for fiscal 2016, 2015 and 2014, respectively. 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 materially and our operating results could be reduced materially.

**Our business and financial condition could be adversely affected if we are unable to protect our material trademarks and other proprietary information or there is a loss in the actual or perceived value of our brands.**

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 may attempt to disclose, obtain or use our proprietary information or marks without our authorization. Unauthorized use of our trademarks, or disclosure, as the case may be, could negatively impact our business and financial condition.

Similarly, the reputations of our branded products depend on numerous factors, including the successful advertising and marketing of our brand names, consumer acceptance, continued trademark validity, the availability of similar products from 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.

**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 legal claims in the event that the exposure to or failure, use or misuse of our products results, or is alleged to result, in bodily injury and/or property damage. In the course of our business we are subject to a variety of inquiries and investigations by regulators, as well as claims and lawsuits by private parties including those related to product liability, asbestos, product warranty, environmental, contracts, intellectual property and commercial matters, which due to their uncertain nature may result in losses, some of which may be material. We offer warranties on many of our products, as well as long term warranty programs at certain of our businesses 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. The nature and extent to which we use hazardous or flammable materials in our manufacturing processes creates risk of damage to persons and property that, if realized, could be material.

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

We are subject to numerous, complicated and often increasingly stringent environmental, health and safety laws and regulations in the jurisdictions where we conduct business. Governmental and regulatory authorities impose various laws and regulations on us that relate to environmental protection, the use, 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, the use of certain chemicals in product formulations, 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. 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 could be subject to future liability as yet unknown and we are currently undertaking remedial activities at a number of properties.

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, health and safety laws (including related to permitting), we could be fined or otherwise sanctioned by regulators, including enjoining or curtailing operations, remedial or corrective measures, installations of pollution control equipment, or other actions. 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, health or safety 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. If regulatory permits or registrations are delayed, restricted, or rejected, subsequent operations at our businesses could be delayed or restricted, which could have an adverse effect on our results of operations.

**Our businesses are subject to varying domestic and foreign laws and regulations that may restrict or adversely impact our ability to conduct our business.**

Our businesses are subject to varying domestic and foreign laws and regulations that may restrict or adversely impact our ability to conduct our business. These include securities, environmental, health, safety, tax, competition and anti-trust, trade controls, data security, employment and privacy laws and regulations. These laws and regulations change from time to time and thus may result in increased costs to us related to our compliance therewith. From time to time regulators review our compliance with applicable laws. Enforcement actions, fines and private litigation claims and damages, which could be material, occur, notwithstanding our belief that we have in place appropriate risk management and compliance programs to mitigate these risks.

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

As an important 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. 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. 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.

**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 34% of our net sales for the fiscal year ended May 31, 2016, not including exports directly from the U.S. which accounted for approximately 2% of our net sales for fiscal 2016. We plan to continue to grow our international operations and the growth and maintenance of such operations could be adversely affected by Brexit, 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. Further, we may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could have adverse effects on our results of operations.

**Significant foreign currency exchange rate fluctuations may harm our financial results.**

Because our consolidated financial statements are presented in U.S. dollars, increases or decreases in the value of the U.S. dollar relative to other currencies in which we transact business could materially adversely affect our net revenues, operating income and the carrying values of our assets located outside the U.S. For example, Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Such strengthening of the U.S. dollar relative to other currencies may adversely affect our operating results.

**We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws of other countries, as well as trade sanctions administered by the office of Foreign Assets Control and the Department of Commerce.**

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws of other countries generally prohibit companies and their intermediaries from making improper payments to governmental officials or others for the purpose of obtaining or retaining business or for other unfair advantage. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Although we have internal controls and procedures designed to ensure compliance with these laws, there can be no assurance that our controls and procedures will prevent a violation of these laws.

We are required to comply with U.S. regulations on trade sanctions and embargoes administered by the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC"), the Commerce Department and similar multi-national bodies and governmental agencies worldwide, which are complex and constantly changing. A violation thereof could subject us to regulatory enforcement actions, including a loss of export privileges and significant civil and criminal penalties and fines.

Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial condition, and cash flows.

**Our operations are subject to the effect of global tax law changes, some of which have been, and may be in the future, retroactive in application.**

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

In response to, for instance, an economic crisis or recession, governments may revise tax laws, regulations or official interpretations in ways that could have a significant impact on us, including modifications that could, for example, reduce the profits that we can effectively realize from our non-U.S. operations, or that could require costly changes to those operations, or the way in which they are structured. If changes in tax laws, regulations or interpretations were to significantly increase the tax rates on non-U.S. income, our effective tax rate could increase, our profits could be reduced, and if such increases were a result of our status as a U.S. company, could place us at a disadvantage to our non-U.S. competitors if those competitors remain subject to lower local tax rates.

Further, legislative and regulatory action may be taken in the U.S. which, if ultimately enacted, could subject us to increased taxes which could adversely affect our effective tax rate.

We cannot predict the outcome or timing of any specific legislative, regulatory or other tax proposals or changes.

**We could be adversely affected by failure to comply with federal, state and local government procurement regulations and requirements.**

We have contracts with and supply product to federal, state and local governmental entities and their contractors, and are required to comply with specific procurement regulations and other requirements relating to those contracts and sales. Requirements in our contracts and those requirements flowed down to us in our capacity as a subcontractor or supplier, although customary in government contracts, may impact our performance and compliance costs. Failure to comply with these regulations and requirements or to make required disclosures under contract could result in reductions of the value of contracts, contract modifications or termination for cause, adverse past performance ratings, actions under a federal or state false claims statute, suspension or debarment from government contracting or subcontracting for a period of time and the assessment of penalties and fines, any of which could negatively impact our results of operations and financial condition and could have a negative impact on our reputation and ability to procure other government contracts in the future.

**Terrorist activities and other acts of violence or war, natural disasters and other disruptions 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, cyber-terrorism, violence, war or natural disasters could affect the industries in which we compete, our ability to purchase raw materials or make, sell or distribute products, which could have a material adverse impact on our financial condition and results of operations.

**Data privacy and data security considerations could impact the Company's business.**

The interpretation and application of data protection laws in the U.S., Europe and elsewhere are uncertain and evolving. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. Complying with these various laws is difficult and could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Despite our efforts to protect sensitive information and confidential and personal data and comply with and implement data security measures, our facilities, and systems may be vulnerable to security breaches and other data loss, including cyber-attacks and, in fact, we have experienced data security incidents that have not had a material impact on our financial results. In addition, it is not possible to predict the impact on our business of the future loss, alteration or misappropriation of information in our possession related to us, our employees, former employees, customers or suppliers. This could lead to negative publicity, legal claims, theft, modification or destruction of proprietary information or key information, damage to or inaccessibility of critical systems, manufacture of defective products, production downtimes, operational disruptions and other significant costs, which could adversely affect our reputation, 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, roofing, construction products 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 such 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 a 119-acre site, which we own in Medina, Ohio. As of May 31, 2016, our operations occupied a total of approximately 14.4 million square feet, with the majority, approximately 11.9 million square feet, devoted to manufacturing, assembly and storage. Of the approximately 14.4 million square feet occupied, approximately 7.0 million square feet are owned and approximately 7.4 million square feet are occupied under operating leases.

Set forth below is a description, as of May 31, 2016, of our principal facilities which we believe are material to our operations:

| Location | Business/Segment | Approximate Square Feet Of Floor Space | Leased or Owned |
|---|---|---|---|
| Capacava, Brazil | Euclid (Industrial) | 325,000 | Owned |
| Pleasant Prairie, Wisconsin | Rust-Oleum (Consumer) | 303,200 | Owned |
| Cleveland, Ohio | Day-Glo (Specialty) | 224,624 | Owned |
| Toronto, Ontario, Canada | Tremco (Industrial) | 207,160 | Owned |
| LaFayette, Georgia | Euclid (Industrial) | 201,109 | Owned |
| Dayton, Nevada | Carboline (Industrial) | 184,533 | Owned |
| Newark, New Jersey | Rust-Oleum (Consumer) | 182,418 | Owned |
| Cleveland, Ohio | Euclid (Industrial) | 173,058 | Owned |
| Cleveland, Ohio | Tremco (Industrial) | 160,300 | Owned |
| Bodenwoehr, Germany | illbruck (Industrial) | 151,171 | Owned |
| Baltimore, Maryland | DAP (Consumer) | 144,200 | Owned |
| Hagerstown, Maryland | Rust-Oleum (Consumer) | 143,000 | Owned |
| Arkel, Netherlands | illbruck (Industrial) | 140,067 | Owned |
| Tipp City, Ohio | DAP (Consumer) | 140,000 | Owned |
| Zelem, Belgium | Rust-Oleum (Consumer) | 136,150 | Owned |
| Attelboro, Massachusetts | Rust-Oleum (Consumer) | 133,650 | Owned |
| Hudson, North Carolina | Wood Finishes Group (Specialty) | 129,300 | Owned |
| Lake Charles, Louisiana | Carboline (Industrial) | 114,287 | Owned |
| Lesage, West Virginia | Rust-Oleum (Consumer) | 112,000 | Owned |
| Somerset, New Jersey | Rust-Oleum (Consumer) | 110,000 | Owned |
| Wigan, Lanc, United Kingdom | Tremco (Industrial) | 106,020 | Owned |
| Maple Shade, New Jersey | Stonhard (Industrial) | 77,500 | Owned |
| Dallas, Texas | DAP (Consumer) | 74,000 | Owned |
| Kenosha, Wisconsin | Rust-Oleum (Consumer) | 850,243 | Leased |
| Martinsburg, West Virginia | Rust-Oleum (Consumer) | 629,096 | Leased |
| Riverside, California | Rust-Oleum (Consumer) | 309,535 | Leased |
| Vaughan, Ontario, Canada | Rust-Oleum (Consumer) | 213,847 | Leased |
| Paterson, New Jersey | SPG-Consumer (Consumer) | 185,947 | Leased |
| Baltimore, Maryland | DAP (Consumer) | 188,555 | Leased |
| Williamsport, Maryland | Rust-Oleum (Consumer) | 162,058 | Leased |
| Odessa, Florida | Euclid (Industrial) | 116,500 | Leased |
| Burlington, Washington | Legend Brands (Specialty) | 113,875 | Leased |
| Bodenwoehr, Germany | illbruck (Industrial) | 100,000 | Leased |

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 K, "Leases" of the Notes to Consolidated Financial Statements, which appears in the 2016 Annual Report to Stockholders and is incorporated herein by reference. Under many 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**

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 U.S. 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. The Bankruptcy Plan was confirmed on December 10, 2014 and, effective as of December 23, 2014, Bondex, SPHC, Republic and NMBFiL emerged from bankruptcy. For information regarding asbestos litigation involving SPHC and Bondex, see Note A(2) to the Consolidated Financial Statements.

**Environmental Proceedings**

Following an audit of Rust-Oleum Corporation's Annual Quantity and Emissions Reports, the State of California's South Coast Air Quality Management District (the "AQMD") issued a Notice of Violation to Rust-Oleum alleging violations of AQMD's Rule 314 (relating to fees for architectural coatings) and Rule 1113 (relating to limits on volatile organic compound content in architectural coatings). Rust-Oleum estimates that it may be subject to excess emission fees, civil penalties and AQMD's costs in the range of approximately $100,000 to $200,000 in the aggregate, and anticipates that all or a portion of such payments may be offset by a credit for excess amounts that Rust-Oleum has previously paid to AQMD.

The U.S. Environmental Protection Agency issued a Notice of Violation to Rust-Oleum Corporation alleging three violations of regulations/permits issued under the Clean Air Act. With respect to this Notice of Violation, Rust-Oleum estimates that it may be subject to a penalty in the range of $150,000 to $260,000.

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 local 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.** ***Mine Safety Disclosures***

**Not applicable.**

# 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 60 of the 2016 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 2016:

| 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, 2016 through March 31, 2016 | — | — | — | — |
| April 1, 2016 through April 30, 2016 | 35,663 | $ 50.49 | — | — |
| May 1, 2016 through May 31, 2016 | 56,038 | $ 49.62 | — | — |
| Total – Fourth Quarter | 91,701 | $ 49.96 | — | — |

(1) All of the shares of common stock reported as purchased are attributable to shares of common stock that were disposed of back to us in satisfaction of tax obligations related to the exercise of SARS, which were granted under RPM International Inc.'s Amended and Restated 2004 Omnibus Equity and Incentive Plan, and the vesting of restricted stock which were granted under the 2007 Restricted Stock Plan.

(2) Refer to Note G of the Notes to Consolidated Financial Statements for further information regarding our stock repurchase program.

**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, 2016.

| | Fiscal Years Ended May 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **(Amounts in thousands, except per share and percentage data)** | | | | | |
| Net sales | $ 4,813,649 | $ 4,594,550 | $ 4,376,353 | $ 4,078,655 | $ 3,777,416 |
| Income before income taxes | 483,466 | 453,253 | 424,487 | 176,891 | 328,289 |
| Net income | 357,458 | 228,328 | 305,984 | 109,851 | 233,763 |
| Return on sales % | 7.4% | 5.0% | 7.0% | 2.7% | 6.2% |
| Basic earnings per share attributable to RPM International Inc. Stockholders | $ 2.70 | $ 1.81 | $ 2.20 | $ 0.75 | $ 1.65 |
| Diluted earnings per share attributable to RPM International Inc. Stockholders | 2.63 | 1.78 | 2.18 | 0.74 | 1.65 |
| Total RPM International Inc. stockholders’ equity | 1,372,335 | 1,291,392 | 1,382,844 | 1,200,858 | 1,183,656 |
| Total RPM International Inc. stockholders' equity per share | 10.61 | 9.94 | 10.68 | 9.31 | 9.24 |
| Return on total RPM International Inc. stockholders’ equity % | 26.8% | 17.1% | 23.7% | 9.2% | 19.1% |
| Average shares outstanding | 129,383 | 129,933 | 129,438 | 128,956 | 128,130 |
| Cash dividends paid | $ 144,350 | $ 136,179 | $ 125,743 | $ 117,647 | $ 112,153 |
| Cash dividends declared per share | 1.085 | 1.020 | 0.945 | 0.890 | 0.855 |
| Retained earnings | 1,147,371 | 936,996 | 833,691 | 667,774 | 686,818 |
| Working capital | 1,136,151 | 1,196,610 | 1,125,209 | 957,887 | 1,012,179 |
| Total assets | 4,776,041 | 4,694,240 | 4,378,365 | 4,120,847 | 3,561,813 |
| Long-term debt | 1,646,332 | 1,654,037 | 1,345,965 | 1,369,176 | 1,112,952 |
| Depreciation and amortization | 111,039 | 99,176 | 90,069 | 86,336 | 76,023 |
| Cash from operating activities | 474,706 | 330,448 | 278,149 | 368,454 | 294,872 |
| Cash (used for) investing activities | (165,866) | (559,453) | (149,711) | (477,404) | (267,322) |
| Cash (used for) from financing activities | (206,105) | 110,193 | (137,243) | 138,150 | (117,441) |

Note: Acquisitions made by us during each of the periods presented and the reconsolidation of SPHC, which occurred on January 1, 2015, may impact comparability from year to year. (See Note A, "Summary of Significant Accounting Policies," 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 14 through 26 of the 2016 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 25 of the 2016 Annual Report to Stockholders, which information is incorporated herein by reference.

**Item 8.** ***Financial Statements and Supplementary Data.***

The information required by this item is set forth at pages 27 through 59 and 62 of the 2016 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, 2016 (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 Deloitte & Touche LLP, our independent registered public accounting firm, are set forth at pages 61 and 63, respectively, of the 2016 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, 2016 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 2016 Proxy Statement is incorporated herein by reference. Information required by Item 405 of Regulation S-K is set forth in the 2016 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 2016 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 “The Values & Expectations of 168” (our 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 our code of business conduct and ethics, and any waiver of our code of business conduct and ethics granted to any of our Directors or Executive Officers on our website.

The name, age and positions of each of our Executive Officers as of July 28, 2016 are as follows:

| Name | Age | Position and Offices Held |
|---|---|---|
| Frank C. Sullivan | 55 | Chairman and Chief Executive Officer |
| Ronald A. Rice | 53 | President and Chief Operating Officer |
| Russell L. Gordon | 50 | Vice President and Chief Financial Officer |
| Edward W. Moore | 59 | Senior Vice President, General Counsel and Chief Compliance Officer |
| Janeen B. Kastner | 49 | Vice President – Corporate Benefits and Risk Management |
| Matthew T. Ratajczak | 48 | Vice President – Global Tax and Treasurer |
| Barry M. Slifstein | 56 | Vice President – Investor Relations |
| Keith R. Smiley | 54 | Vice President – Finance and Controller |

*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.

*Russell L. Gordon* was elected Vice President and Chief Financial Officer in 2012. Prior to that time, Mr. Gordon was the Company’s Vice President – Corporate Planning from 2007 to 2012. Mr. Gordon joined the Company as Director of Corporate Development in 1995. Prior to joining the Company, Mr. Gordon held various financial positions in corporate treasury and control as well as in the Specialty Chemicals Division of Goodrich Corporation. He previously was an industrial engineer at VLSI Technology Inc.

*Edward W. Moore* was elected Senior Vice President, General Counsel, Chief Compliance Officer and Secretary in 2013. He had been the Company’s Vice President, General Counsel and Secretary since 2007, adding the title of Chief Compliance Officer in 2011. 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 Co-Chair of the Securities and Capital Markets Group.

*Janeen B. Kastner* was elected Vice President — Corporate Benefits and Risk Management in 2007. Ms. Kastner had been our Director of Human Resources and Administration since 2000. Ms. Kastner joined the Company in 1997 as Manager of Benefits and Insurance. Prior to joining the Company, Ms. Kastner was a pension plan consultant with Watson Wyatt & Co.

*Matthew T. Ratajczak* was elected Vice President – Global Tax and Treasurer in 2012. Mr. Ratajczak joined the Company as director of taxes in 2004 and was elected Vice President – Global Taxes in 2005. Prior to joining the Company, he was Director of Global Tax for Noveon, Inc., a specialty chemicals company, and began his career with Ernst & Young LLP.

*Barry M. Slifstein* was elected Vice President – Investor Relations in 2012. Mr. Slifstein was Vice President and Controller from 2008 to 2012. Previously, 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.

*Keith R. Smiley* was elected Vice President – Finance and Controller in 2012. Prior to that time, Mr. Smiley was the Company's Vice President – Treasurer and Assistant Secretary since 1999, and served as Treasurer of the Company since 1997. From 1993 to 1997, Mr. Smiley was the Company's Controller. Prior to joining the Company, he was associated with Ciulla, Smith and Dale, LLP., an accounting firm.

**Item 11. *Executive Compensation.***

The information required by this item is set forth in the 2016 Proxy Statement under the headings "Executive Compensation" and "Director Compensation," which information is incorporated herein by reference.

**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 2016 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 2016 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 2016 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 2016 Annual Report on Form 10-K:

1 . *Financial Statements*. The following consolidated financial statements of RPM and the reports of our independent registered public accounting firms thereon, included in our 2016 Annual Report to Stockholders on pages 27 through 59 and 62, are incorporated by reference in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets —
May 31, 2016 and 2015

Consolidated Statements of Income —
fiscal years ended May 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income —
fiscal years ended May 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows —
fiscal years ended May 31, 2016, 2015 and 2014

Consolidated Statements of Stockholders' Equity —
fiscal years ended May 31, 2016, 2015 and 2014

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 2016 Annual Report to Stockholders:

| Schedule | Page or Exhibit No. |
|---|---|
| Schedule II — Valuation and Qualifying Accounts and Reserves | S-1 |
| Consent of Independent Registered Public Accounting Firm | Exhibit 23.1 |
| Consent of Independent Registered Public Accounting Firm | Exhibit 23.2 |

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.

## 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 28, 2016

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 28th day of July, 2016.

| Signature | Title |
|---|---|
| /s/ Frank C. Sullivan<br>Frank C. Sullivan | Chairman, Chief Executive Officer and a Director<br>(Principal Executive Officer) |
| /s/ Russell L. Gordon<br>Russell L. Gordon | Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Keith R. Smiley<br>Keith R. Smiley | Vice President-Finance and Controller<br>(Principal Accounting Officer) |
| /s/ Thomas C. Sullivan<br>Thomas C. Sullivan | Chairman Emeritus and a Director |
| /s/ John P. Abizaid<br>John P. Abizaid | Director |
| /s/ Bruce A. Carbonari<br>Bruce A. Carbonari | Director |
| /s/ David A. Daberko<br>David A. Daberko | Director |
| /s/ Jenniffer D. Deckard<br>Jenniffer D. Deckard | Director |
| /s/ Salvatore D. Fazzolari<br>Salvatore D. Fazzolari | Director |
| /s/ Thomas S. Gross<br>Thomas S. Gross | Director |
| /s/ Craig S. Morford<br>Craig S. Morford | Director |
| /s/ Frederick R. Nance<br>Frederick R. Nance | Director |
| /s/ Charles A. Ratner<br>Charles A. Ratner | Director |
| /s/ William B. Summers, Jr.<br>William B. Summers, Jr. | Director |
| /s/ Dr. Jerry Sue Thornton<br>Dr. Jerry Sue Thornton | Director |

**RPM INTERNATIONAL INC.**

**Exhibit Index**

| Exhibit Number | Description | Incorporated by reference herein — Form | Incorporated by reference herein — 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 February 14, 2008, between the Company, as issuer, and The Bank of New York Trust Company, as trustee | Registration Statement on Form S-3 (File No. 333-173395) | April 8, 2011 |
| 4.3.1 | Form of 6.50% Senior Note Due 2018 | Current Report on Form 8-K (File No. 001-14187) | February 20, 2008 |
| 4.4 | 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 |
| 4.5 | Officers' Certificate and Authentication Order dated May 27, 2011 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) | May 27, 2011 |
| 4.6 | Officers' Certificate and Authentication Order dated October 23, 2012 for the 3.450% Notes due 2022 (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 23, 2012 |
| 4.7 | First Supplemental Indenture, dated December 9, 2013, for the 2.25% Convertible Senior Notes due 2020 (which includes the form of Note), 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) | December 11, 2013 |
| 4.8 | Indenture, dated as of April 8, 2014, between the Company and Wells Fargo Bank, National Association | Registration Statement on Form S-3 (File No. 333-195132) | April 8, 2014 |
| 4.9 | Officers' Certificate and Authentication Order dated May 29, 2015 for the 5.250% Notes due 2045 (which includes the form of Note) issued pursuant to the Indenture dated as of April 8, 2014, between the Company and Wells Fargo Bank, National Association | Current Report on Form 8-K (File No. 001-14187) | May 29, 2015 |
| 10.1 | Credit Agreement among RPM International Inc., the Borrowers party thereto, the Lenders party thereto and PNC Bank, National Association, as Administrative Agent, date December 5, 2014 | Current Report on Form 8-K (File No. 001-14187) | December 11, 2014 |
| 10.2 | Second Amended and Restated Receivables Sales Agreement dated May 9, 2014 | Current Report on Form 8-K (File No. 001-14187) | May 15, 2014 |

| Exhibit Number | Description | Incorporated by reference herein | |
|---|---|---|---|
| | | Form | Date |
| 10.2.1 | Amendment No. 1 to Second Amended and Restated Receivables Sale Agreement, dated as of August 29, 2014 | Quarterly Report on Form 10-Q (File No. 001-14187) | January 6, 2016 |
| 10.2.2 | Amendment No. 2 to Second Amended and Restated Receivables Sale Agreement, dated as of November 3, 2015 | Quarterly Report on Form 10-Q (File No. 001-14187) | January 6, 2016 |
| 10.3 | Amended and Restated Receivables Purchase Agreement, dated May 9, 2014 | Current Report on Form 8-K (File No. 001-14187) | May 14, 2014 |
| 10.3.1 | Amendment No. 1 to Amended and Restated Receivables Purchase Agreement, dated as of February 25, 2015 | Quarterly Report on Form 10-Q (File No. 001-14187) | April 8, 2015 |
| 10.4 | Amended and Restated Fee Letter, dated May 9, 2014 | Current Report on Form 8-K (File No. 001-14187) | May 15, 2014 |
| *10.5 | 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 |
| *10.6 | Form of Amended and Restated Employment Agreement, by and between the Company and Ronald A. Rice, President and Chief Operating Officer | Quarterly Report on Form 10-Q (File No. 001-14187) | April 9, 2009 |
| *10.7 | Amended and Restated Employment Agreement, by and between the Company and Edward W. Moore, Vice President, General Counsel and Chief Compliance Officer | Quarterly Report on Form 10-Q (File No. 001-14187) | October 6, 2011 |
| *10.8 | 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 |
| *10.9 | RPM International Inc. Benefit Restoration Plan | Annual Report on Form 10-K (File No. 001-14187) | August 29, 2001 |
| *10.9.1 | Amendment No. 1 to the RPM International Inc. Benefit Restoration Plan | Quarterly Report on Form 10-Q (File No. 001-14187) | April 14, 2003 |
| *10.9.2 | Amendment No. 2 to RPM International Inc. Benefit Restoration Plan | Quarterly Report on Form 10-Q (File No. 001-14187) | January 13, 2003 |
| *10.10 | 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 |
| *10.10.1 | Master Trust Agreement for RPM International Inc. Deferred Compensation Plan | Annual Report on Form 10-K (File No. 001-14187) | August 29, 2002 |
| 10.11 | Second Amendment and Restated Collection Account Agreement, dated July 29, 2010 | Quarterly Report on Form 10-Q (File No. 001-14187) | October 6, 2010 |
| *10.12 | 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 |
| *10.12.1 | 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 |
| *10.12.2 | Second Amendment to the RPM, Inc. 1997 Restricted Stock Plan | Annual Report on Form 10-K (File No. 001-14187) | August 29, 2002 |
| *10.12.3 | Third Amendment to the RPM, Inc. 1997 Restricted Stock Plan | Quarterly Report on Form 10-Q (File No. 001-14187) | January 13, 2003 |
| *10.12.4 | Fourth Amendment to the RPM International Inc. 1997 Restricted Stock Plan | Quarterly Report on Form 10-Q (File No. 001-14187) | April 14, 2003 |

| Exhibit Number | Description | Incorporated by reference herein Form | Date |
|---|---|---|---|
| *10.12.5 | Fifth Amendment to the RPM International Inc. 1997 Restricted Stock Plan | Annual Report on Form 10-K (File No. 001-14187) | August 16, 2004 |
| *10.12.6 | Sixth Amendment to the RPM International Inc. 1997 Restricted Stock Plan | Annual Report on Form 10-K (File No. 001-14187) | July 30, 2007 |
| *10.12.7 | 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 |
| *10.13 | RPM International Inc. 2003 Restricted Stock Plan for Directors | Quarterly Report on Form 10-Q (File No. 001-14187) | January 14, 2004 |
| *10.13.1 | 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 |
| *10.13.2 | 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 |
| *10.14 | 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 |
| *10.14.1 | 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 |
| *10.14.2 | 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 |
| *10.14.3 | Form of Performance-Contingent Restricted Stock (PCRS) and Escrow Agreement | Quarterly Report on Form 10-Q (File No. 001-14187) | January 7, 2011 |
| *10.14.4 | Form of Performance-Earned Restricted Stock (PERS) and Escrow Agreement | Quarterly Report on Form 10-Q (File No. 001-14187) | January 8, 2009 |
| *10.14.5 | Form of Stock Appreciation Rights Agreement | Quarterly Report on Form 10-Q (File No. 001-14187) | January 8, 2009 |
| *10.15 | RPM International Inc. 2007 Restricted Stock Plan | Current Report on Form 8-K (File No. 001-14187) | October 12, 2006 |
| *10.15.1 | 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 |
| *10.16 | RPM International Inc. Amended and Restated Incentive Compensation Plan | Quarterly Report on Form 10-Q (File No. 001-14187) | October 9, 2007 |
| *10.17 | Amended and Restated Employment Agreement, effective December 31, 2008, by and between the Company and Russell L. Gordon, Vice President and Chief Financial Officer | Annual Report on Form 10-K (File No. 001-14187) | July 24, 2013 |
| 10.18 | Settlement Term Sheet, dated July 26, 2014, by and among the Company, Bondex, SPHC, Republic, the Asbestos Claimants' Committee, counsel for each member of the Asbestos Claimant's Committee in its individual capacity and on behalf of such member, and Eric Green, in his capacity as the Future Claimants' Representative | Current Report on Form 8-K (File No. 001-14187) | July 31, 2014 |
| *10.19 | RPM International Inc. 2014 Omnibus Equity and Incentive Plan, effective October 10, 2014 | Definitive Proxy Statement (File No. 001-14187) | August 26, 2014 |
| 10.20 | Plan of Reorganization | Current Report on Form 8-K (File No. 001-14187) | December 23, 2014 |

| Exhibit Number | Description | Incorporated by reference herein | |
|---|---|---|---|
| | | Form | Date |
| *10.21 | Amended and Restated Employment Agreement, effective December 31, 2008, by and between the Company and Janeen B. Kastner, Vice President – Corporate Benefits and Risk Management | Annual Report on Form 10-Q (File No. 001-14187) | October 7, 2015 |
| 12 | Computation of Ratio of Earnings to Fixed Charges (x) | | |
| 13.1 | Portions of RPM International Inc.'s 2016 Annual Report to Stockholders (x) | | |
| 21.1 | Subsidiaries of the Company (x) | | |
| 23.1 | Consent of Independent Registered Public Accounting Firm (x) | | |
| 23.2 | 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) | | |
| 101.INS | XBRL Instance Document. | | |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | |

* Management contract or compensatory plan or arrangement.
(x) Filed herewith.
(xx) Furnished herewith.

**RPM International Inc. and Subsidiaries**

**Valuation And Qualifying Accounts and Reserves**

| *(In thousands)* | Balance at Beginning of Period | Additions Charged to Selling, General and Administrative | Acquisitions (Disposals) of Businesses and Reclassifications | (Deductions) Additions | Balance at End of Period |
|---|---|---|---|---|---|
| **Year Ended May 31, 2016** | | | | | |
| Current: | | | | | |
| Allowance for doubtful accounts | $ 24,526 | $ 8,692 | $ — | $ (8,618) (1) | $ 24,600 |
| Accrued product liability reserves | $ 11,916 | $ 13,848 | $ — | $ (664) (2) | $ 25,100 |
| Accrued loss reserves | $ 1,383 | $ 230 | $ — | $ (560) (2) | $ 1,053 |
| Noncurrent: | | | | | |
| Accrued product liability | $ 29,768 | $ 9,637 | $ | $ (10,360) (2) | $ 29,045 |
| Environmental reserves | $ 3,498 | $ 730 | $ — | $ (2,552) (2) | $ 1,676 |
| **Year Ended May 31, 2015** | | | | | |
| Current: | | | | | |
| Allowance for doubtful accounts | $ 27,641 | $ 4,929 | $ 1,715 | $ (9,759) (1) | $ 24,526 |
| Accrued product liability reserves | $ 10,589 | $ 1,151 | $ 579 | $ (403) (2) | $ 11,916 |
| Accrued loss reserves | $ 2,731 | $ 937 | $ 1,113 (3) | $ (3,398) (2) | $ 1,383 |
| Noncurrent: | | | | | |
| Accrued product liability | $ 29,653 | $ 10,034 | $ | $ (9,919) (2) | $ 29,768 |
| Environmental reserves | $ 2,005 | $ 1,715 | $ 1,370 (3) | $ (1,592) (2) | $ 3,498 |
| **Year Ended May 31, 2014** | | | | | |
| Current: | | | | | |
| Allowance for doubtful accounts | $ 28,904 | $ 7,618 | $ | $ (8,881) (1) | $ 27,641 |
| Accrued product liability reserves | $ 15,582 | $ 3,186 | $ | $ (8,179) (2) | $ 10,589 |
| Accrued loss reserves | $ 3,418 | $ 275 | $ 494 (3) | $ (1,456) (2) | $ 2,731 |
| Noncurrent: | | | | | |
| Accrued product liability | $ 29,489 | $ 4,968 | $ | $ (4,804) (2) | $ 29,653 |
| Environmental reserves | $ 3,274 | $ | $ (494) (3) | $ (775) (2) | $ 2,005 |

(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

**Exhibit 12**

**RPM**
**RATIO OF EARNINGS TO FIXED CHARGES**
Periods Ended May 31, 2011 through May 31, 2016

| | Year Ended May 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Ratio of Earnings to Fixed Charges 1 | 5.36 | 5.29 | 5.34 | 2.86 | 4.84 | 4.72 |

1 Calculated as follows

$$\frac{\text{(income before income taxes)} + \text{(fixed charges)}}{\text{(fixed charges)}}$$

*Fixed charges consist of interest expense, amortized expenses related to debt and an estimate of the interest portion of rental expense.*

| | Year Ended May 31, | | | | | |
|---|---|---|---|---|---|---|
| ***(All numbers in thousands)*** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Income before income tax | 483,466 | 453,253 | 424,487 | 176,891 | 328,289 | 295,053 |
| Fixed charges | 110,851 | 105,549 | 97,918 | 95,346 | 85,579 | 79,227 |
| **Total** | 594,317 | 558,802 | 522,405 | 272,237 | 413,868 | 374,280 |

Exhibit 13.1

# 2016 Annual Report

Contents

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements include all of our majority-owned subsidiaries, except for certain subsidiaries that were deconsolidated during the period from May 31, 2010 through December 31, 2014. We reconsolidated such subsidiaries as of January 1, 2015 (refer to Note A[2] to the Consolidated Financial Statements for further information). Investments in less-than-majority-owned joint ventures for which we have the ability to exercise significant influence over are accounted for under the equity method. 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; uncertain tax positions; 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 in 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 principal operating 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 period, 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 reflect the resulting losses as a component of accumulated other comprehensive income (loss). Conversely, if the U.S. dollar weakens, foreign exchange translation gains result, which favorably impact accumulated other comprehensive income (loss). Translation adjustments may be included in net earnings in the event of a sale or liquidation of certain of our underlying foreign investments. 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).

## GOODWILL

We test our goodwill balances at least annually, or more frequently as impairment indicators arise, at the reporting unit level. Our annual impairment assessment date has been designated as the first day of our fourth fiscal quarter. Our reporting units have been identified at the component level, which is the operating segment level or one level below our operating segments.

We follow the Financial Accounting Standards Board ("FASB") guidance found in Accounting Standards Codification ("ASC") 350 that simplifies how an entity tests goodwill for impairment. It provides an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is necessary to perform the two-step goodwill impairment test.

We assess qualitative factors in each of our reporting units that carry goodwill. Among other relevant events and circumstances that affect the fair value of our reporting units, we assess individual factors such as:

- a significant adverse change in legal factors or the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel; and
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of.

We assess these qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The traditional two-step quantitative process is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount. However, we have an unconditional option to bypass a qualitative assessment and proceed directly to performing the traditional two-step quantitative analysis.

In applying the first step of the quantitative test, we compare the fair value of a reporting unit to its carrying value. Calculating the fair value of a reporting unit requires our use of estimates and assumptions. We use significant judgment in determining the most appropriate method to establish the fair value of a reporting unit. We estimate the fair value of a reporting unit by employing various valuation techniques, depending on the availability and reliability of comparable market value indicators, and employ methods and assumptions that include the application of third-party market value indicators and the computation of discounted future cash flows for a reporting unit's annual projected earnings before interest, taxes, depreciation and amortization ("EBITDA").

We evaluate discounted future cash flows for a reporting unit's projected EBITDA. Under this approach, we calculate the fair value of a 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 a 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 unit. 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 a 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. As previously reported, we have monitored the performance of our Kirker nail enamel business throughout fiscal 2016, which had $143.3 million of goodwill at May 31, 2016 and is included in our consumer reportable segment results. We performed our annual goodwill impairment analysis during the fourth quarter of fiscal 2016, which resulted in an excess of fair value over carrying value of 8% for our Kirker reporting unit. In calculating the fair value of Kirker, we utilized market studies and other industry analyses to reflect growth in line with industry and market expectations. Further, in order to evaluate the sensitivity of our fair value calculation of our Kirker goodwill impairment test, we reduced growth expectations for each of the next five years by 1%, which resulted in a fair value that was still slightly above carrying value. We will continue to monitor the business performance for our Kirker nail enamel business over the coming months. If the expected level of business growth, timing of projected new business opportunities or improvements in customer demand for our nail enamel business are not achieved, impairment of intangible assets, including goodwill, and our other long-lived assets, could result.

Our annual goodwill impairment analysis for fiscal 2016 did not result in any indicators of impairment. 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, amortizable 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.

Measuring a potential impairment of amortizable 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; market participant assumptions; 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.

Additionally, we test all indefinite-lived intangible assets for impairment at least annually during our fiscal fourth quarter. We follow the guidance provided by ASC 350 that simplifies how an entity tests indefinite-lived intangible assets for impairment. It provides an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. Our fiscal 2016 annual impairment tests of each of our indefinite-lived intangible assets did not result in any impairment loss.

## 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 of the appropriate character, 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 capital gain 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 various 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 estimable. Our provisions are based on historical experience and legal advice, reviewed quarterly and adjusted according to developments. In general, our accruals, including our accruals for environmental, warranty and tax liabilities, discussed further below, represent the best estimate of a range of probable losses. Estimating probable losses requires the analysis of multiple 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. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position. We evaluate our accruals at the end of each quarter, or sometimes more frequently, based on available facts, and may revise our estimates in the future based on any new information becoming available.

Our environmental-related accruals are similarly established and/or adjusted as more information becomes available upon which costs can be reasonably estimated. 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. If the indemnifying party fails to, or becomes unable to, fulfill its obligations under those agreements, 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.

We offer warranties on many of our products, as well as long term warranty programs at certain of our businesses, and thus have established corresponding warranty liabilities. Warranty expense is impacted by variations in local construction practices, installation conditions, and geographic and climate differences. Although we believe that appropriate liabilities have been recorded for our warranty expense, actual results may differ materially from our estimates.

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

We also 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 and actual income tax liabilities can also be affected by changes in applicable tax laws, retroactive tax law changes, or other factors, which may cause us to believe revisions of past estimates are appropriate. Although we believe that appropriate liabilities have been recorded for our income tax expense and income tax exposures, 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 and past experience, but are primarily made up of 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.

During the first quarter of fiscal 2016, we elected to change our approach in estimating the service and interest cost components of net periodic benefit cost. Please refer to Note L, "Pension Plans," to the Consolidated Financial Statements for further information.

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, 2016 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:

| | U.S. | | International | |
|---|---|---|---|---|
| *(In millions)* | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| Discount Rate | | | | |
| Increase (decrease) in expense in FY 2016 | $ (7.0) | $ 8.7 | $ (1.6) | $ 2.2 |
| Increase (decrease) in obligation as of May 31, 2016 | $ (49.0) | $ 58.1 | $ (25.5) | $ 35.9 |
| Expected Return on Plan Assets | | | | |
| Increase (decrease) in expense in FY 2016 | $ (3.3) | $ 3.3 | $ (1.6) | $ 1.6 |
| Increase (decrease) in obligation as of May 31, 2016 | N/A | N/A | N/A | N/A |
| Compensation Increase | | | | |
| Increase (decrease) in expense in FY 2016 | $ 5.4 | $ (4.8) | $ 1.0 | $ (0.9) |
| Increase (decrease) in obligation as of May 31, 2016 | $ 26.2 | $ (23.8) | $ 5.8 | $ (5.1) |

Based upon May 31, 2016 information, the following table reflects the impact of a 1% change in the key assumptions applied to our various postretirement health care plans:

| | U.S. | | International | |
|---|---|---|---|---|
| *(In millions)* | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| Discount Rate | | | | |
| Increase (decrease) in expense in FY 2016 | $ - | $ - | $ (0.5) | $ 0.6 |
| Increase (decrease) in obligation as of May 31, 2016 | $ (0.7) | $ 0.8 | $ (4.2) | $ 5.5 |
| Healthcare Cost Trend Rate | | | | |
| Increase (decrease) in expense in FY 2016 | $ - | $ - | $ 0.5 | $ (0.4) |
| Increase (decrease) in obligation as of May 31, 2016 | $ 0.3 | $ (0.3) | $ 5.6 | $ (4.3) |

## BUSINESS SEGMENT INFORMATION

In July 2015, our Board of Directors approved the realignment of certain businesses and management structure to recognize how we allocate resources and analyze the operating performance of our operating segments. During August 2015, we made the determination to combine our former RPM2-Industrial operating segment and our former SPHC operating segment into a single operating segment, called the "Specialty Products Group," which is discussed in further detail below and constitutes a new reportable segment. Information for all periods presented has been recast to reflect this change.

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 three reportable segments: the industrial reportable segment, the specialty reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate operating segments or product lines that consist of individual companies or 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 seven operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These seven 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 income 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 acquisitions, as opposed to segment operations.

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. The industrial reportable segment comprises three separate operating segments — Tremco Group, tremco illbruck Group and Performance Coatings Group. Products and services within this reportable segment include construction chemicals; roofing systems; weatherproofing and other sealants; and polymer flooring.

Our specialty reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The specialty reportable segment is a single operating segment, which offers products that include industrial cleaners; restoration services equipment; colorants; exterior finishes; edible coatings and specialty glazes for pharmaceutical and food industries; and other specialty OEM coatings. This segment includes the SPHC businesses, which were reconsolidated as of January 1, 2015.

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 reportable segment's major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe and other parts of the world. Our consumer reportable segment's products are sold throughout North America primarily to mass merchants, home improvement centers, hardware stores, paint stores, craft shops, cosmetic companies and to other smaller customers through distributors. The consumer reportable segment comprises three operating segments — Rust-Oleum Group, DAP Group and SPG-Consumer Group. Products within this reportable segment include specialty, hobby and professional paints; nail care enamels; caulks; adhesives; silicone sealants and wood stains.

In addition to our three 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 any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses 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. Information for all periods presented has been recast to reflect the current-year change in reportable segments.

## SEGMENT INFORMATION

*(In thousands)*

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Net Sales** | | | |
| Industrial | $ 2,444,120 | $ 2,533,476 | $ 2,464,266 |
| Specialty | 732,091 | 457,245 | 305,391 |
| Consumer | 1,637,438 | 1,603,829 | 1,606,696 |
| **Total** | $ 4,813,649 | $ 4,594,550 | $ 4,376,353 |
| **Income Before Income Taxes** (a) | | | |
| Industrial Segment | | | |
| Income Before Income Taxes (a) | $ 252,781 | $ 246,997 | $ 234,123 |
| Interest (Expense), Net (b) | (5,987) | (8,190) | (10,482) |
| EBIT (c) | $ 258,768 | $ 255,187 | $ 244,605 |
| Specialty Segment | | | |
| Income Before Income Taxes (a) | $ 111,945 | $ 68,340 | $ 61,628 |
| Interest Income (Expense), Net (b) | 730 | 534 | 255 |
| EBIT (c) | $ 111,215 | $ 67,806 | $ 61,373 |
| Consumer Segment | | | |
| Income Before Income Taxes (a) | $ 268,218 | $ 274,001 | $ 251,229 |
| Interest Income (Expense), Net (b) | 40 | 34 | 122 |
| EBIT (c) | $ 268,178 | $ 273,967 | $ 251,107 |
| Corporate/Other | | | |
| (Expense) Before Income Taxes (a) | $ (149,478) | $ (136,085) | $ (122,493) |
| Interest (Expense), Net (b) | (76,101) | (61,416) | (55,131) |
| EBIT (c) | $ (73,377) | $ (74,669) | $ (67,362) |
| **Consolidated** | | | |
| Income Before Income Taxes (a) | $ 483,466 | $ 453,253 | $ 424,487 |
| Interest (Expense), Net (b) | (81,318) | (69,038) | (65,236) |
| EBIT (c) | $ 564,784 | $ 522,291 | $ 489,723 |

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles ("GAAP") in the U.S., 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 based on income before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to 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, income before taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness. 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.

## RESULTS OF OPERATIONS

### Fiscal 2016 Compared with Fiscal 2015

***Net Sales*** Consolidated net sales of $4.81 billion for fiscal 2016 grew by approximately 4.8% from net sales of $4.59 billion for fiscal 2015. Organic sales improved 2.8%, while acquisitions added 6.7%. Our SPHC businesses, all of which are included in our specialty segment, were reconsolidated as of January 1, 2015. Therefore, year-to-date results through December 2015 for the SPHC group are reflected in acquisition growth. Consolidated net sales for fiscal 2016 were offset by an unfavorable foreign exchange impact of 4.7%.

Industrial segment net sales declined by 3.5%, to $2.44 billion for fiscal 2016 versus net sales of $2.53 billion during fiscal 2015. The decline was due to unfavorable foreign exchange, which impacted net sales by 6.6% during fiscal 2016. Many of our international businesses continued to feel the impact of the strengthening of the U.S. dollar against most foreign currencies throughout fiscal 2016, and although we anticipate the impact to be less severe in fiscal 2017, the United Kingdom's recent vote to exit the European Union may result in a continuation of the unfavorable impact of foreign exchange going forward. Additionally, there was a continued slowdown during fiscal 2016 in net sales for our industrial segment businesses serving the energy sector. The impact of these unfavorable items was partially offset by organic growth in net sales of 2.5%, which included growth throughout fiscal 2016 in our North American-based industrial companies serving the commercial construction market. Lastly, recent acquisitions contributed 0.6% to net sales during fiscal 2016.

Specialty segment net sales for fiscal 2016 grew by 60.1% to $732.1 million, primarily due to acquisition growth of 60.4%, which includes the reconsolidated SPHC businesses and a few other small product line acquisitions during the year. Organic growth in net sales provided 2.7% to the specialty segment during fiscal 2016, while foreign currency negatively impacted net sales for fiscal 2016 by 3.0%.

Consumer segment net sales for fiscal 2016 grew by 2.1% to $1.64 billion from $1.60 billion during fiscal 2015, primarily reflecting organic growth in sales of 3.3%, which relate to new product introductions and strategic product placements early in the year. The consumer segment benefited from continued strength in the U.S. housing market and sales growth at many of our major retail customers. Despite an overall decline in demand in the nail enamel market year-over-year, we saw growth during the last quarter of fiscal 2016, and we expect this positive trend to continue. Acquisitions provided 0.9% growth in net sales for fiscal 2016 in the consumer segment. Foreign currency negatively impacted consumer segment net sales for fiscal 2016 by 2.1%.

***Gross Profit Margin*** Our consolidated gross profit margin improved to 43.4% of net sales for fiscal 2016 from a consolidated gross profit margin of 42.3% for the comparable period a year ago. The current-period improvement reflects a favorable impact from selling price increases of approximately 0.4% and lower manufacturing costs of approximately 1.1% during fiscal 2016 versus fiscal 2015. Unfavorable foreign exchange impacted current-period gross profit margin by approximately 0.4%. Foreign exchange has had a significant impact recently upon the costs of sales, since several of our foreign operations pay their suppliers in U.S. dollars, which has strengthened recently against many other foreign currencies. Additionally, although certain petroleum-based raw materials have eased lately, the costs of the raw materials we use are under generally upward pressure, and over the longer term we expect raw materials costs to increase, due to escalating energy and related feedstock costs, increased levels of global demand, and improved levels of supplier pricing discipline.

***Selling, General and Administrative Expenses ("SG&A")*** Our consolidated SG&A expense increased by approximately $98.0 million during fiscal 2016 versus fiscal 2015, and increased to 31.6% of net sales from 31.0% of net sales for the prior-year period. SG&A for fiscal 2016 reflects overall added expenses recorded by our recently acquired businesses, mainly our recent reconsolidation of SPHC and its subsidiaries, all of which are included in our specialty segment. SG&A expense for fiscal 2016 and 2015 was favorably impacted by the reversal of certain contingent consideration obligations relating to recent acquisitions, and totaled $14.5 million and $29.7 million, respectively. During fiscal 2016, there was also higher employee compensation expense, including commissions on higher sales, as well as increases in advertising, promotional and professional services expense. Warranty expense for fiscal 2016 decreased by $3.8 million from the amount recorded a year ago, and it is typical that warranty expense will fluctuate from period to period.

Our industrial segment SG&A expense was approximately $19.6 million lower during fiscal 2016 versus fiscal 2015, but slightly higher as a percentage of net sales. This reflects the strengthening of the U.S. dollar versus nearly all foreign currencies, which unfavorably impacted fiscal 2016 industrial segment sales by 6.6%.

Our specialty segment SG&A expense was approximately $92.6 million higher during fiscal 2016 versus fiscal 2015, and higher as a percentage of net sales, primarily reflecting the recent reconsolidation of SPHC and its subsidiaries, as well as a few small product line acquisitions.

Our consumer segment SG&A expense was $26.4 million higher during fiscal 2016 versus fiscal 2015, and it was also slightly higher as a percentage of net sales, reflecting higher advertising and promotional expense during fiscal 2016 versus fiscal 2015. Consumer segment SG&A expense for fiscal 2016 and 2015 was favorably impacted by the reversal of certain contingent consideration obligations relating to recent acquisitions, and totaled $14.5 million and $29.7 million, respectively.

SG&A expenses in our corporate/other category of $73.4 million during fiscal 2016 was slightly lower versus $74.7 million during fiscal 2015, reflecting favorable experience in benefit costs.

We recorded total net periodic pension and postretirement benefit costs of $47.6 million and $48.2 million for fiscal 2016 and 2015, respectively. The $0.6 million decrease in pension expense was primarily the result of lower service and interest cost of $2.8 million during fiscal 2016 versus fiscal 2015 combined with a favorable impact of $0.4 million from larger returns on higher plan asset levels during fiscal 2016. The reduction in service and interest cost also impacted deferred actuarial losses to be amortized in future periods. Partially offsetting those reductions in costs was an unfavorable impact of approximately $2.6 million resulting from larger actuarial losses recognized during fiscal 2016 versus fiscal 2015. During fiscal 2016, we elected to change our approach in estimating the service and interest cost components of net periodic benefit expense by applying the split discount rate approach, which reduced pension expense for fiscal 2016 by approximately $6.4 million. See Note L, "Pension Plans," for additional information regarding this change.

We expect that pension and postretirement 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% in the discount rate or the expected return on plan assets assumptions would result in $11.5 million and $4.9 million higher expense, respectively. The assumptions and estimates used to determine the discount rate and expected return on plan assets are more fully described in Note L, "Pension Plans," and Note M, "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 page 17 of this report under, "Critical Accounting Policies and Estimates — Pension and Postretirement Plans."

***Interest Expense*** Interest expense was $91.7 million for fiscal 2016 versus $87.6 million for fiscal 2015. Included in interest expense a year ago was a $4.0 million make-whole payment related to the early redemption of our 6.7% Senior Notes. Higher average borrowings increased interest expense during fiscal 2016 by approximately $4.6 million versus fiscal 2015. Our average borrowings were higher due to recent acquisitions, primarily from our $450.0 million payment to the 524(g) trust for the reconsolidation of SPHC, which was paid in December 2014. The payment was funded from our New Revolving Credit Facility and AR Program, part of which was ultimately replaced with a 30-year bond issued in May 2015. Despite the decrease in interest rates, which averaged 4.11% overall for fiscal 2016 compared with 4.26% for fiscal 2015, interest expense increased by approximately $3.5 million due to the overall higher average borrowings outstanding during fiscal 2016 versus fiscal 2015.

***Investment (Income), Net*** Net investment income of approximately $10.4 million for fiscal 2016 compares to net investment income of $18.6 million during fiscal 2015. Dividend and interest income totaled $7.7 million and $9.9 million during fiscal 2016 and 2015, respectively. Net realized gains on the sales of investments totaled $6.5 million during fiscal 2016, while those gains were $8.7 million during fiscal 2015. Impairments recognized on securities that management has determined are other-than-temporary declines in value totaled $3.8 million during fiscal 2016, compared with $0.02 million of such losses recorded during fiscal 2015.

***Other Expense (Income), Net*** Other expense of $1.3 million for fiscal 2016 compared with other income of $3.9 million for fiscal 2015. Items reflected in this balance include net royalty expense of $2.0 million for fiscal 2016 and net royalty income of $1.9 million during fiscal 2015. Also included in this balance is our equity in earnings of unconsolidated affiliates totaling approximately $2.1 million and $2.0 million for fiscal 2016 and 2015, respectively. Additionally, during the fourth quarter of fiscal 2016, we incurred a legal settlement charge of approximately $9.3 million, which was in relation to certain deck coating products. Lastly, during fiscal 2016 we acquired the remaining 51% interest in our Chinese joint venture, Carboline Dalian Paint Production Co., Ltd ("Carboline Dalian"), which increased our ownership to 100%. During the fourth quarter of fiscal 2016, we retained an independent, third-party valuation firm to assist us in determining the fair value of Carboline Dalian. Under ASC 805, a step up to fair value is required when an equity interest changes from a non-controlling interest to a controlling interest. Based on the step up from our 49% to a 100% interest in Carboline Dalian, we recorded a remeasurement gain for approximately $8.0 million during fiscal 2016.

***Income Before Income Taxes ("IBT")*** Our consolidated pretax income for fiscal 2016 of $483.5 million compares with $453.3 million for fiscal 2015.

Our industrial segment had IBT of $252.8 million, or 10.3% of industrial net sales, for fiscal 2016, versus IBT of $247.0 million, or 9.7% of industrial net sales, for fiscal 2015. Our industrial segment experienced the continuing impact of unfavorable foreign exchange, and although we anticipate a lesser impact during fiscal 2017, the Brexit decision may cause the unfavorable impact of foreign exchange to continue. Our specialty segment had IBT of $111.9 million, or 15.3% of net sales, during fiscal 2016, versus IBT of $68.3 million, or 14.9% of net sales, for fiscal 2015. Our consumer segment IBT increased to $268.2 million, or 16.4% of net sales for fiscal 2016, compared with $274.0 million, or 17.1% of net sales, for fiscal 2015.

***Income Tax Rate*** The effective income tax rate was 26.1% for fiscal 2016 compared to an effective income tax rate of 49.6% for fiscal 2015. The decrease in the effective tax rate from fiscal 2015 to fiscal 2016 was primarily attributable to a fiscal 2015 deferred income tax charge of $106.2 million for the estimated tax cost associated with unremitted foreign earnings not considered to be permanently reinvested. The comparable provision amount in fiscal 2016 is a benefit of $3.7 million.

***Net Income*** Net income of $357.5 million for fiscal 2016 compares to net income of $228.3 million for fiscal 2015. During fiscal 2016, we elected to change our approach in estimating the service and interest cost components of net periodic benefit cost by applying the split discount rate approach, which resulted in an increase in net income of approximately $4.7 million. During fiscal 2016, we recognized net income attributable to noncontrolling interests of $2.7 million versus net loss attributable to noncontrolling interests of $11.2 million during fiscal 2015. The loss from noncontrolling interests during fiscal 2015 resulted from the $106.2 million tax charge for the potential repatriation of foreign earnings. Net income attributable to RPM International Inc. stockholders for fiscal 2016 was $354.7 million, which compared to net income of $239.5 million for fiscal 2015.

Diluted earnings per share of common stock for fiscal 2016 of $2.63 compares with diluted earnings per share of common stock of $1.78 for fiscal 2015. As discussed above, we changed our approach in estimating the service and interest cost components of net periodic benefit expense, which resulted in an increase in diluted earnings per share of $0.03 during fiscal 2016.

## Fiscal 2015 Compared with Fiscal 2014

***Net Sales*** Consolidated net sales of $4.59 billion for fiscal 2015 grew by approximately 5.0% from net sales of $4.38 billion for fiscal 2014. Organic sales improved 3.3%, while acquisitions added 5.2%. The reconsolidated SPHC businesses, all of which are included with our specialty reportable segment, are included in acquisition growth. Consolidated net sales for fiscal 2015 were offset by an unfavorable foreign exchange impact of 3.5%.

Industrial segment net sales for fiscal 2015 grew by 2.8% to $2.53 billion, due to organic growth of 6.4% and also from acquisitions, which added 1.0%. During the last half of fiscal 2015, our businesses serving the U.S. commercial construction and U.S. residential markets saw steady improvement in net sales, however, we also saw a slowdown in net sales for our businesses serving the energy sector. Foreign currency negatively impacted industrial segment sales for fiscal 2015 by 4.6%.

Specialty segment net sales for fiscal 2015 grew by 49.7% to $457.2 million, primarily due to acquisition growth of 58.7%, which includes the reconsolidated SPHC businesses. The specialty segment had an organic decline in net sales from fiscal 2014 to fiscal 2015, which approximated 5.3%. Foreign currency negatively impacted specialty segment net sales for fiscal 2015 by 3.7%.

Consumer segment net sales for fiscal 2015 fell by 0.2% to $1.60 billion, reflecting the negative impact of foreign currency during fiscal 2015 of 1.6%. Growth in consumer segment organic net sales was approximately 0.1%, while acquisitions contributed 1.3%. Certain of our smaller, higher-margin niche businesses in this segment, such as Kirker and Synta, have struggled due to a slowdown in global demand during fiscal 2015 as well as difficult comparisons to fiscal 2014, negatively impacting net sales during fiscal 2015 versus fiscal 2014.

***Gross Profit Margin*** Our consolidated gross profit margin declined to 42.3% of net sales for fiscal 2015 from a consolidated gross profit margin of 42.9% for fiscal 2014. All of the decline in our gross profit margin resulted from a less profitable mix of product sold during fiscal 2015 versus fiscal 2014. Our product mix was unfavorably impacted by a decline in some of our smaller, higher-margin niche businesses, such as Kirker and Synta, that have struggled due to a slowdown in global demand during fiscal 2015 as well as difficult comparisons to fiscal 2014, negatively impacting our margins.

***SG&A*** Our consolidated SG&A increased by $32.8 million, but decreased to 31.0% of net sales for fiscal 2015 compared with 31.8% of net sales for fiscal 2014. Fiscal 2015 consolidated SG&A includes five months of additional expense relating to our recent reconsolidation of SPHC and its subsidiaries. Fiscal 2015 SG&A expense was favorably affected by the reversal of certain contingent consideration obligations relating to recent acquisitions, primarily Kirker and Synta, for approximately $29.7 million. Fiscal 2015 SG&A expense also includes $14.5 million of higher legal and professional expense related to: the SEC and audit committee investigation of timing of the previously disclosed GSA accrual; the SPHC settlement agreement; and our voluntary self-disclosure agreement with the State of Delaware for unclaimed property reviews. Fiscal 2015 expense also includes higher employee compensation-related expense, including commissions on higher sales. Fiscal 2015 results also reflect higher distribution, rental and lease expense on building and equipment, as well as higher severance expense versus fiscal 2014. Warranty expense for fiscal 2015 decreased by approximately $1.1 million from the amount recorded during fiscal 2014, and it is typical that warranty expense will fluctuate from period to period.

Our industrial segment SG&A was approximately $6.3 million higher during fiscal 2015 versus fiscal 2014, but lower as a percentage of net sales, reflecting this segment's growth in organic sales of 6.4% during fiscal 2015. The industrial segment SG&A as a percent of net sales improved due to lower bad debt expense and lower legal settlement expense during fiscal 2015 versus fiscal 2014. Fiscal 2015 expense reflects higher employee compensation-related expense, including commissions on higher sales, as well as higher distribution expense, and higher rental and lease expense on buildings and equipment.

Our specialty segment SG&A was approximately $47.7 million higher during fiscal 2015 versus fiscal 2014, and higher as a percentage of net sales, reflecting this segment's growth from acquisitions. Specialty segment results for fiscal 2015 included five months of additional expense relating to our recent reconsolidation of SPHC and its subsidiaries, all of which are included in the specialty segment.

Our consumer segment SG&A was approximately $28.5 million lower during fiscal 2015 versus fiscal 2014, and lower as a percentage of net sales, which directly reflects the fiscal 2015 reversal of certain contingent consideration obligations in this segment for approximately $29.7 million. During fiscal 2015, this segment's SG&A expense was impacted by higher expense from additional sales and marketing personnel, higher distribution expense and higher severance expense versus fiscal 2014, which was offset by a decrease in advertising expense.

SG&A expenses in our corporate/other category increased by $7.3 million during fiscal 2015 to $74.7 million from $67.4 million during fiscal 2014. The increase in SG&A expense reflects the combination of higher pension expense and insurance expense, combined with higher professional and legal services expense related to the recent SPHC settlement. Additionally, SG&A increased due to the discontinuation of shared services income after the reconsolidation of SPHC occurred. These increases were partially offset by lower healthcare and acquisition-related expenses.

We recorded total net periodic pension and postretirement benefit costs of $48.2 million and $46.8 million during fiscal 2015 and fiscal 2014, respectively. The $1.4 million increase in pension and postretirement expense was primarily the result of higher service and interest cost of $5.2 million during fiscal 2015 versus fiscal 2014, partially offset by a favorable impact of approximately $3.8 million due to larger returns on higher plan asset levels. 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.

***Interest Expense*** Interest expense was $87.6 million for fiscal 2015 versus $80.9 million for fiscal 2014. Included in interest expense for fiscal 2015 was a $4.0 million make-whole payment related to the early redemption of our 6.7% Senior Notes on May 29, 2015, which increased interest expense by $4.0 million. Higher average borrowings, related to recent acquisitions and including payments made to fund the SPHC bankruptcy trust, increased interest expense during fiscal 2015 by approximately $7.2 million versus fiscal 2014. Excluding acquisition-related borrowings, lower average borrowings year-over-year decreased interest expense by approximately $1.8 million. Lower interest rates, which averaged 4.26% overall for fiscal 2015 compared with 5.06% for fiscal 2014, decreased interest expense by approximately $2.7 million during fiscal 2015 versus fiscal 2014.

***Investment Expense (Income), Net*** Net investment income of $18.6 million during fiscal 2015 compares to net investment income of $15.7 million for fiscal 2014. Dividend and interest income totaled $9.9 million and $8.5 million during fiscal 2015 and 2014, respectively. Net realized gains on the sales of investments resulted in a net gain of $8.7 million for fiscal 2015 versus a net gain of $7.4 million for fiscal 2015. Impairments recognized on securities that management has determined are other-than-temporary declines in value approximated $0.2 million for fiscal 2014, versus impairments of approximately $0.02 million during fiscal 2015.

***Other (Income), Net*** Other income of $3.9 million for fiscal 2015 compared with other income of $4.0 million for fiscal 2014. Reflected in this balance is net royalty income, which approximated $1.9 million and $1.2 million for fiscal 2015 and fiscal 2014, respectively. Also reflected in other income is our equity in earnings of unconsolidated affiliates, which totaled approximately $2.0 million and $2.8 million for fiscal 2015 and 2014, respectively.

***IBT*** Our consolidated pretax income for fiscal 2015 of $453.3 million compares with pretax income of $424.5 million for fiscal 2014, resulting in a pretax profit margin on net sales of 9.9% for fiscal 2015 versus a pretax profit margin on net sales of 9.7% during fiscal 2014. As discussed above, fiscal 2015 results reflect the unfavorable impact of both translational and transactional foreign exchange, as many international currencies weakened versus the U.S. dollar, and we expect that trend to continue into the majority of fiscal 2016.

Our industrial segment had IBT of $247.0 million, for a profit margin on net sales of 9.7% for fiscal 2015, versus IBT of $234.1 million, for a profit margin on net sales of 9.5%, for fiscal 2014. Our specialty segment had IBT of $68.3 million, for a profit margin on net sales of 14.9% for fiscal 2015, versus IBT of $61.6 million, for a profit margin on net sales of 20.2%, for fiscal 2014. Specialty segment IBT for fiscal 2015 includes the impact of our January 1, 2015 reconsolidation of SPHC and its subsidiaries. Our consumer segment IBT increased to $274.0 million, or 17.1% of net sales for the period, from fiscal 2014 IBT of $251.2 million, or 15.6% of net sales. The increase in IBT as a percent of sales for the consumer segment resulted primarily from the reversal of certain contingent consideration obligations approximating $29.7 million during fiscal 2015 versus fiscal 2014.

***Income Tax Rate*** The effective income tax rate was 49.6% for fiscal 2015 compared to an effective income tax rate of 27.9% for fiscal 2014. The increase in the effective income tax rate is primarily due to a deferred income tax charge of $106.2 million recorded in fiscal 2015 for the estimated tax cost associated with unremitted foreign earnings not considered to be permanently reinvested. The comparable provision amount in fiscal 2014 was $2.5 million. See Note F, "Income Taxes," to the Consolidated Financial Statements for further information regarding unremitted foreign earnings. The increase in the effective tax rate from fiscal 2014 to fiscal 2015 was also attributable to a decrease in the benefit from the domestic manufacturing deduction. The above increases to the effective tax rate were partially offset by increases in the benefit from the impact of foreign operations and valuation allowance reversals.

Additionally, a non-recurring net tax benefit was recorded in fiscal 2014 that was primarily comprised of the benefit associated with recognition of a foreign deferred income tax asset resulting from the merger of certain foreign subsidiaries, partially offset by the impact of the enactment of a Canadian tax law change, Canada Bill C-48, Technical Tax Amendments Act, 2012, enacted as of June 26, 2013.

***Net Income*** Net income of $228.3 million for fiscal 2015 compares to net income of $306.0 million for fiscal 2014. Net income as a percentage of net sales of 5.0% for fiscal 2015 compares with 7.0% for fiscal 2014. Net income for fiscal 2015 reflects the leverage of the 3.3% organic growth in sales, combined with the reconsolidation of SPHC and its subsidiaries and reversals of $29.7 million of contingent consideration obligations that were not met. During fiscal 2015, we had a net loss from noncontrolling interests of $11.2 million versus net income of $14.3 million during fiscal 2014. The loss from noncontrolling interests during fiscal 2015 resulted from the $106.2 million tax charge for the potential repatriation of foreign earnings. Net income attributable to RPM International Inc. stockholders was $239.5 million for fiscal 2015, versus $291.7 million for fiscal 2014.

Diluted earnings per share of common stock for fiscal 2015 of $1.78 compares with $2.18 for fiscal 2014.

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

Approximately $474.7 million of cash was provided by operating activities during fiscal 2016, compared with $330.4 million of cash provided by operating activities during fiscal 2015.

The net change in cash from operations includes the change in net income, which increased by $129.1 million during fiscal 2016 versus fiscal 2015, primarily reflecting the $106.2 million tax charge taken during fiscal 2015 for the estimated future tax cost of repatriating undistributed foreign earnings. Other items impacting the net change in cash from operations were items adjusting net income for non-cash expenses and income, which increased by $53.7 million during fiscal 2016 versus fiscal 2015. Changes in working capital accounts and all other accruals provided approximately $68.9 million more cash flow during fiscal 2016 than fiscal 2015.

The change in accounts receivable during fiscal 2016 used cash of $24.6 million versus $90.2 million of cash used by accounts receivable during fiscal 2015, or approximately $65.6 million less cash used year over year. The $90.2 million of cash used a year ago resulted from the timing of sales and collections on accounts receivable that resulted from slower sales during the early part of our fourth fiscal quarter, which ended with strong sales during the month of May and pushed collections into early fiscal 2016. During fiscal 2016, we also experienced an increase in foreign sales and receivables versus the prior year, which typically have longer collection periods, as we expand our foothold into places such as the Middle East and Far East. Days sales outstanding at May 31, 2016 decreased to 57.7 days from 60.0 days sales outstanding at May 31, 2015.

Inventory balances used $17.7 million of cash during fiscal 2016, compared with a use of $31.3 million in cash during fiscal 2015, or $13.6 million less cash used year over year. This resulted from the timing of purchases by retail customers. Days of inventory outstanding at May 31, 2016 increased to 79.2 days from 78.4 days of inventory outstanding at May 31, 2015.

The change in accounts payable during fiscal 2016 used cash of $6.0 million versus $16.2 million of cash used during fiscal 2015, or approximately $10.2 million less cash than fiscal 2015, resulting from a change in the timing of certain payments. Accrued compensation and benefits provided approximately $19.0 million more cash during fiscal 2016 versus fiscal 2015, due to higher bonus accruals made during fiscal 2016 versus fiscal 2015. Other accruals and prepaids, including those for other short-term and long-term items and changes, used $64.8 million more cash during fiscal 2016 versus fiscal 2015, primarily from the timing of pension plan contributions and upfront funds used for long-term customer contracts.

Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

### Investing Activities

Capital expenditures, other than for ordinary repairs and replacements, are made to accommodate our continued growth to achieve production and distribution efficiencies, expand capacity, introduce new technology, improve environmental health and safety capabilities, improve information systems, and enhance our administration capabilities. Capital expenditures of $117.2 million during fiscal 2016 compare with depreciation of $66.7 million. We believe our current production capacity, along with moderate plant modifications or additions will be adequate to meet our immediate needs based on anticipated growth rates. We are increasing our capital spending in fiscal 2017 in an effort to more aggressively invest in our internal growth initiatives, especially in overseas markets. We anticipate that additional shifts at our production facilities, coupled with the capacity added through acquisition activity and our planned increase in future capital spending levels, will enable us to meet increased demand throughout fiscal 2017 and into fiscal 2018 and beyond.

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, 2016, the fair value of our investments in marketable securities totaled $147.0 million, of which investments with a fair value of $89.3 million were in an unrealized loss position. At May 31, 2015, the fair value of our investments in marketable securities totaled $154.8 million, of which investments with a fair value of $59.0 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. Total pretax unrealized losses recorded in accumulated other comprehensive income at May 31, 2016 and May 31, 2015 were $10.2 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, 2016 were generally related to the normal volatility in valuations over the past 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, 2016 were less than 15% below their original cost or that have been in a loss position for less than six consecutive months. From time to time, we may experience significant volatility in general economic and market conditions. If we were to experience unrealized losses that were to continue for longer periods of time, or arise to more significant levels of 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.

As of May 31, 2016, approximately $243.8 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries. Undistributed earnings held at our foreign subsidiaries that are considered permanently reinvested will be used, for instance, to expand operations organically or for acquisitions in foreign jurisdictions. Further, our operations in the U.S. generate sufficient cash flow to satisfy U.S. operating requirements. Refer to Note F, "Income Taxes," to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

### Financing Activities

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.06 billion at May 31, 2016. Our debt-to-capital ratio was 54.6% at May 31, 2016, compared with 56.2% at May 31, 2015.

#### *Revolving Credit Agreement*

During fiscal 2015, we entered into an $800.0 million unsecured syndicated revolving credit facility (the "New Revolving Credit Facility"), which expires on December 5, 2019. The New Revolving Credit Facility replaced our prior $600.0 million revolving credit facility that was set to expire on June 29, 2017.

The New Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the New Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to $1.0 billion. The New Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, to satisfy all or a portion of our obligations relating to the plan of reorganization for our SPHC subsidiary, and for general corporate purposes.

The New Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant and interest coverage ratio. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness as of any fiscal quarter end to exceed 65% of the sum of such indebtedness and our consolidated shareholders' equity on such date. The minimum required consolidated interest coverage ratio for EBITDA to interest expense is 3.50 to 1. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended using an EBITDA as defined in the credit agreement.

As of May 31, 2016, we were in compliance with all financial covenants contained in our New Revolving Credit Facility, including the leverage and interest coverage ratio covenants. At that date, our leverage ratio was 53.4%, while our interest coverage ratio was 9.5 to 1. Our available liquidity under our New Revolving Credit Facility stood at $597.7 million at May 31, 2016.

Our access to funds under our New Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the New Revolving 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 New Revolving 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.

#### *Accounts Receivable Securitization Program*

On May 9, 2014, we entered into a new, three-year, $200.0 million accounts receivable securitization facility (the "AR Program"). The maximum availability under the AR Program is $200.0 million. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and therefore at certain times we may not be able to fully access the $200.0 million of funding available under the AR Program.

As of May 31, 2016, there was no outstanding balance under the AR Program, which compares with the maximum availability on that date of $200.0 million. The interest rate under the Purchase Agreement is based on the Alternate Base Rate, LIBOR Market Index Rate, one-month LIBOR or LIBOR for a specified tranche period, as selected by us, plus in each case, a margin of 0.70%. In addition, we are obligated to pay a monthly unused commitment fee based on the daily amount of unused commitments under the Agreement, which fee ranges from 0.30% to 0.50% based on usage. The AR Program contains various customary affirmative and negative covenants and also contains customary default and termination provisions.

Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving 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 Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

#### *2.25% Convertible Senior Notes due 2020*

On December 9, 2013, we issued $205 million of 2.25% convertible senior notes due 2020 (the "Convertible Notes"). We will pay interest on the Convertible Notes semi-annually on June 15th and December 15th of each year, and began doing so on June 15, 2014. Net proceeds of approximately $200.1 million from the sale were used to refinance $200 million in principal amount of unsecured senior notes due December 15, 2013, which had an interest rate of 6.25%.

The Convertible Notes will be convertible under certain circumstances and during certain periods at an initial conversion rate of 18.8905 shares of RPM common stock per $1,000 principal amount of notes (representing an initial conversion price of approximately $52.94 per share of common stock), subject to adjustment in certain circumstances. In April 2016, we declared a dividend in excess of $0.24 per share, and consequently, the adjusted conversion rate at May 31, 2016 was 18.96864. The initial conversion price represents a conversion premium of approximately 37% over the last reported sale price of RPM common stock of $38.64 on December 3, 2013. Prior to June 15, 2020, the Convertible Notes may be converted only upon specified events, and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at RPM's election, in cash, shares of RPM's common stock, or a combination of cash and shares of RPM's common stock.

We account for the liability and equity components of the Convertible Notes separately, and in a manner that will reflect our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The effective interest rate on the liability component is 3.92%. Contractual interest was $4.6 million for both fiscal 2016 and 2015, and amortization of the debt discount was $2.8 million and $2.7 million for fiscal 2016 and 2015, respectively. At May 31, 2016, the remaining period over which the debt discount will be amortized was 4.5 years, the unamortized debt discount was $14.1 million, and the carrying amount of the equity component was $20.7 million.

### *3.45% Notes due 2022*

On October 23, 2012, we sold $300 million aggregated principal amount of 3.45% Notes due 2022 (the "Notes"). The net proceeds of $297.7 million from the offering of the Notes were used to repay short-term borrowings outstanding under our $600 million revolving credit facility on that date.

### *5.25% Notes due 2045*

On May 26, 2015, we issued $250 million of 5.25% notes due 2045 (the "New Notes"). The New Notes were priced at 99.401% of the $250 million principal, and at that price, the New Notes have a yield to maturity of 5.29%. We will pay interest on the New Notes semi-annually on June 1st and December 1st of each year, and began doing so on December 1, 2015. Net proceeds of approximately $245.7 million from the offering of the New Notes were used to repay a portion of short-term borrowings outstanding under our New Revolving Credit Facility.

The following table summarizes our financial obligations and their expected maturities at May 31, 2016 and the effect such obligations are expected to have on our liquidity and cash flow in the periods indicated.

### Contractual Obligations

| | Total Contractual | Payments Due In | | | |
|---|---|---|---|---|---|
| *(In thousands)* | Payment Stream | 2017 | 2018-19 | 2020-21 | After 2021 |
| Long-term debt obligations | $ 1,651,045 | $ 4,713 | $ 249,597 | $ 848,210 | $ 548,525 |
| Capital lease obligations | 482 | 160 | 237 | 85 | |
| Operating lease obligations | 199,123 | 50,668 | 65,158 | 31,514 | 51,783 |
| Other long-term liabilities (1): | | | | | |
| Interest payments on long-term debt obligations | 608,295 | 71,900 | 135,675 | 68,808 | 331,912 |
| Promissory note payments on 524(g) Trust | 347,500 | 102,500 | 245,000 | | |
| Contributions to pension and postretirement plans (2) | 422,400 | 61,100 | 78,900 | 90,700 | 191,700 |
| **Total** | $ 3,228,845 | $ 291,041 | $ 774,567 | $ 1,039,317 | $ 1,123,920 |

(1) Excluded from other long-term liabilities are our gross long-term liabilities for unrecognized tax benefits, which totaled $16.1 million at May 31, 2016. Currently, we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities related to these liabilities.

(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 the required minimum contribution will be contributed.

The U.S. dollar fluctuated throughout the year, and was 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 I to the Consolidated Financial Statements) component of stockholders' equity of $(59.6) million this year versus an unfavorable change of $(216.8) million last year. The change in fiscal 2016 was in addition to (unfavorable) net changes of $(38.4) million and $(8.5) million related to adjustments required for minimum pension and other postretirement liabilities and unrealized gains on securities, respectively.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet financings, other than the minimum operating lease commitments included in the above Contractual Obligations table and further described in Note K, "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 E, "Borrowings," to the Consolidated Financial Statements). At May 31, 2016, approximately 12.23% of our debt was subject to floating interest rates.

If interest rates were to increase 100 bps from May 31, 2016 and, assuming no changes in debt from the May 31, 2016 levels, the additional annual interest expense would amount to approximately $2.0 million on a pretax basis. A similar increase in interest rates in fiscal 2015 would have resulted in approximately $2.1 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 Accounting Standards Codification ("ASC") 815, "Derivatives 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," to the Consolidated Financial Statements). Because our Consolidated Financial Statements are presented in U.S. dollars, increases or decreases in the value of the U.S. dollar relative to other currencies in which we transact business could materially adversely affect our net revenues, operating income and the carrying values of our assets located outside the U.S. Global economic uncertainty continues to exist, both related to the United Kingdom's vote to leave the European Union ("Brexit") and otherwise. For example, Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Such strengthening of the U.S. dollar relative to other currencies may adversely affect our operating results. However, our foreign debt is denominated in the respective foreign currency, thereby eliminating any related translation impact on earnings.

If the U.S. dollar were to strengthen, our foreign results of operations would be unfavorably 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, 2016 and 2015. We do not currently use financial derivative instruments for trading purposes, nor do we engage in foreign currency, commodity or interest rate speculation.

## 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; and (j) 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, 2016, 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, | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 265,152 | $ 174,711 |
| Trade accounts receivable (less allowances of $24,600 and $24,526, respectively) | 963,092 | 956,211 |
| Inventories | 685,818 | 674,205 |
| Deferred income taxes | - | 29,892 |
| Prepaid expenses and other current assets | 224,280 | 264,827 |
| **Total current assets** | 2,138,342 | 2,099,846 |
| **Property, Plant and Equipment, at Cost** | 1,344,830 | 1,258,304 |
| Allowance for depreciation | (715,377) | (668,658) |
| **Property, plant and equipment, net** | 629,453 | 589,646 |
| **Other Assets** | | |
| Goodwill | 1,219,630 | 1,215,688 |
| Other intangible assets, net of amortization | 575,401 | 604,130 |
| Deferred income taxes, non-current | 19,771 | 5,685 |
| Other | 193,444 | 179,245 |
| **Total other assets** | 2,008,246 | 2,004,748 |
| **Total Assets** | $ 4,776,041 | $ 4,694,240 |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 500,506 | $ 512,165 |
| Current portion of long-term debt | 4,713 | 2,038 |
| Accrued compensation and benefits | 183,768 | 169,370 |
| Accrued losses | 35,290 | 22,016 |
| Other accrued liabilities | 277,914 | 197,647 |
| **Total current liabilities** | 1,002,191 | 903,236 |
| **Long-Term Liabilities** | | |
| Long-term debt, less current maturities | 1,646,332 | 1,654,037 |
| Other long-term liabilities | 702,979 | 752,821 |
| Deferred income taxes | 49,791 | 90,681 |
| **Total long-term liabilities** | 2,399,102 | 2,497,539 |
| Commitments and contingencies (Note N) | | |
| **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 140,195 and outstanding 132,944 as of May 2016; issued 138,828 and outstanding 133,203 as of May 2015 | 1,329 | 1,332 |
| Paid-in capital | 921,956 | 872,127 |
| Treasury stock, at cost | (196,274) | (124,928) |
| Accumulated other comprehensive (loss) | (502,047) | (394,135) |
| Retained earnings | 1,147,371 | 936,996 |
| **Total RPM International Inc. stockholders' equity** | 1,372,335 | 1,291,392 |
| Noncontrolling Interest | 2,413 | 2,073 |
| **Total equity** | 1,374,748 | 1,293,465 |
| **Total Liabilities and Stockholders' Equity** | $ 4,776,041 | $ 4,694,240 |

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, | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Net Sales** | $4,813,649 | $4,594,550 | $4,376,353 |
| Cost of Sales | 2,726,601 | 2,653,181 | 2,500,585 |
| Gross Profit | 2,087,048 | 1,941,369 | 1,875,768 |
| Selling, General and Administrative Expenses | 1,520,977 | 1,422,944 | 1,390,128 |
| Interest Expense | 91,683 | 87,615 | 80,951 |
| Investment (Income), Net | (10,365) | (18,577) | (15,715) |
| Other Expense (Income), Net | 1,287 | (3,866) | (4,083) |
| Income Before Income Taxes | 483,466 | 453,253 | 424,487 |
| Provision for Income Taxes | 126,008 | 224,925 | 118,503 |
| Net Income | 357,458 | 228,328 | 305,984 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 2,733 | (11,156) | 14,324 |
| **Net Income Attributable to RPM International Inc. Stockholders** | $ 354,725 | $ 239,484 | $ 291,660 |
| Average Number of Shares of Common Stock Outstanding: | | | |
| Basic | 129,383 | 129,933 | 129,438 |
| Diluted | 136,716 | 134,893 | 132,288 |
| Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders: | | | |
| Basic | $ 2.70 | $ 1.81 | $ 2.20 |
| Diluted | $ 2.63 | $ 1.78 | $ 2.18 |
| Cash Dividends Declared per Share of Common Stock | $ 1.085 | $ 1.020 | $ 0.945 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

*(In thousands)*

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Net Income** | $ 357,458 | $ 228,328 | $ 305,984 |
| Other Comprehensive Income, Before Tax: | | | |
| Foreign Currency Translation Adjustments | (65,607) | (222,255) | 14,272 |
| Pension and Other Postretirement Benefit Liabilities | | | |
| Net (Loss) Gain Arising During the Period | (83,770) | (34,949) | (33,040) |
| Prior Service Cost Arising During the Period | 349 | - | 1,087 |
| Less: Amortization of Prior Service Cost Included in Net Periodic Pension Cost | (6) | 86 | 200 |
| Less: Amortization of Net Loss and Settlement Recognition | 18,898 | 16,149 | 16,086 |
| Effect of Exchange Rates on Amounts Included for Pensions | 2,009 | 8,842 | 140 |
| Pension and Other Postretirement Benefit Liability Adjustments | (62,520) | (9,872) | (15,527) |
| Unrealized Gains on Available-For-Sale Securities | | | |
| Unrealized Holding (Losses) Gains During the Period | (9,049) | (2,025) | 7,394 |
| Less: Reclassification Adjustments for (Gains) Included in Net Income | (2,793) | (6,068) | (1,806) |
| Unrealized Gain (Loss) on Securities | (11,842) | (8,093) | 5,588 |
| Unrealized (Loss) on Derivatives | - | (946) | (1,463) |
| Other Comprehensive (Loss) Income, Before Tax | (139,969) | (241,166) | 2,870 |
| Income Tax Expense (Benefit) Related to Components of Other Comprehensive Income | 32,030 | 8,927 | 4,976 |
| Other Comprehensive (Loss) Income, After Tax | (107,939) | (232,239) | 7,846 |
| Comprehensive (Loss) Income | 249,519 | (3,911) | 313,830 |
| Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests | 2,706 | (15,742) | 19,799 |
| **Comprehensive Income Attributable to RPM International Inc. Stockholders** | $ 246,813 | $ 11,831 | $ 294,031 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(In thousands)*

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Cash Flows From Operating Activities:** | | | |
| Net income | $ 357,458 | $ 228,328 | $ 305,984 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 66,732 | 62,188 | 58,543 |
| Amortization | 44,307 | 36,988 | 31,526 |
| Reversal of contingent consideration obligations | (14,500) | (29,665) | |
| Asset impairment charge | 4,471 | 818 | |
| Other-than-temporary impairments on marketable securities | 3,811 | 22 | 161 |
| Deferred income taxes | 9,399 | 97,502 | 6,572 |
| Stock-based compensation expense | 31,287 | 31,741 | 23,568 |
| Other non-cash interest expense | 9,750 | 5,624 | 653 |
| Gain on remeasurement of joint venture ownership | (7,972) | | |
| Realized (gains) on sales of marketable securities | (6,457) | (8,692) | (7,353) |
| Other | (15) | (1,954) | (1,833) |
| Changes in assets and liabilities, net of effect from purchases and sales of businesses: | | | |
| (Increase) in receivables | (24,582) | (90,230) | (79,080) |
| (Increase) in inventory | (17,733) | (31,348) | (59,001) |
| (Increase) in prepaid expenses and other current and long-term assets | (25,617) | (4,590) | (12,586) |
| (Decrease) increase in accounts payable | (5,958) | (16,249) | 42,216 |
| Increase (decrease) in accrued compensation and benefits | 17,681 | (1,297) | 19,193 |
| Increase (decrease) in accrued loss reserves | 13,514 | (7,218) | (146) |
| Increase in other accrued liabilities | 8,011 | 51,761 | 14,202 |
| (Decrease) in contingent payment | | | (63,014) |
| Other | 11,119 | 6,719 | (1,456) |
| Cash Provided By Operating Activities | 474,706 | 330,448 | 278,149 |
| **Cash Flows From Investing Activities:** | | | |
| Capital expenditures | (117,183) | (85,363) | (93,792) |
| Acquisition of businesses, net of cash acquired | (51,992) | (467,573) | (39,248) |
| Purchase of marketable securities | (32,280) | (61,511) | (83,536) |
| Proceeds from sales of marketable securities | 32,631 | 48,971 | 70,249 |
| Proceeds from sales of assets and businesses | 866 | 4,079 | 2,794 |
| Other | 2,092 | 1,944 | (6,178) |
| Cash (Used For) Investing Activities | (165,866) | (559,453) | (149,711) |
| **Cash Flows From Financing Activities:** | | | |
| Additions to long-term and short-term debt | 142,130 | 460,560 | 208,532 |
| Reductions of long-term and short-term debt | (147,155) | (162,318) | (215,011) |
| Cash dividends | (144,350) | (136,179) | (125,743) |
| Shares of common stock repurchased and returned for taxes | (71,346) | (39,528) | (12,906) |
| Payments of acquisition-related contingent consideration | (2,088) | (22,179) | (5,000) |
| Exercise of stock options and awards, including tax benefit | 18,540 | 8,560 | 11,934 |
| Other | (1,836) | 1,277 | 951 |
| Cash (Used For) Provided By Financing Activities | (206,105) | 110,193 | (137,243) |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (12,294) | (39,345) | (1,881) |
| **Net Change in Cash and Cash Equivalents** | 90,441 | (158,157) | (10,686) |
| **Cash and Cash Equivalents at Beginning of Period** | 174,711 | 332,868 | 343,554 |
| **Cash and Cash Equivalents at End of Period** | $ 265,152 | $ 174,711 | $ 332,868 |
| **Supplemental Disclosures of Cash Flows Information:** | | | |
| Cash paid during the year for: | | | |
| Interest | $ 73,087 | $ 79,371 | $ 81,505 |
| Income taxes | $ 63,208 | $ 27,486 | $ 103,338 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

*(In thousands)*

| | Common Stock | | |
|---|---|---|---|
| | Number of Shares | Par/Stated Value | Paid-In Capital |
| **Balance at June 1, 2013** | 132,596 | $ 1,326 | $763,505 |
| Net income | - | - | - |
| Other comprehensive income | - | - | - |
| Dividends paid | - | - | - |
| Other noncontrolling interest activity | - | - | (21,876) |
| Stock option exercises | 241 | 3 | 11,934 |
| Stock compensation expense, shares granted less shares returned for taxes | 436 | 4 | 23,561 |
| Equity component convertible bond | - | - | 13,470 |
| Deferred financing convertible bond | - | - | (492) |
| **Balance at May 31, 2014** | 133,273 | 1,333 | 790,102 |
| Net income | - | - | - |
| Other comprehensive income | - | - | - |
| Dividends paid | - | - | - |
| Other noncontrolling interest activity | - | - | - |
| Increase in equity ownership of SPHC | - | - | 41,724 |
| Shares repurchased | (595) | (6) | 6 |
| Stock option exercises | 59 | 1 | 8,560 |
| Stock compensation expense, shares granted less shares returned for taxes | 466 | 4 | 31,735 |
| **Balance at May 31, 2015** | 133,203 | 1,332 | 872,127 |
| Net income | - | - | - |
| Other comprehensive income | - | - | - |
| Dividends paid | - | - | - |
| Other noncontrolling interest activity | - | - | - |
| Shares repurchased | (800) | (8) | 8 |
| Stock option exercises | - | - | 18,540 |
| Stock compensation expense, shares granted less shares returned for taxes | 541 | 5 | 31,281 |
| **Balance at May 31, 2016** | 132,944 | $ 1,329 | $ 921,956 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

| Treasury Stock | Accumulated Other Comprehensive Income/(Loss) | Retained Earnings | Total RPM International Inc. Equity | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|
| $ (72,494) | $ (159,253) | $ 667,774 | $ 1,200,858 | $ 154,075 | $ 1,354,933 |
| - | - | 291,660 | 291,660 | 14,324 | 305,984 |
| - | 2,371 | - | 2,371 | 5,475 | 7,846 |
| - | - | (125,743) | (125,743) | - | (125,743) |
| - | - | - | (21,876) | 21,876 | - |
| - | - | - | 11,937 | - | 11,937 |
| (12,906) | - | - | 10,659 | - | 10,659 |
| - | - | - | 13,470 | - | 13,470 |
| - | - | - | (492) | - | (492) |
| (85,400) | (156,882) | 833,691 | 1,382,844 | 195,750 | 1,578,594 |
| - | - | 239,484 | 239,484 | (11,156) | 228,328 |
| - | (227,653) | - | (227,653) | (4,586) | (232,239) |
| - | - | (136,179) | (136,179) | - | (136,179) |
| - | - | - | - | (668) | (668) |
| - | (9,600) | - | 32,124 | (177,267) | (145,143) |
| (27,588) | - | - | (27,588) | - | (27,588) |
| - | - | - | 8,561 | - | 8,561 |
| (11,940) | - | - | 19,799 | - | 19,799 |
| (124,928) | (394,135) | 936,996 | 1,291,392 | 2,073 | 1,293,465 |
| - | - | 354,725 | 354,725 | 2,733 | 357,458 |
| - | (107,912) | - | (107,912) | (27) | (107,939) |
| - | - | (144,350) | (144,350) | - | (144,350) |
| - | - | - | - | (2,366) | (2,366) |
| (35,098) | - | - | (35,098) | - | (35,098) |
| - | - | - | 18,540 | - | 18,540 |
| (36,248) | - | - | (4,962) | - | (4,962) |
| $ (196,274) | $ (502,047) | $ 1,147,371 | $ 1,372,335 | $ 2,413 | $ 1,374,748 |

# Notes to Consolidated Financial Statements
## May 31, 2016, 2015, 2014

### 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 for the period from May 31, 2010 through December 31, 2014 (please refer to Note A[2]). We account for our investments in less-than-majority-owned joint ventures, for which we have the ability to exercise significant influence, under the equity method. Effects of transactions between related companies 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 comprising 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 prior-year amounts have been reclassified to conform with current-year presentation.

#### 2) Specialty Products Holding Corp. ("SPHC")

Prior to May 31, 2010, Bondex International, Inc. ("Bondex") and its parent, SPHC, were defendants in various asbestos-related bodily injury lawsuits filed in various state courts. These cases generally sought unspecified damages for asbestos-related diseases based on alleged exposures to asbestos-containing products. On May 31, 2010, Bondex and 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 Bankruptcy Code. SPHC and Bondex took this action in an effort to permanently and comprehensively resolve all pending and future asbestos-related liability claims associated with Bondex and SPHC.

Similarly, Republic Powdered Metals, Inc. ("Republic") and NMBFiL, Inc. ("NMBFiL"), both of which are indirect wholly owned subsidiaries of RPM International Inc. ("RPM"), filed to reorganize under chapter 11 of the Bankruptcy Code in August 2014 to resolve all their pending and future asbestos-related liability claims. Both Republic and NMBFiL remained consolidated subsidiaries of RPM, considering the short-term nature of the bankruptcy and that RPM maintained control of them from a participating rights perspective.

On December 10, 2014 a plan of reorganization was confirmed (the "Bankruptcy Plan"), and, effective as of December 23, 2014 (the "Effective Date"), Bondex, SPHC, Republic and NMBFiL emerged from bankruptcy. In accordance with the Bankruptcy Plan, trusts were established under Section 524(g) of the United States Bankruptcy Code (together, the "Trust") and funded with first installments. Pursuant to the Bankruptcy Plan, the Trust assumed all liability and responsibility for current and future asbestos personal injury claims of Bondex, SPHC, Republic and NMBFiL, and such entities will have no further liability or responsibility for, and will (along with affiliates) be permanently protected from, such asbestos claims.

The Trust was funded with $450.0 million in cash and a promissory note, bearing no interest and maturing on or before the fourth anniversary of the Effective Date (the "Bankruptcy Note"). The net present value of the Bankruptcy Note, or $335.0 million, is classified as other accrued liabilities and other long-term liabilities for approximately $101.5 million and $233.5 million, respectively, in our Consolidated Financial Statements at May 31, 2016. Borrowings under our $800.0 million revolving credit facility were used to fund the initial payment of $450.0 million, which is classified as long-term debt in our Consolidated Balance Sheets. A portion of the payments due under the Bankruptcy Note is secured by a right to the equity of SPHC, Republic and Bondex. The Bankruptcy Plan and Bankruptcy Note, provide for the following additional contributions to the Trust:

- On or before the second anniversary of the Effective Date, an additional $102.5 million in cash, RPM stock or a combination thereof (at our discretion in this and all subsequent cases) will be deposited into the Trust;
- On or before the third anniversary of the Effective Date, an additional $120.0 million in cash, RPM stock or a combination thereof will be deposited into the Trust; and
- On or before the fourth anniversary of the Effective Date, a final payment of $125.0 million in cash, RPM stock or a combination thereof will be deposited into the Trust.

Total current and future contributions to the Trust are deductible for U.S. income tax purposes.

Effective with the filing of the Notice of Entry of Order confirming the Bankruptcy Plan, which required the funding of the Trust, we regained control of SPHC and its subsidiaries, and accordingly, we have accounted for the event as a business combination. The funding of the Trust represents the total consideration transferred in the transaction, or $772.6 million. The opening balance sheets are based upon closing balances as of December 31, 2014 and results of operations have been included in our Consolidated Financial Statements beginning on January 1, 2015 (the "Accounting Effective Date") forward, as we concluded that the activity occurring between the date control was obtained (December 23, 2014) and the Accounting Effective Date was not significant.

The fair values of SPHC and its subsidiaries have been determined as of January 1, 2015. Additionally, the fair value of RPM Holdco, of which SPHC owns 21.39% of the outstanding common stock, has been determined in order to account for our increase in ownership of the noncontrolling interest as an equity transaction. The total consideration has been allocated on a relative fair value basis between the noncontrolling interest in RPM Holdco, or approximately $208.4 million, and the net assets of SPHC, or approximately $564.2 million. The difference between the fair value of the noncontrolling interest in RPM Holdco and the carrying value of the noncontrolling interest was recorded as an equity transaction. The portion of the transaction accounted for as a business combination resulted in goodwill of $118.7 million and intangible assets of $176.0 million. The acquired intangible assets totaling $176.0 million comprise the following $118.7 million of customer and distributor relationships, $2.0 million of definite-lived tradenames,

$52.7 million of indefinite-lived tradenames and $2.6 million of formulas. Income tax assets of $271.7 million were recorded in connection with the deductibility of current and future contributions to the Trust. Additionally, deferred tax liabilities of $72.3 million were recorded for the excess of the fair value book basis of certain assets over the corresponding tax basis. The fair values of net tangible assets, intangible assets and the noncontrolling interest were based upon valuations, which required our significant use of estimates and assumptions. The valuations of consideration transferred and total assets acquired and liabilities assumed are complete as of May 31, 2016.

### 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 acquisition 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, 2016, we completed seven acquisitions. Two of the current-year acquisitions report through our consumer reportable segment, which included the following: the assets associated with nail enamel filling lines and related equipment, based in Newburgh, New York; and a manufacturer of concrete care coatings and sealants for the retail market based in Auburndale, Florida. There were also two product line acquisitions during the year that will report through our industrial reportable segment, which included the following: a manufacturer of construction adhesives, sealants and tapes based on Calgary, Alberta, Canada; and a manufacturer of extruded silicone sheets for the North American commercial construction and OEM markets based in Harbor Springs, Michigan. Lastly, there were three acquisitions of product lines during the year that report through our specialty reportable segment, which included the following: a distributor of a full line of fuel additives based in Battle Creek, Michigan; a plastic molding supplier and manufacturer of fans and radiators for the auto aftermarket based in Fife, Washington; and a manufacturer of high-strength egg white products and specialized stabilizers for meringue toppings and desserts based in LaGrange, Illinois. During the current fiscal year, we also executed the divestiture of one small product line.

During fiscal 2016, we also acquired the remaining 51% of our Chinese joint venture, as further described in Note A(17) below.

As described in Note A(2) above, effective January 1, 2015, we regained control of SPHC and its subsidiaries, and accordingly, we have accounted for a portion of the transaction as a business combination, while the other portion of the transaction relating to our increase in ownership of RPM Holdco has been accounted for as an equity transaction. The fair values of SPHC and its subsidiaries that were determined as of January 1, 2015, are described in more complete detail in Note A(2).

In addition to the reconsolidation of SPHC, during the fiscal year ended May 31, 2015, we completed six acquisitions. Three of the fiscal 2015 acquisitions report through our industrial reportable segment, which included the following: a waterproofing products manufacturer in Brazil; a manufacturer of powder construction products based in Phoenix, Arizona; and a manufacturer of firestopping products for the construction industry based in London, UK. Reporting through our specialty reportable segment is our acquisition of a manufacturer of high performance wood finishes based in Manchester, U.K. The other two acquisitions, which included a producer of specialty cleaners based in Cumming, Georgia and a producer of aerosol paints based in Johannesburg, South Africa, report through our consumer reportable segment.

The purchase price for each acquisition, excluding the reconsolidated SPHC entities, has been allocated to the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. While the valuations of consideration transferred and total assets acquired and liabilities assumed are substantially complete, measurement period adjustments may be recorded in the future as we finalize certain fair value estimates. The primary areas that remain preliminary relate to the fair values of deferred income taxes for acquisitions completed during fiscal 2016. Acquisitions are aggregated by year of purchase in the following table:

| | Fiscal 2016 Acquisitions | | Fiscal 2015 Acquisitions | |
|---|---|---|---|---|
| *(In thousands)* | Weighted-Average Intangible Asset Amortization Life (In Years) | Total | Weighted-Average Intangible Asset Amortization Life (In Years) | Total |
| Current assets | | $ 20,094 | | $ 27,533 |
| Property, plant and equipment | | 4,771 | | 11,506 |
| Goodwill | N/A | 29,762 | N/A | 27,833 |
| Tradenames - indefinite lives | N/A | - | N/A | 7,209 |
| Other intangible assets | 9 | 18,441 | 14 | 26,781 |
| Other long-term assets | | 27 | | 202 |
| **Total Assets Acquired** | | $ 73,095 | | $ 101,064 |
| Liabilities assumed | | (21,379) | | (28,363) |
| **Net Assets Acquired** | | $ 51,716(1) | | $ 72,701(2) |

(1) Figure includes cash acquired of $6.5 million.

(2) Figure includes cash acquired of $2.8 million.

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, 2016 and May 31, 2015 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 principal operating 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 increased during the last three fiscal years due to the strengthening of the U.S. dollar, resulting in net transactional foreign exchange losses for fiscal 2016, 2015 and 2014 of approximately $24.4 million, $22.3 million and $17.7 million, respectively.

#### 6) Cash and Cash Equivalents

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.

#### 7) Property, Plant & Equipment

| May 31, | 2016 | 2015 |
|---|---|---|
| *(In thousands)* | | |
| Land | $ 60,223 | $ 58,555 |
| Buildings and leasehold improvements | 363,036 | 349,682 |
| Machinery and equipment | 921,571 | 850,067 |
| Total property, plant and equipment, at cost | 1,344,830 | 1,258,304 |
| Less: allowance for depreciation and amortization | 715,377 | 668,658 |
| **Property, plant and equipment, net** | **$ 629,453** | **$ 589,646** |

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.

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

| | |
|---|---|
| Land improvements | 3 to 40 years |
| Buildings and improvements | 1 to 50 years |
| Machinery and equipment | 1 to 32 years |

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

#### 8) 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.

#### 9) Shipping Costs

Shipping costs paid to third-party shippers for transporting products to customers are included in SG&A expenses. For the years ended May 31, 2016, 2015 and 2014, shipping costs were $145.3 million, $142.9 million and $133.0 million, respectively.

#### 10) 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 and past experience, but are primarily made up of 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. For the periods ended May 31, 2016, 2015 and 2014, bad debt expense approximated $8.7 million, $4.9 million and $7.6 million, respectively.

### 11) 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. Inventories were composed of the following major classes:

| May 31, | 2016 | 2015 |
|---|---|---|
| *(In thousands)* | | |
| Raw material and supplies | $ 227,900 | $ 235,649 |
| Finished goods | 457,918 | 438,556 |
| **Total Inventory** | $ 685,818 | $ 674,205 |

### 12) Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with the provisions of ASC 350 and account for business combinations using the acquisition 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 performed the required annual goodwill impairment assessments as of the first day of our fourth fiscal quarter 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. First, we assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The traditional two-step quantitative process is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount. However, we have an unconditional option to bypass a qualitative assessment and proceed directly to performing the traditional two-step quantitative analysis. We applied both the qualitative and traditional two-step quantitative processes during our annual goodwill impairment assessment performed during the fourth quarters of fiscal 2016, 2015 and 2014.

The traditional two-step quantitative goodwill impairment assessment involves estimating the fair value of a 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. As a result of the assessments performed for fiscal 2016, 2015 and 2014, there were no impairments, including no reporting units that were at risk of failing step one of the traditional two-step quantitative analysis. However, within our consumer segment, the estimated fair value of our Kirker reporting unit with $143.3 million of goodwill, exceeded its carrying value by approximately 8%. The discounted cash flow used in the goodwill impairment test for Kirker assumed discrete period revenue growth through fiscal 2020 that was reflective of market opportunities related to contracting with certain retailers to fill nail polish for their respective private label brands as well as the growing core liquid nail polish business in line with the expected liquid nail polish growth rates for the markets in which Kirker operates. In the terminal year we assumed a long-term earnings growth rate of 3.0% that we believe is appropriate given the current industry specific expectations. As of the valuation date, we utilized a weighted-average cost of capital of 8.0%, which we believe is appropriate as it reflects the relative risk, the time value of money, and is consistent with Kirker's peer group.

Additionally, we test all indefinite-lived intangible assets for impairment annually. We perform the required annual impairment assessments as of the first day of our fourth fiscal quarter. We may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before applying traditional quantitative tests. We applied both qualitative and quantitative processes during our annual indefinite-lived intangible asset impairment assessments performed during the fourth quarters of fiscal 2016, 2015 and 2014.

The annual impairment assessment involves estimating the fair value of each indefinite-lived asset and comparing it with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, we record an impairment loss equal to the difference. Calculating the fair value of the indefinite-lived assets requires our significant use of estimates and assumptions. We estimate the fair values of our intangible assets by applying a relief-from-royalty calculation, which includes discounted future cash flows related to each of our intangible asset's projected revenues. In applying this methodology, we rely on a number of factors, including actual and forecasted revenues and market data. As a result of the assessments performed for fiscal 2016, 2015 and 2014, there were no impairments.

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.

### 13) Advertising Costs

Advertising costs are charged to operations when incurred and are included in SG&A expenses. For the years ended May 31, 2016, 2015 and 2014, advertising costs were $49.7 million, $40.8 million and $49.6 million, respectively.

### 14) Research and Development

Research and development costs are charged to operations when incurred and are included in SG&A expenses. The amounts charged to expense for the years ended May 31, 2016, 2015 and 2014 were $61.5 million, $56.7 million and $54.6 million, respectively.

### 15) 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 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 H, "Stock-Based Compensation," for further information.

## 16) Investment (Income), Net

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

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Interest (income) | $ (5,975) | $ (8,304) | $ (6,327) |
| (Gain) on sale of marketable securities | (6,457) | (8,692) | (7,353) |
| Other-than-temporary impairment on securities | 3,811 | 22 | 161 |
| Dividend (income) | (1,744) | (1,603) | (2,196) |
| Investment (income), net | $ (10,365) | $ (18,577) | $ (15,715) |

## 17) Other Expense (Income), Net

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

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Royalty expense (income), net | $ 2,039 | $ (1,843) | $ (1,195) |
| Loss on litigation settlement | 9,300 | - | - |
| (Gain) on remeasurement of joint venture ownership | (7,972) | - | - |
| (Income) loss related to unconsolidated equity affiliates | (2,080) | (2,023) | (2,888) |
| Other expense (income), net | $ 1,287 | $ (3,866) | $ (4,083) |

### *Loss on Litigation Settlement*

A consolidated class-action complaint is pending against Rust-Oleum Corporation ("Rust-Oleum") seeking to have a class certified and alleging breach of warranty, breach of contract and other claims regarding certain deck coating products of Rust-Oleum. In May 2016, the parties executed a term sheet outlining the agreed-upon terms of settlement. Upon final court approval, Rust-Oleum would deposit $9.3 million into a settlement fund in satisfaction of the claims. The amount of the settlement is reflected in other expense (income), net, in our Consolidated Statements of Income for the fiscal year ended May 31, 2016.

### *Gain on Remeasurment of Joint Venture Ownership*

In May 2016, we acquired the remaining 51% interest in our Chinese joint venture, Carboline Dalian Paint Production Co., Ltd ("Carboline Dalian"), which increased our ownership to 100%. We had acquired our initial 49% interest in the company during fiscal 2009. During the fourth quarter of fiscal 2016, we retained an independent, third party valuation firm to assist us in determining the fair value of Carboline Dalian. Under ASC 805, a step up to fair value is required when an equity interest changes from a non-controlling interest to a controlling interest. Based on the step up from our 49% to a 100% interest in Carboline Dalian, we recorded a remeasurement gain for approximately $8.0 million during fiscal 2016. The gain is reflected in other expense (income), net in our Consolidated Statements of Income for the fiscal year ended May 31, 2016.

## 18) 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.

## 19) Earnings Per Share of Common Stock

Earnings per share (EPS) is computed using the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends and dividend equivalents and their respective participation rights in undistributed earnings. Our unvested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. Basic EPS of common stock is computed by dividing net income by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS of common stock is computed on the basis of the weighted-average number of shares of common stock, plus the effect of dilutive potential shares of common stock outstanding during the period using the treasury stock method. Dilutive potential shares of common stock include outstanding SARS, restricted stock awards and convertible notes. See Note J, "Earnings Per Share of Common Stock," for additional information.

## 20) Other Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which establishes a comprehensive revenue recognition standard for virtually all industries in GAAP. Under the original issuance, the new standard would have applied to annual periods beginning after December 15, 2016, including interim periods therein. However, in August 2015, the FASB issued ASU 2015-14, which extends the standard effective date by one year and includes an option to apply the standard on the original effective date. We are currently reviewing the revised guidance and assessing the potential impact on our Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03 "Interest-Imputation of Interest," which changes the presentation of debt issuance costs in financial statements and specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct deduction from the face amount of the note. The guidance does not change the current requirements surrounding the recognition and measurement of debt issuance costs, and the amortization of debt issuance costs will continue to be reported as interest expense. The guidance is effective for years and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is allowed for all entities and the new guidance shall be applied to all prior periods retrospectively. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial position and results of operations, although it will change the financial statement classification of the deferred debt cost. As of May 31, 2016, we had $3.0 million and $8.2 million of current and long-term net deferred debt costs, respectively. As of May 31, 2015, we had $3.0 million and $11.5 million of current and long-term net deferred debt costs, respectively. Current and long-term deferred debt costs are included in our Consolidated Balance Sheets and are reflected in prepaid expenses and other current assets, and other long-term assets, respectively. Under the new guidance, the net deferred debt costs would offset the carrying amount of the respective debt on the Consolidated Balance Sheets.

In September 2015, the FASB issued ASU No. 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments,” which simplifies the treatment of adjustments to provisional amounts recognized in the period for items in a business combination for which the accounting is incomplete at the end of the reporting period. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015 and for interim periods therein. We will apply the provisions of this ASU beginning on June 1, 2016. We anticipate that our adoption of this ASU will not have a material impact on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which increases lease transparency and comparability among organizations. Under the new standard, lessees will be required to recognize all assets and liabilities arising from leases on the balance sheet, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. The new standard requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. We are currently evaluating the impact this guidance will have on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which makes a number of changes meant to simplify and improve accounting for share-based payments. The new guidance includes amendments to share based accounting for income taxes, the related classification in the statement of cash flows and share award forfeiture accounting. ASU 2016-09 is effective for public companies for annual reporting periods beginning after December 15, 2016, and interim periods within those reporting periods. Early adoption is permitted. We will early adopt ASU 2016-09 in the first quarter of fiscal 2017, and we do not anticipate our adoption to have a material impact on our Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes,” which requires entities to present deferred tax assets and liabilities as noncurrent in a classified balance sheet. This guidance simplifies the current guidance, which requires entities to separately present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected to early adopt ASU 2015-17 prospectively in the fourth quarter of fiscal 2016. As a result, we have presented all deferred tax assets and liabilities as noncurrent on our Consolidated Balance Sheet as of May 31, 2016, but have not reclassified current deferred tax assets and liabilities on our Consolidated Balance Sheet as of May 31, 2015. There was no impact on our results of operations as a result of our adoption of ASU 2015-17.

## NOTE B — GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by reportable segment, for the years ended May 31, 2016 and 2015, are as follows:

| *(In thousands)* | Industrial Segment | Specialty Segment | Consumer Segment | Total |
|---|---|---|---|---|
| Balance as of June 1, 2014 | $ 521,528 | $ 50,630 | $ 575,216 | $ 1,147,374 |
| Acquisitions | 8,504 | 8,539 | 10,790 | 27,833 |
| SPHC reconsolidation | - | 118,713 | - | 118,713 |
| Translation adjustments | (62,083) | (3,196) | (12,953) | (78,232) |
| Balance as of May 31, 2015 | 467,949 | 174,686 | 573,053 | 1,215,688 |
| Acquisitions | 18,834 | 7,168 | 3,760 | 29,762 |
| Translation adjustments | (19,755) | (1,759) | (4,306) | (25,820) |
| **Balance as of May 31, 2016** | $ 467,028 | $ 180,095 | $ 572,507 | $ 1,219,630 |

Total accumulated impairment losses were $14.9 million at May 31, 2016 and 2015, which was recorded during the fiscal year ended May 31, 2009 by our industrial reportable segment.

Other intangible assets consist of the following major classes:

| *(In thousands)* | Amortization Period (In Years) | Gross Carrying Amount | Accumulated Amortization | Net Other Intangible Assets |
|---|---|---|---|---|
| **As of May 31, 2016** | | | | |
| Amortized intangible assets | | | | |
| Formulae | 3 to 33 | $ 234,483 | $ 140,376 | $ 94,107 |
| Customer-related intangibles | 3 to 33 | 331,008 | 114,469 | 216,539 |
| Trademarks/names | 5 to 40 | 30,742 | 15,817 | 14,925 |
| Other | 2 to 20 | 47,744 | 27,745 | 19,999 |
| Total Amortized Intangibles | | 643,977 | 298,407 | 345,570 |
| Indefinite-lived intangible assets | | | | |
| Trademarks/names | | 229,831 | | 229,831 |
| **Total Other Intangible Assets** | | $ 873,808 | $ 298,407 | $ 575,401 |
| **As of May 31, 2015** | | | | |
| Amortized intangible assets | | | | |
| Formulae | 3 to 33 | $ 229,721 | $ 131,031 | $ 98,690 |
| Customer-related intangibles | 3 to 33 | 324,867 | 91,104 | 233,763 |
| Trademarks/names | 3 to 40 | 33,985 | 14,550 | 19,435 |
| Other | 2 to 40 | 46,789 | 25,817 | 20,972 |
| Total Amortized Intangibles | | 635,362 | 262,502 | 372,860 |
| Indefinite-lived intangible assets | | | | |
| Trademarks/names | | 231,270 | | 231,270 |
| **Total Other Intangible Assets** | | $ 866,632 | $ 262,502 | $ 604,130 |

The aggregate intangible asset amortization expense for the fiscal years ended May 31, 2016, 2015 and 2014 was $40.5 million, $32.9 million and $28.2 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: 2017 — $39.7 million, 2018 — $37.0 million, 2019 — $35.1 million, 2020 — $32.9 million and 2021 — $30.4 million.

## NOTE C — MARKETABLE SECURITIES

The following tables summarize marketable securities held at May 31, 2016 and 2015 by asset type:

| | Available-For-Sale Securities | | | |
|---|---|---|---|---|
| *(In thousands)* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value (Net Carrying Amount) |
| **May 31, 2016** | | | | |
| Equity securities: | | | | |
| Stocks - foreign | $ 5,051 | $ 439 | $ (247) | $ 5,243 |
| Stocks - domestic | 27,717 | 3,831 | (911) | 30,637 |
| Mutual funds - foreign | 35,903 | 802 | (4,357) | 32,348 |
| Mutual funds - domestic | 60,354 | 99 | (4,587) | 55,866 |
| Total equity securities | 129,025 | 5,171 | (10,102) | 124,094 |
| Fixed maturity: | | | | |
| U.S. treasury and other government | 21,704 | 214 | (80) | 21,838 |
| Corporate bonds | 887 | 137 | - | 1,024 |
| Total fixed maturity securities | 22,591 | 351 | (80) | 22,862 |
| Total | $ 151,616 | $ 5,522 | $ (10,182) | $ 146,956 |

| (In thousands) | Available-For-Sale Securities Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value (Net Carrying Amount) |
|---|---|---|---|---|
| **May 31, 2015** | | | | |
| Equity securities: | | | | |
| Stocks - foreign | $ 3,722 | $ 339 | $ (85) | $ 3,976 |
| Stocks - domestic | 34,368 | 5,649 | (559) | 39,458 |
| Mutual funds - foreign | 32,657 | 2,114 | (230) | 34,541 |
| Mutual funds - domestic | 56,442 | 228 | (2,779) | 53,891 |
| Total equity securities | 127,189 | 8,330 | (3,653) | 131,866 |
| Fixed maturity: | | | | |
| U.S. treasury and other government | 21,340 | 171 | (162) | 21,349 |
| Corporate bonds | 1,218 | 171 | - | 1,389 |
| Foreign bonds | 36 | 2 | - | 38 |
| Mortgage-backed securities | 81 | 47 | - | 128 |
| Total fixed maturity securities | 22,675 | 391 | (162) | 22,904 |
| Total | $ 149,864 | $ 8,721 | $ (3,815) | $ 154,770 |

Marketable securities, included in other current and long-term assets totaling $74.2 million and $72.8 million at May 31, 2016, respectively, and included in other current and long-term assets totaling $69.3 million and $85.5 million at May 31, 2015, respectively, are composed of available-for-sale securities and are reported at fair value. We carry a portion of our marketable securities portfolio in long-term assets since they are generally held for the settlement of our general and product liability insurance claims processed through our wholly owned captive insurance subsidiaries.

Marketable securities 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 operating income in the period in which the unrealized losses are deemed other than temporary. In order to determine whether other-than-temporary declines in market value have 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 realized on sales of investments were $6.9 million and $8.8 million for the years ended May 31, 2016 and 2015, respectively. During fiscal 2016 and 2015, we recognized gross realized losses on sales of investments of $0.4 million and $0.1 million, respectively. During fiscal 2016, we recognized losses of approximately $3.8 million for securities deemed to have other-than-temporary impairments. During fiscal 2015, such losses were insignificant. These amounts are included in investment (income), net in the Consolidated Statements of Income.

Summarized below are the securities we held at May 31, 2016 and May 31, 2015 that were in an unrealized loss position and that were included in accumulated other comprehensive income (loss), aggregated by the length of time the investments had been in that position:

| (In thousands) | May 31, 2016 Fair Value | May 31, 2016 Gross Unrealized Losses | May 31, 2015 Fair Value | May 31, 2015 Gross Unrealized Losses |
|---|---|---|---|---|
| Total investments with unrealized losses | $ 89,360 | $ (10,182) | $ 58,978 | $ (3,815) |
| Unrealized losses with a loss position for less than 12 months | 41,762 | (4,856) | 32,693 | (1,441) |
| Unrealized losses with a loss position for more than 12 months | 47,598 | (5,326) | 26,285 | (2,374) |

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. The unrealized losses generally relate to investments whose fair values at May 31, 2016 were less than 15% below their original cost. From time to time, we may experience significant volatility in general economic and market conditions. If we were to experience unrealized losses that were to continue for longer periods of time, or arise to more significant levels of 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, 2016, by contractual maturity, are shown below. Expected maturities may 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 | $ 5,155 | $ 5,160 |
| One year through five years | 13,040 | 13,079 |
| Six years through ten years | 3,224 | 3,293 |
| After ten years | 1,172 | 1,330 |
| | $ 22,591 | $ 22,862 |

## NOTE D — FAIR VALUE MEASUREMENTS

Financial instruments recorded in 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 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 and past experience, but are primarily made up of 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 in our Consolidated Balance Sheets 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 Statements of Income in the current period. Changes in the fair value of derivative instruments used effectively as cash flow hedges are recognized in other comprehensive income (loss), along with the change in the value of the hedged item. We do not hold or issue derivative instruments for speculative purposes.

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 tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2016 |
|---|---|---|---|---|
| U.S. Treasury and other government | $ - | $ 21,838 | $ - | $ 21,838 |
| Corporate bonds | | 1,024 | | 1,024 |
| Stocks - foreign | 5,243 | | | 5,243 |
| Stocks - domestic | 30,637 | | | 30,637 |
| Mutual funds - foreign | | 32,348 | | 32,348 |
| Mutual funds - domestic | | 55,866 | | 55,866 |
| Foreign currency forward contract | | (159) | | (159) |
| Contingent consideration | | | (11,771) | (11,771) |
| Total | $ 35,880 | $ 110,917 | $ (11,771) | $ 135,026 |

| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2015 |
|---|---|---|---|---|
| U.S. Treasury and other government | $ - | $ 21,349 | $ - | $ 21,349 |
| Foreign bonds | | 38 | | 38 |
| Mortgage-backed securities | | 128 | | 128 |
| Corporate bonds | | 1,389 | | 1,389 |
| Stocks - foreign | 3,976 | | | 3,976 |
| Stocks - domestic | 39,458 | | | 39,458 |
| Mutual funds - foreign | | 34,541 | | 34,541 |
| Mutual funds - domestic | | 53,891 | | 53,891 |
| Foreign currency forward contract | | (6,369) | | (6,369) |
| Contingent consideration | | | (27,598) | (27,598) |
| Total | $ 43,434 | $ 104,967 | $ (27,598) | $ 120,803 |

Our marketable securities are primarily composed of available-for-sale securities, and are valued using a market approach. 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.

At May 31, 2016, we had a foreign currency forward contract with a fair value of approximately $0.2 million, which is classified in other accrued liabilities in our Consolidated Balance Sheets. At May 31, 2015, we had a foreign currency forward contract with a fair value of approximately $6.4 million, which is classified in other accrued liabilities in our Consolidated Balance Sheets. Our foreign currency forward contract, which has not been designated as a hedge, was designed to reduce our exposure to the changes in the cash flows of intercompany foreign-currency-denominated loans related to changes in foreign currency exchange rates by fixing the functional currency cash flows. The foreign exchange rates included in the forward contract are based upon observable market data, but are not quoted market prices, and therefore, the forward currency forward contract is considered a Level 2 liability on the fair value hierarchy.

The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with recent acquisitions that is contingent upon the achievement of certain performance milestones. We estimated the fair value using expected future cash flows over the period in which the obligation is expected to be settled, and applied a discount rate that appropriately captures a market participant's view of the risk associated with the obligation, which are considered to be Level 3 inputs. During fiscal 2016, we reversed approximately $14.5 million for contingent earnout targets that were not expected to be met. Additionally, during fiscal 2016 we paid approximately $2.1 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during the current period, and these amounts are reported in payments of acquisition-related contingent consideration in the Consolidated Statements of Cash Flows. Also during fiscal 2016, we accrued an additional $0.8 million for new acquisitions.

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, 2016 and May 31, 2015, 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, 2016 and May 31, 2015 are as follows:

| | At May 31, 2016 | |
|---|---|---|
| *(In thousands)* | Carrying Value | Fair Value |
| Cash and cash equivalents | $ 265,152 | $ 265,152 |
| Marketable equity securities | 124,094 | 124,094 |
| Marketable debt securities | 22,862 | 22,862 |
| Long-term debt, including current portion | 1,651,045 | 1,927,922 |

| | At May 31, 2015 | |
|---|---|---|
| *(In thousands)* | Carrying Value | Fair Value |
| Cash and cash equivalents | $ 174,711 | $ 174,711 |
| Marketable equity securities | 131,866 | 131,866 |
| Marketable debt securities | 22,904 | 22,904 |
| Long-term debt, including current portion | 1,656,075 | 1,783,962 |

## NOTE E — BORROWINGS

A description of long-term debt follows:

| May 31, | 2016 | 2015 |
|---|---|---|
| *(In thousands)* | | |
| Revolving credit facility with a syndicate of banks, through December 5, 2019(1) | $ 201,881 | $ 111,043 |
| Accounts Receivable Securitization Program with two banks, through May 9, 2017 | - | 100,000 |
| Unsecured 6.50% senior notes due February 14, 2018(2) | 249,364 | 248,996 |
| Unsecured 6.125% senior notes due October 15, 2019(3) | 455,372 | 456,802 |
| Unsecured $205,000 face value at maturity 2.25% senior convertible notes due December 15, 2020 | 190,949 | 188,158 |
| Unsecured 3.45% senior notes due November 15, 2022 | 300,000 | 300,000 |
| Unsecured 5.25% notes due June 1, 2045(4) | 248,525 | 248,504 |
| Other obligations, including capital leases and unsecured notes payable at various rates of interest due in installments through 2018 | 4,954 | 2,572 |
| | 1,651,045 | 1,656,075 |
| Less: current portion | 4,713 | 2,038 |
| **Total Long-Term Debt, Less Current Maturities** | $ 1,646,332 | $ 1,654,037 |

(1) Interest was tied to AUD LIBOR at May 31, 2016, and averaged 2.92% for AUD denominated debt ($13,050), 1.075% on EUR denominated debt ($131,692) and 1.544% on our swing-line ($57,139). Interest was tied to AUD LIBOR at May 31, 2015, and averaged 3.095% for AUD denominated debt ($10,316), 1.075% on EUR denominated debt ($16,490), 1.265% on Euro LIBOR denominated debt ($70,000) and 1.259% on our swing-line ($14,237).

(2) The $250.0 million aggregate principal amount of the notes due 2018 is adjusted for the amortization of the original issue discount, which approximated $0.6 million and $1.0 million at May 31, 2016 and 2015, 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.

(3) Includes the combination of the October 2009 initial issuance of $300.0 million aggregate principal amount and the May 2011 issuance of an additional $150.0 million aggregate principal amount of these notes. The $300.0 million aggregate principal amount of the notes due 2019 from the initial issuance is adjusted for the amortization of the original issue discount, which approximated $0.1 million and $ 0.1 million at May 31, 2016 and 2015. The original issue discount effectively reduced the ultimate proceeds from the October 2009 financing. The effective interest rate on the notes issued in October 2009, including the amortization of the discount, is 6.139%. The additional $150.0 million aggregate principal amount of the notes due 2019 issued in May 2011 is adjusted for the unamortized premium received at issuance, which approximated $5.5 million and $6.9 million at May 31, 2016 and 2015, respectively. The premium effectively increased the proceeds from the financing. The effective interest rate on the $150.0 million notes issued in May 2011 is 4.934%.

(4) The $250.0 million face amount of the notes due 2045 is adjusted for the amortization of the original issue discount, which approximated $1.5 million at May 31, 2016 and 2015. 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 5.29%.

The aggregate maturities of long-term debt for the five years subsequent to May 31, 2016 are as follows: 2017 — $4.7 million; 2018 — $249.6 million; 2019 — none; 2020 — $657.3 million; 2021 — $190.9 million and thereafter $548.5 million. Additionally, at May 31, 2016, we had unused lines of credit totaling $797.7 million.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.06 billion at May 31, 2016. Our debt-to-capital ratio was 54.6% at May 31, 2016, compared with 56.2% at May 31, 2015.

### Revolving Credit Agreement

During fiscal 2015, we entered into an $800.0 million unsecured syndicated revolving credit facility (the "Revolving Credit Facility"), which expires on December 5, 2019. The Revolving Credit Facility replaced our prior $600.0 million revolving credit facility that was set to expire on June 29, 2017.

The Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to $1.0 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, to satisfy all or a portion of our obligations relating to the plan of reorganization for our SPHC subsidiary, and for general corporate purposes.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant and interest coverage ratio. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness as of any fiscal quarter end to exceed 65% of the sum of such indebtedness and our consolidated shareholders' equity on such date. The minimum required consolidated interest coverage ratio for facility calculated EBITDA, as defined in the facility, to interest expense is 3.50 to 1. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended.

As of May 31, 2016, we were in compliance with all financial covenants contained in our Revolving Credit Facility, including the leverage and interest coverage ratio covenants. At that date, our leverage ratio was 53.4%, while our interest coverage ratio was 9.5 to 1. Our available liquidity under our Revolving Credit Facility stood at $597.7 million at May 31, 2016.

Our access to funds under our Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Revolving 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 Revolving 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.

### Accounts Receivable Securitization Program

On May 9, 2014, we entered into a new, three-year, $200.0 million accounts receivable securitization facility (the "AR Program"). The maximum availability under the AR Program is $200.0 million. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and therefore at certain times we may not be able to fully access the $200.0 million of funding available under the AR Program.

As of May 31, 2016, there was no outstanding balance under the AR Program, which compares with the maximum availability on that date of $200.0 million. The interest rate under the Purchase Agreement is based on the Alternate Base Rate, LIBOR Market Index Rate, one-month LIBOR or LIBOR for a specified tranche period, as selected by us, plus in each case, a margin of 0.70%. In addition, we are obligated to pay a monthly unused commitment fee based on the daily amount of unused commitments under the Agreement, which fee ranges from 0.30% to 0.50% based on usage. The AR Program contains various customary affirmative and negative covenants and also contains customary default and termination provisions.

Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving 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 Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

### 2.25% Convertible Senior Notes due 2020

On December 9, 2013, we issued $205 million of 2.25% convertible senior notes due 2020 (the "Convertible Notes"). We will pay interest on the Convertible Notes semi-annually on June 15th and December 15th of each year, and began doing so on June 15, 2014. Net proceeds of approximately $200.1 million from the sale were used to refinance $200 million in principal amount of unsecured senior notes due December 15, 2013, which had an interest rate of 6.25%.

The Convertible Notes will be convertible under certain circumstances and during certain periods at an initial conversion rate of 18.8905 shares of RPM common stock per $1,000 principal amount of notes (representing an initial conversion price of approximately $52.94 per share of common stock), subject to adjustment in certain circumstances. In April 2016, we declared a dividend in excess of $0.24 per share, and consequently, the adjusted conversion rate at May 31, 2016 was 18.96864. The initial conversion price represents a conversion premium of approximately 37% over the last reported sale price of RPM common stock of $38.64 on December 3, 2013. Prior to June 15, 2020, the Convertible Notes may be converted only upon specified events, and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at RPM's election, in cash, shares of RPM's common stock, or a combination of cash and shares of RPM's common stock.

We account for the liability and equity components of the Convertible Notes separately, and in a manner that will reflect our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The effective interest rate on the liability component is 3.92%. Contractual interest was $4.6 million for both fiscal 2016 and 2015, and amortization of the debt discount was $2.8 million and $2.7 million for fiscal 2016 and 2015, respectively. At May 31, 2016, the remaining period over which the debt discount will be amortized was 4.5 years, the unamortized debt discount was $14.1 million, and the carrying amount of the equity component was $20.7 million.

### 3.45% Notes due 2022

On October 23, 2012, we sold $300 million aggregated principal amount of 3.45% Notes due 2022 (the "Notes"). The net proceeds of $297.7 million from the offering of the Notes were used to repay short-term borrowings outstanding under our $600 million revolving credit facility on that date.

### 5.25% Notes due 2045

On May 26, 2015, we issued $250 million of 5.25% notes due 2045 (the "New Notes"). The New Notes were priced at 99.401% of the $250 million principal, and at that price, the New Notes have a yield to maturity of 5.29%. We will pay interest on the New Notes semi-annually on June 1st and December 1st of each year, and will begin doing so on December 1, 2015. Net proceeds of approximately $245.7 million from the offering of the New Notes were used to repay a portion of short-term borrowings outstanding under our New Revolving Credit Facility.

## NOTE F — INCOME TAXES

The provision for income taxes is calculated in accordance with ASC 740, 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, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| United States | $ 310,695 | $ 273,278 | $ 209,626 |
| Foreign | 172,771 | 179,975 | 214,861 |
| **Income Before Income Taxes** | $ 483,466 | $ 453,253 | $ 424,487 |

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

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Current: | | | |
| U.S. Federal | $ 75,200 | $ 77,374 | $ 46,846 |
| State and local | 6,230 | 4,876 | 5,660 |
| Foreign | 35,179 | 45,173 | 59,425 |
| **Total Current** | 116,609 | 127,423 | 111,931 |
| Deferred: | | | |
| U.S. Federal | 17,625 | 97,112 | 16,747 |
| State and local | 1,907 | 1,494 | 1,292 |
| Foreign | (10,133) | (1,104) | (11,467) |
| **Total Deferred** | 9,399 | 97,502 | 6,572 |
| **Provision for Income Taxes** | $ 126,008 | $ 224,925 | $ 118,503 |

The significant components of deferred income tax assets and liabilities as of May 31, 2016 and 2015 were as follows:

| *(In thousands)* | 2016 | 2015 |
|---|---|---|
| Deferred income tax assets related to: | | |
| Inventories | $ 12,894 | $ 8,530 |
| Allowance for losses | 11,014 | 8,575 |
| Bankruptcy note liability | 118,551 | 117,263 |
| Accrued compensation and benefits | 132,707 | 111,843 |
| Accrued other expenses | 20,310 | 15,932 |
| Other long-term liabilities | 20,570 | 21,911 |
| Net operating loss and credit carryforwards | 66,438 | 87,595 |
| Net unrealized loss on securities | 27,540 | 21,562 |
| **Total Deferred Income Tax Assets** | 410,024 | 393,211 |
| Less: valuation allowances | (60,103) | (68,043) |
| **Net Deferred Income Tax Assets** | 349,921 | 325,168 |
| Deferred income tax (liabilities) related to: | | |
| Depreciation | (64,506) | (56,636) |
| Pension and other postretirement benefits | (17,975) | (16,256) |
| Amortization of intangibles | (198,940) | (198,872) |
| Unremitted foreign earnings | (98,520) | (108,508) |
| **Total Deferred Income Tax (Liabilities)** | (379,941) | (380,272) |
| **Deferred Income Tax Assets (Liabilities), Net** | $ (30,020) | $ (55,104) |

At May 31, 2016, we had U.S. federal foreign tax credit carryforwards of approximately $16.2 million, which expire in various years ending in 2026. Additionally, at May 31, 2016, we had approximately $61.6 million of state net operating loss carryforwards that expire at various dates beginning in 2017 and foreign net operating loss carryforwards of approximately $158.6 million, of which approximately $24.2 million will expire at various dates beginning in 2017 and approximately $134.4 million that have an indefinite carryforward period. Also, as of May 31, 2016, we had foreign capital loss carryforwards of approximately $14.7 million that can be carried forward indefinitely. These net operating loss, capital 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.

When evaluating the realizability of deferred income tax assets, we consider, among other items, whether a jurisdiction has experienced cumulative pretax losses and whether a jurisdiction will generate the appropriate character of income to recognize a deferred income tax asset. More specifically, if a jurisdiction experiences cumulative pretax losses for a period of three years, including the current fiscal year, or if a jurisdiction does not have sufficient income of the appropriate character in the relevant carryback or projected carryforward periods, we generally conclude that it is more likely than not that the respective deferred tax asset will not be realized unless factors such as expected operational changes, availability of prudent and feasible tax planning strategies, reversal of taxable temporary differences or other information exists that would lead us to conclude otherwise. If, after we have evaluated these factors, the deferred income tax assets are not expected to be realized within the carryforward or carryback periods allowed for that jurisdiction, we would conclude that a valuation allowance is required. To the extent that the deferred income tax asset is expected to be utilized within the carryback or carryforward periods, we would conclude that a valuation allowance would not be required.

In applying the above, we determined, based on the available evidence that future taxable income from certain of our foreign subsidiaries will be sufficient to recognize corresponding deferred tax asset that were previously subject to valuation allowances. As a result, during this fiscal year, we recorded a net reduction in valuation allowances associated with the estimated utilization of foreign net operating loss carryforwards of $5.8 million. This benefit was partially offset by $2.4 million of additions to valuation allowances for other foreign deferred tax assets. For the year ended May 31, 2015, we determined that future U.S. taxable income along with anticipated foreign source income, will be sufficient to recognize foreign tax and other credit carryforwards of approximately $12.0 million that were previously subject to valuation allowances. The benefit was partially offset by approximately $1.5 million of other incremental adjustments to the valuation allowances. Further, we believe it is uncertain whether future taxable income of certain of our foreign subsidiaries and future taxable income of the appropriate character will be sufficient to recognize the remaining corresponding deferred tax assets. Accordingly, we intend to maintain the recorded valuation allowances until sufficient positive evidence exists to support a reversal of the tax valuation allowances.

Total valuation allowances of approximately $60.1 million and $68.0 million have been recorded as of May 31, 2016 and 2015, respectively. The recorded valuation allowances relate to foreign capital loss carryforwards, certain foreign net operating losses, net foreign deferred tax assets and unrealized losses on securities.

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, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Income tax expense (benefit) at the U.S. statutory federal income tax rate | $ 169,213 | $ 158,638 | $ 148,570 |
| Impact of foreign operations | (29,969) | (32,706) | (27,374) |
| State and local income taxes, net of federal income tax benefit | 4,310 | 4,140 | 4,519 |
| Tax benefits from the domestic manufacturing deduction | (8,030) | - | (4,878) |
| Nondeductible business expense | 2,224 | 1,782 | 1,508 |
| Valuation allowance | (3,357) | (10,455) | (2,998) |
| Unremitted foreign earnings | (3,712) | 106,227 | 2,500 |
| Non-taxable gain from joint venture remeasurement | (2,790) | - | - |
| Other | (1,881) | (2,701) | (3,344) |
| **Provision for Income Tax Expense** | $ 126,008 | $ 224,925 | $ 118,503 |
| **Effective Income Tax Rate** | 26.1% | 49.6% | 27.9% |

Uncertain income tax positions are accounted for in accordance with ASC 740. The following table summarizes the activity related to unrecognized tax benefits:

| *(In millions)* | 2016 | 2015 | 2014 |
|---|---|---|---|
| Balance at June 1 | $ 12.9 | $ 15.7 | $ 8.4 |
| Additions based on tax positions related to current year | 0.3 | - | 0.1 |
| Additions for tax positions of prior years | 2.6 | 0.9 | 9.0 |
| Reductions for tax positions of prior years | (1.4) | (1.5) | (1.3) |
| Foreign currency translation | (0.7) | (2.2) | (0.5) |
| Balance at May 31 | $ 13.7 | $ 12.9 | $ 15.7 |

The total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was $3.9 million at May 31, 2016, $3.9 million at May 31, 2015 and $15.0 million at May 31, 2014. We do not anticipate any significant changes to the above total unrecognized tax benefits within the next 12 months.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. At May 31, 2016, 2015 and 2014, the accrual for interest and penalties was $2.8 million, $3.8 million and $5.2 million, respectively. Unrecognized tax benefits, including interest and penalties, have been classified as other long-term liabilities unless expected to be paid in one year.

We, or our subsidiaries, file income tax returns in the U.S. and in various state, local and foreign jurisdictions. The Internal Revenue Service has informed us that it will perform a limited scope examination of fiscal year 2013. Further, with limited exceptions, we, or our subsidiaries, are generally subject to state and local or non-U.S. income tax examinations by tax authorities for the fiscal years 2010 through 2016.

We are currently under examination, or have been notified of an upcoming tax examination for various non-U.S. and domestic state and local jurisdictions. Although it is possible that certain tax examinations could be resolved during the next 12 months, the timing and outcomes are uncertain.

At May 31, 2015, we determined that it was possible that we could repatriate approximately $419.1 million of unremitted foreign earnings in the foreseeable future. Accordingly, as of May 31, 2015, we recorded a deferred income tax liability of $108.5 million, which represented our estimate of the U.S. income and foreign withholding tax associated with the $419.1 million of undistributed foreign earnings not considered permanently reinvested. As of May 31, 2016, the amount of undistributed earnings that may be repatriated is $377.3 million and the corresponding deferred tax liability has been reduced to $98.5 million. This reduction in the amount of unremitted foreign earnings that are not considered permanently reinvested is primarily due to foreign currency revaluations and actual distributions of foreign earnings during the year. The reduction to the deferred tax liability related to foreign currency revaluation was approximately $6.0 million, which was recorded in accumulated other comprehensive income (loss).

We have not provided for U.S. income taxes or foreign withholding taxes on the remaining $1.1 billion of foreign undistributed earnings because such earnings have been retained and reinvested by the foreign subsidiaries as of May 31, 2016. Accordingly, no provision has been made for U.S. income taxes or foreign withholding taxes, which may become payable if the remaining undistributed earnings of foreign subsidiaries were distributed to the U.S. Due to the uncertainties and complexities involved in the various options for repatriation of foreign earnings, it is not practical to calculate the deferred taxes associated with the remaining foreign earnings.

## NOTE G — COMMON STOCK

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 our repurchases to approximately one to two million shares per year, which would include amounts required to offset dilution created by stock issued in connection with our equity-based compensation plans and other repurchases. 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 our 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. During the fiscal year ended May 31, 2016, we repurchased 800,000 shares of our common stock at a cost of approximately $35.1 million, or an average cost of $43.88 per share, under this program. During the fiscal year ended May 31, 2015, we repurchased 595,106 shares of our common stock at a cost of approximately $27.6 million, or an average cost of $46.36 per share, under this program. During the fiscal year ended May 31, 2014, we did not repurchase any shares of our common stock under this program.

## NOTE H — 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, restricted stock units and SARs. We grant stock-based incentive awards to our employees and/or our directors under various share-based compensation plans. Plans that are active or provide for stock option grants or share-based payment awards include the Amended and Restated 2004 Omnibus Equity and Incentive Plan (the "2004 Omnibus Plan") and the 2014 Omnibus Equity and Incentive Plan (the "2014 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").

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, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Selling, general and administrative expense | $ 31,287 | $ 31,741 | $ 23,568 |
| Income tax (benefit) | (9,184) | (10,027) | (7,776) |
| Total stock-based compensation cost | $ 22,103 | $ 21,714 | $ 15,792 |

### SARs

SARs are awards that allow our employees to receive shares of our common stock at a fixed price. We grant SARs 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. 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 following is a summary of our weighted-average assumptions related to SARs grants made during the last three fiscal years:

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| Risk-free interest rate | 2.2% | 2.3% | 2.2% |
| Expected life of option | 7.0 yrs | 7.5 yrs | 7.5 yrs |
| Expected dividend yield | 2.2% | 2.2% | 2.7% |
| Expected volatility rate | 25.6% | 25.7% | 26.1% |

The 2014 Omnibus Plan was approved by our stockholders on October 9, 2014. The 2014 Omnibus Plan provides us with the flexibility to grant a wide variety of stock and stock-based awards, as well as dollar-denominated performance-based awards, and is intended to be the primary stock-based award program for covered employees. This plan replaces the 2004 Omnibus Plan, which expired under its own terms on October 7, 2014. A wide variety of stock and stock-based awards, as well as dollar-denominated performance-based awards, may be granted under these plans. 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, 2016, there were 3,212,500 SARs outstanding.

The following table summarizes option and share-based payment activity (including SARs) under these plans during the fiscal year ended May 31, 2016:

| | 2016 | |
|---|---|---|
| Share-Based Payments | Weighted Average Exercise Price | Number of Shares Under Option |
| *(Shares in thousands)* | | |
| Balance at June 1 | $ 27.04 | 3,530 |
| Options granted | 47.14 | 570 |
| Options exercised | 22.45 | (887) |
| **Balance at May 31** | 31.88 | 3,213 |
| **Exercisable at May 31** | $ 24.32 | 1,838 |

| SARs | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In millions, except per share amounts)* | | | |
| Weighted-average grant-date fair value per SAR | $ 10.73 | $ 10.63 | $7.38 |
| Intrinsic value of options exercised | $ 22.3 | $ 7.5 | $15.6 |
| Tax benefit from options exercised | $ 8.1 | $ 2.5 | $ 5.2 |
| Fair value of SARS vested | $ 4.0 | $ 3.3 | $ 2.0 |

At May 31, 2016, the aggregate intrinsic value and weighted-average remaining contractual life of options outstanding was $58.8 million and 6.4 years respectively, while the aggregate intrinsic value and weighted-average remaining contractual life of options exercisable was $47.5 million and 5.1 years, respectively.

At May 31, 2016, the total unamortized stock-based compensation expense related to SARs that were previously granted was $9.0 million, which is expected to be recognized over 3.25 years. We anticipate that approximately 1.3 million shares at a weighted-average exercise price of $41.98 and a weighted-average remaining contractual term of 8.2 years will ultimately vest under these plans.

## 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, 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.

Under the 2014 Omnibus Plan, a total of 6,000,000 shares of our common stock may be subject to awards. Of those issuable shares, up to 3,000,000 shares of common stock may be subject to “full-value” awards similar to those issued under the Omnibus Plan.

The following table summarizes the share-based performance- earned restricted stock (“PERS”) activity during the fiscal year ended May 31, 2016:

| *(Shares in thousands)* | Weighted-Average Grant-Date Fair Value | 2016 |
|---|---|---|
| Balance at June 1 | $ 35.40 | 1,441 |
| Shares granted | 45.79 | 476 |
| Shares forfeited | 38.75 | (21) |
| Shares vested | 26.99 | (489) |
| **Balance at May 31** | $ 41.78 | 1,407 |

The weighted-average grant-date fair value was $45.79, $44.28 and $35.11 for the fiscal years ended May 31, 2016, 2015 and 2014, respectively. The restricted stock cliff vest after three years. Nonvested restricted shares of common stock under the Omnibus Plan are eligible for dividend payments. At May 31, 2016, unamortized deferred compensation expense of $24.5 million remained and is being amortized over the applicable vesting period for each participant.

On October 7, 2010, our Compensation Committee approved contingent awards of PCRS, (the “2011 PCRS”), for certain executives. During October 2010, 680,000 shares were granted at a weighted-average grant-date price of $20.73. Additional grants were made in July 2011, June 2012 and July 2012, totaling 115,000 shares, 10,000 shares and 50,000 shares, respectively, and were granted at a weighted-average grant-date price of $22.16, $25.76 and $25.87, respectively. The awards are contingent upon the level of attainment of performance goals for the three-year and five-year periods from June 1, 2010 ending May 31, 2013, and from June 1, 2010 ending May 31, 2015, respectively. During fiscal 2016, there were 751,450 shares of stock that vested in relation to these awards. Compensation cost for these awards is recognized on a straight-line basis over the related performance period, with consideration given to the probability of attaining the performance goals.

On July 31, 2015, our Compensation Committee approved contingent awards of PCRS, (the "2015 PCRS"), for certain executives. During July 2015, 329,000 shares were granted at a weighted-average grant-date price of $46.87. The awards are contingent upon the level of attainment of performance goals for the three-year performance period from June 1, 2015 ending May 31, 2018. Vesting of 67% of the 2015 PCRS relates to an increase in EBIT for the period, and vesting of the remaining 33% relates to an increase in EBIT margin for the period. Compensation cost for these awards is recognized on a straight-line basis over the related performance period, with consideration given to the probability of attaining the performance goals. As of May 31, 2016, there were 324,000 2015 PCRS shares outstanding and $7.8 million unamortized stock-based compensation expense assuming attaining 75% of the goal.

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. The following table summarizes the share-based activity under the 2003 Plan during fiscal 2016:

| *(Shares in thousands)* | Weighted-Average Grant-Date Fair Value | 2016 |
|---|---|---|
| Balance at June 1 | $ 35.57 | 92 |
| Shares granted to Directors | 43.71 | 31 |
| Shares vested | 28.50 | (37) |
| **Balance at May 31** | $ 41.51 | 86 |

The weighted-average grant-date fair value was $43.71, $43.89 and $36.63 for the fiscal years ended May 31, 2016, 2015 and 2014, respectively. Unamortized deferred compensation expense relating to restricted stock grants for directors of $1.8 million at May 31, 2016, is being amortized over the applicable remaining vesting period for each director. Nonvested restricted shares of common stock under the 2003 Plan are eligible for dividend payments. As of May 31, 2016, there were 101,550 shares available for future grant.

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. In addition, we also grant restricted stock units to certain employees under this plan. The following table sets forth awards and restricted stock units issued under the 1997 Plan and the 2007 Plan for the year ended May 31, 2016:

| *(Shares in thousands)* | Weighted-Average Grant-Date Fair Value | 2016 |
|---|---|---|
| Balance at June 1 | $ 21.04 | 859 |
| Shares granted | 46.63 | 64 |
| Shares exercised | 17.53 | (120) |
| **Balance at May 31** | $ 23.53 | 803 |

The weighted-average grant-date fair value was $46.63, $44.60 and $33.80 for the fiscal years ended May 31, 2016, 2015 and 2014, respectively. As of May 31, 2016, 45,480 shares were available for future issuance under the 2007 Plan. At May 31, 2016, unamortized stock-based compensation expense of $5.1 million and $0.7 million relating to the 2007 Plan and the Restricted Stock Units, respectively, are 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, 2016:

| *(Shares in thousands)* | Weighted-Average Grant-Date Fair Value | Number of Shares |
|---|---|---|
| Balance at June 1 | $ 28.75 | 2,994 |
| Granted | 46.17 | 900 |
| Vested | 22.75 | (1,502) |
| Forfeited | 31.76 | (51) |
| **Balance at May 31** | $ 39.10 | 2,341 |

The remaining weighted-average contractual term of nonvested restricted shares at May 31, 2016 is the same as the period over which the remaining cost of the awards will be recognized, which is approximately 3.5 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, 2016, 2015 and 2014, the weighted-average grant-date fair value for restricted share grants was $46.17, $44.29 and $35.02, respectively. The total fair value of shares that vested during the years ended May 31, 2016, 2015 and 2014 was $34.2 million, $14.7 million and $12.8 million, respectively. We anticipate that approximately 2.2 million shares at a weighted-average grant-date fair value of $39.10 and a weighted-average remaining contractual term of 3.5 years will ultimately vest, based upon the unique terms and participants of each plan. Approximately 172,855 shares of restricted stock were vested at May 31, 2015, with 263,857 restricted shares vested as of May 31, 2016. The total intrinsic value of restricted shares converted during the years ended May 31, 2016, 2015 and 2014 was $32.3 million, $13.9 million and $10.4 million, respectively.

Total unrecognized compensation cost related to all nonvested awards of restricted shares of common stock was $39.9 million as of May 31, 2016. That cost is expected to be recognized over a weighted-average period of 3.5 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, 2016.

## NOTE I — 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, 2013 | $ (24,428) | $(143,555) | $ 1,196 | $ 7,534 | $(159,253) |
| Reclassification adjustments for gains included in net income, net of tax benefit of $586 | | | | (1,220) | (1,220) |
| Other comprehensive income | 9,533 | (16,418) | (1,215) | 6,715 | (1,385) |
| Deferred taxes | | 6,325 | 304 | (1,653) | 4,976 |
| Balance at May 31, 2014 | (14,895) | (153,648) | 285 | 11,376 | (156,882) |
| Reclassification adjustments for gains included in net income, net of tax benefit of $2,307 | | | (125) | (4,209) | (4,334) |
| Increase in equity ownership - SPHC | | (9,600) | | | (9,600) |
| Other comprehensive income | (216,755) | (10,817) | (341) | (3,884) | (231,797) |
| Deferred taxes | | 5,733 | 181 | 2,564 | 8,478 |
| Balance at May 31, 2015 | (231,650) | (168,332) | - | 5,847 | (394,135) |
| Reclassification adjustments for gains included in net income, net of tax benefit of $946 | | | - | (1,847) | (1,847) |
| Other comprehensive income | (65,580) | (62,520) | - | (9,995) | (138,095) |
| Deferred taxes | 5,997 | 22,646 | - | 3,387 | 32,030 |
| Balance at May 31, 2016 | $(291,233) | $(208,206) | $ - | $ (2,608) | $(502,047) |

## NOTE J — EARNINGS PER SHARE

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share for the years ended May 31, 2016, 2015 and 2014:

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands, except per share amounts)* | | | |
| **Numerator for earnings per share:** | | | |
| Net income attributable to RPM International Inc. stockholders | $ 354,725 | $ 239,484 | $ 291,660 |
| Less: Allocation of earnings and dividends to participating securities | (5,770) | (4,954) | (6,366) |
| Net income available to common shareholders - basic | 348,955 | 234,530 | 285,294 |
| Add: Undistributed earnings reallocated to unvested shareholders | | 18 | 29 |
| Reverse: Allocation of earnings and dividends to participating securities | 5,770 | | |
| Add: Income effect of contingently issuable shares | 5,430 | 5,374 | 2,493 |
| Net income available to common shareholders - diluted | $ 360,155 | $ 239,922 | $ 287,816 |
| **Denominator for basic and diluted earnings per share:** | | | |
| Basic weighted average common shares (1) | 129,383 | 129,933 | 129,438 |
| Average diluted options | 3,445 | 1,082 | 1,003 |
| Net issuable common share equivalents (2) | 3,888 | 3,878 | 1,847 |
| Total shares for diluted earnings per share (1) | 136,716 | 134,893 | 132,288 |
| **Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:** | | | |
| Basic Earnings Per Share of Common Stock | $ 2.70 | $ 1.81 | $ 2.20 |
| Diluted Earnings Per Share of Common Stock | $ 2.63 | $ 1.78 | $ 2.18 |

(1) Basic and diluted earnings per share are calculated using the two-class method for the years ended May 31, 2015 and 2014. For the year ended May 31, 2016, basic and diluted earnings per share are calculated under the two-class method and the treasury method, respectively, as those methods resulted in the most dilutive earnings per share.

(2) Represents the number of shares that would be issued if our contingently convertible notes were converted. We include these shares in the calculation of diluted EPS as the conversion of the notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock.

## NOTE K — 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, 2016:

| May 31, | |
|---|---|
| *(In thousands)* | |
| 2017 | $ 50,828 |
| 2018 | 39,191 |
| 2019 | 26,204 |
| 2020 | 17,240 |
| 2021 | 14,359 |
| Thereafter | 51,783 |
| Total Minimum Lease Commitments | $ 199,605 |

Total rental expense for all operating leases amounted to $57.5 million, $53.8 million and $50.9 million for the fiscal years ended May 31, 2016, 2015 and 2014, respectively.

## NOTE L — 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.

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, 2017, we expect to contribute approximately $54.1 million to the retirement plans in the U.S. and approximately $6.0 million to our foreign plans.

Historically, we estimated the service and interest cost components of net periodic pension and postretirement benefit cost by applying a single weighted-average discount rate, derived from the yield curve used to measure the benefit obligation at the beginning of the period. During the first quarter of fiscal 2016, we elected to change our approach in estimating service and interest cost by applying the split discount rate approach. Under the split discount rate approach, we estimate service and interest cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We made this change in order to more precisely measure our service and interest costs, and the split discount rate approach achieves this by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates. This change will not affect the measurement of our total benefit obligation at our annual measurement date, as the change in service and interest cost is completely offset by deferred actuarial (gains)/ losses that will arise at the next annual measurement date. As this change is treated as a change in estimate, the impact was reflected in the first quarter of fiscal 2016 and prospectively, and historical measurements of service and interest cost were not affected.

This change in estimate reduced our fiscal 2016 annual net periodic benefit expense by approximately $5.4 million for our U.S. Plans and by approximately $1.0 million for our non-U.S. plans versus the amounts that would have been recorded had we not elected to change our approach. Accordingly, for fiscal 2016, total service cost and interest cost for all plans was $36.9 million and $23.1 million, respectively, a reduction of $0.8 million and $5.6 million, respectively, as a result of implementing the new approach. This resulted in an increase in income from continuing operations and net income for fiscal 2016 of approximately $6.4 million and $4.7 million, respectively, and an increase in basic and diluted earnings per share of $0.04 and $0.03, respectively, versus what would have been recorded had we not elected to change our approach.

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

| | U.S. Plans | | | Non-U.S. Plans | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Service cost | $ 32,808 | $ 30,359 | $ 27,056 | $ 4,061 | $ 4,611 | $ 4,375 |
| Interest cost | 17,995 | 20,119 | 18,039 | 5,070 | 7,184 | 7,382 |
| Expected return on plan assets | (25,749) | (24,308) | (20,761) | (7,571) | (8,611) | (8,411) |
| Amortization of: | | | | | | |
| Prior service cost | 234 | 294 | 334 | (2) | 39 | 19 |
| Net actuarial losses recognized | 16,759 | 13,890 | 13,222 | 1,739 | 2,004 | 2,448 |
| Curtailment/settlement (gains) losses | 87 | | | 57 | | 44 |
| **Net Pension Cost** | $ 42,134 | $ 40,354 | $ 37,890 | $ 3,354 | $ 5,227 | $ 5,857 |

The changes in benefit obligations and plan assets, as well as the funded status of our pension plans at May 31, 2016 and 2015, were as follows:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Benefit obligation at beginning of year | $ 537,465 | $ 476,590 | $ 191,386 | $ 202,168 |
| Service cost | 32,808 | 30,359 | 4,061 | 4,611 |
| Interest cost | 17,995 | 20,119 | 5,070 | 7,184 |
| Benefits paid | (26,932) | (24,147) | (7,078) | (6,066) |
| Participant contributions | | | 830 | 773 |
| Plan amendments | | | (349) | |
| Plan settlements/curtailments | (272) | | (630) | |
| Actuarial (gains)/losses | 27,982 | 28,166 | 1,778 | 7,738 |
| Acquisitions and transfers | | 6,378 | | 781 |
| Premiums paid | | | (121) | (128) |
| Currency exchange rate changes | | | (7,883) | (25,675) |
| **Benefit Obligation at End of Year** | $ 589,046 | $ 537,465 | $ 187,064 | $ 191,386 |
| Fair value of plan assets at beginning of year | $ 327,427 | $ 282,113 | $ 176,437 | $ 177,079 |
| Actual return on plan assets | (21,742) | 11,076 | 1,619 | 21,867 |
| Employer contributions | 35,735 | 53,327 | 6,042 | 5,601 |
| Participant contributions | | | 830 | 773 |
| Benefits paid | (26,932) | (24,147) | (7,078) | (6,066) |
| Premiums paid | | | (121) | (128) |
| Plan settlements/curtailments | (272) | | (595) | |
| Acquisitions and transfers | | 5,058 | | |
| Currency exchange rate changes | | | (7,670) | (22,689) |
| **Fair Value of Plan Assets at End of Year** | $ 314,216 | $ 327,427 | $ 169,464 | $ 176,437 |
| (Deficit) of plan assets versus benefit obligations at end of year | $ (274,830) | $ (210,038) | $ (17,600) | $ (14,949) |
| **Net Amount Recognized** | $ (274,830) | $ (210,038) | $ (17,600) | $ (14,949) |
| **Accumulated Benefit Obligation** | $ 483,944 | $ 441,306 | $ 175,394 | $ 179,998 |

The fair value of the assets held by our pension plans has decreased at May 31, 2016 since our previous measurement date at May 31, 2015, due primarily to losses in the stock market. Plan liabilities have increased due to a decrease in interest rates. As such, we have increased our recorded liability for the net underfunded status of our pension plans. Due to lower discount rates and asset values, we expect pension expense in fiscal 2017 to be above our fiscal 2016 expense level. Any future 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, 2016 and 2015 are as follows:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Noncurrent assets | $ - | $ 5 | $ 4,297 | $ 1,280 |
| Current liabilities | (15) | (15) | (468) | (402) |
| Noncurrent liabilities | (274,815) | (210,028) | (21,429) | (15,827) |
| **Net Amount Recognized** | $ (274,830) | $ (210,038) | $ (17,600) | $ (14,949) |

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

| | U.S. Plans | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| *(In thousands)* | Benefit Obligation | Plan Assets | Benefit Obligation | Plan Assets |
| Plans with projected benefit obligations in excess of plan assets | $ 589,046 | $ 314,216 | $ 536,365 | $ 326,323 |
| Plans with accumulated benefit obligations in excess of plan assets | 483,944 | 314,216 | 440,206 | 326,323 |
| Plans with assets in excess of projected benefit obligations | - | - | 1,100 | 1,104 |
| Plans with assets in excess of accumulated benefit obligations | - | - | 1,100 | 1,104 |

| | Non-U.S. Plans | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| *(In thousands)* | Benefit Obligation | Plan Assets | Benefit Obligation | Plan Assets |
| Plans with projected benefit obligations in excess of plan assets | $ 141,627 | $ 119,730 | $ 141,149 | $ 124,920 |
| Plans with accumulated benefit obligations in excess of plan assets | 46,464 | 31,868 | 47,242 | 33,083 |
| Plans with assets in excess of projected benefit obligations | 45,437 | 49,734 | 50,237 | 51,517 |
| Plans with assets in excess of accumulated benefit obligations | 128,930 | 137,596 | 132,756 | 143,354 |

The following table presents the pretax net actuarial loss and prior service (costs) recognized in accumulated other comprehensive income (loss) not affecting retained earnings:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Net actuarial loss | $ (271,456) | $ (212,828) | $ (43,272) | $ (39,307) |
| Prior service (costs) | (469) | (703) | 9 | (357) |
| Total recognized in accumulated other comprehensive income not affecting retained earnings | $ (271,925) | $ (213,531) | $ (43,263) | $ (39,664) |

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

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: | | | | |
| Prior service cost | $ - | $ - | $ (349) | $ - |
| Net loss (gain) arising during the year | 75,474 | 41,398 | 7,731 | (5,518) |
| Effect of exchange rates on amounts included in AOCI | | | (1,953) | (5,771) |
| Amounts recognized as a component of net periodic benefit cost: | | | | |
| Amortization or curtailment recognition of prior service (cost) | (234) | (294) | (7) | (39) |
| Amortization or settlement recognition of net (loss) | (16,846) | (13,890) | (1,823) | (2,004) |
| Total recognized in other comprehensive loss (income) | $ 58,394 | $ 27,214 | $ 3,599 | $ (13,332) |

The following table presents the amounts in accumulated other comprehensive income (loss) as of May 31, 2016 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, 2017:

| *(In thousands)* | U.S. Plans | Non-U.S. Plans |
|---|---|---|
| Net actuarial loss | $ (20,804) | $ (2,292) |
| Prior service (cost) credit | $ (217) | $ 2 |

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. Actual experience is used to develop the assumption for compensation increases.

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

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| Year-End Benefit Obligations | 2016 | 2015 | 2016 | 2015 |
| Discount rate | 3.85% | 4.25% | 3.13% | 3.26% |
| Rate of compensation increase | 3.80% | 3.80% | 2.81% | 2.81% |

| | U.S. Plans | | | Non-U.S. Plans | | |
|---|---|---|---|---|---|---|
| Net Periodic Pension Cost | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Discount rate | 4.25% | 4.30% | 4.45% | 3.26% | 3.82% | 3.95% |
| Expected return on plan assets | 7.90% | 8.25% | 8.50% | 4.49% | 5.18% | 5.37% |
| Rate of compensation increase | 3.80% | 3.81% | 3.14% | 2.81% | 3.30% | 3.32% |

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

U.S. Plans

| | Target Allocation | Actual Asset Allocation | |
|---|---|---|---|
| *(Dollars in millions)* | as of May 31, 2016 | 2016 | 2015 |
| Equity securities | 55% | $ 234.7 | $ 223.2 |
| Fixed income securities | 25% | 72.1 | 95.9 |
| Cash | | 7.1 | 8.0 |
| Other | 20% | 0.3 | 0.3 |
| Total assets | 100% | $ 314.2 | $ 327.4 |

Non-U.S. Plans

| | Target Allocation | Actual Asset Allocation | |
|---|---|---|---|
| *(Dollars in millions)* | as of May 31, 2016 | 2016 | 2015 |
| Equity securities | 43% | $ 71.7 | $ 75.7 |
| Fixed income securities | 38% | 67.4 | 68.9 |
| Cash | | | 0.4 |
| Property and other | 19% | 30.4 | 31.4 |
| Total assets | 100% | $ 169.5 | $ 176.4 |

The following tables present our pension plan assets as categorized using the fair value hierarchy at May 31, 2016 and 2015:

U.S. Plans

| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2016 |
|---|---|---|---|---|
| U.S. Treasury and other government | $ - | $ 9,533 | $ - | $ 9,533 |
| State and municipal bonds | | 532 | | 532 |
| Foreign bonds | | 1,095 | | 1,095 |
| Mortgage-backed securities | | 12,289 | | 12,289 |
| Corporate bonds | | 21,035 | | 21,035 |
| Stocks - large cap | 28,686 | | | 28,686 |
| Stocks - mid cap | 12,350 | | | 12,350 |
| Stocks - small cap | 24,361 | | | 24,361 |
| Stocks - international | 3,538 | | | 3,538 |
| Mutual funds - equity | | 165,784 | | 165,784 |
| Mutual funds - fixed | | 27,611 | | 27,611 |
| Cash and cash equivalents | 7,108 | | | 7,108 |
| Limited partnerships | | | 294 | 294 |
| Total | $ 76,043 | $ 237,879 | $ 294 | $ 314,216 |

Non-U.S. Plans

| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2016 |
|---|---|---|---|---|
| Pooled equities | $ - | $ 70,452 | $ - | $ 70,452 |
| Pooled fixed income | | 67,144 | | 67,144 |
| Foreign bonds | | 231 | | 231 |
| Insurance contracts | | | 30,379 | 30,379 |
| Mutual funds | | 1,214 | | 1,214 |
| Cash and cash equivalents | 44 | | | 44 |
| Total | $ 44 | $ 139,041 | $ 30,379 | $ 169,464 |

| U.S. Plans | | | | |
|---|---|---|---|---|
| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2015 |
| U.S. Treasury and other government | $ - | $ 9,245 | $ - | $ 9,245 |
| State and municipal bonds | | 461 | | 461 |
| Foreign bonds | | 2,608 | | 2,608 |
| Mortgage-backed securities | | 11,536 | | 11,536 |
| Corporate bonds | | 17,894 | | 17,894 |
| Stocks - large cap | 36,554 | | | 36,554 |
| Stocks - mid cap | 14,575 | | | 14,575 |
| Stocks - small cap | 20,175 | | | 20,175 |
| Stocks - international | 3,756 | | | 3,756 |
| Mutual funds - equity | | 148,207 | | 148,207 |
| Mutual funds - fixed | | 54,112 | | 54,112 |
| Cash and cash equivalents | 8,019 | | | 8,019 |
| Limited partnerships | | | 285 | 285 |
| Total | $83,079 | $ 244,063 | $ 285 | $ 327,427 |

| Non-U.S. Plans | | | | |
|---|---|---|---|---|
| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2015 |
| Pooled equities | $ - | $ 74,159 | $ - | $ 74,159 |
| Pooled fixed income | | 68,773 | | 68,773 |
| Foreign bonds | | 195 | | 195 |
| Insurance contracts | | | 31,384 | 31,384 |
| Mutual funds | | 1,502 | | 1,502 |
| Cash and cash equivalents | 424 | | | 424 |
| Total | $ 424 | $ 144,629 | $ 31,384 | $ 176,437 |

The following table includes the activity that occurred during the years ended May 31, 2016 and 2015 for our Level 3 assets:

| | | Actual Return on Plan Assets For: | | | |
|---|---|---|---|---|---|
| *(In thousands)* | Balance at Beginning of Period | Assets Still Held at Reporting Date | Assets Sold During Year | Purchases, Sales and Settlements, net (1) | Balance at End of Period |
| Year ended May 31, 2016 | $ 31,669 | 191 | 9 | (1,196) | $ 30,673 |
| Year ended May 31, 2015 | 29,568 | 7,659 | 888 | (6,446) | 31,669 |

(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 $16.3 million, $14.9 million and $13.6 million for the years ending May 31, 2016, 2015 and 2014, respectively.

We expect to pay the following estimated pension benefit payments in the next five years (in millions): $48.0 in 2017, $50.0 in 2018, $53.2 in 2019, $57.1 in 2020, and $56.2 in 2021. In the five years thereafter (2022-2026) we expect to pay $302.0 million.

## NOTE M — 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, 2016:

| | U.S. Plans | | | Non-U.S. Plans | | |
|---|---|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Service cost - Benefits earned during the period | $ - | $ - | $ - | $ 1,061 | $ 1,173 | $ 1,264 |
| Interest cost on the accumulated obligation | 235 | 263 | 297 | 832 | 1,155 | 1,225 |
| Amortization of: | | | | | | |
| Prior service (credit) | (247) | (247) | (153) | | | |
| Net actuarial (gains) losses | | (136) | (144) | 229 | 391 | 516 |
| **Net Periodic Postretirement (Benefit) Expense** | $ (12) | $ (120) | $ - | $ 2,122 | $ 2,719 | $ 3,005 |

The changes in benefit obligations of the plans at May 31, 2016 and 2015 were as follows:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Accumulated postretirement benefit obligation at beginning of year | $ 7,640 | $ 6,787 | $ 24,646 | $ 28,255 |
| Service cost | | | 1,061 | 1,173 |
| Interest cost | 235 | 263 | 832 | 1,155 |
| Benefit payments | (251) | (230) | (464) | (536) |
| Actuarial (gains) losses | 29 | 820 | 536 | (1,751) |
| Currency exchange rate changes | | | (1,191) | (3,650) |
| **Accumulated and accrued postretirement benefit obligation at end of year** | $ 7,653 | $ 7,640 | $ 25,420 | $ 24,646 |

In determining the postretirement benefit amounts outlined above, measurement dates as of May 31 for each period were applied.

Amounts recognized in the Consolidated Balance Sheets for the years ended May 31, 2016 and 2015 are as follows:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Current liabilities | $ (455) | $ (430) | $ (482) | $ (454) |
| Noncurrent liabilities | (7,198) | (7,210) | (24,938) | (24,192) |
| **Net Amount Recognized** | $ (7,653) | $ (7,640) | $ (25,420) | $ (24,646) |

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

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Net actuarial gain (loss) | $ 94 | $ 124 | $ (5,986) | $ (5,968) |
| Prior service credits | 1,341 | 1,587 | | |
| Total recognized in accumulated other comprehensive income not affecting retained earnings | $ 1,435 | $ 1,711 | $ (5,986) | $ (5,968) |

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

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: | | | | |
| Prior service cost | $ - | $ - | $ - | $ - |
| Net loss (gain) arising during the year | 29 | 820 | 536 | (1,751) |
| Effect of exchange rates on amounts included in AOCI | | | (290) | (1,026) |
| Amounts recognized as a component of net periodic benefit cost: | | | | |
| Amortization or curtailment recognition of prior service credit (cost) | 247 | 247 | | |
| Amortization or settlement recognition of net gain (loss) | - | 136 | (229) | (391) |
| Total recognized in other comprehensive loss (income) | $ 276 | $ 1,203 | $ 17 | $ (3,168) |

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

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *Year-End Benefit Obligations* | 2016 | 2015 | 2016 | 2015 |
| Discount rate | 3.76% | 3.95% | 3.92% | 4.00% |
| Current healthcare cost trend rate | 10.37% | 11.34% | 5.98% | 6.06% |
| Ultimate healthcare cost trend rate | 4.36% | 4.50% | 4.20% | 4.20% |
| Year ultimate healthcare cost trend rate will be realized | 2037 | 2029 | 2030 | 2030 |

| | U.S. Plans | | | Non-U.S. Plans | | |
|---|---|---|---|---|---|---|
| *Net Periodic Postretirement Cost* | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Discount rate | 3.95% | 4.00% | 3.95% | 4.00% | 4.40% | 4.50% |
| Healthcare cost trend rate | 11.34% | 12.28% | 7.54% | 6.06% | 6.31% | 6.43% |
| Ultimate healthcare cost trend rate | 4.50% | 4.50% | 4.50% | 4.20% | 4.20% | 4.20% |
| Year ultimate healthcare cost trend rate will be realized | 2029 | 2029 | 2029 | 2030 | 2030 | 2030 |

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, 2016 and 2015:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| *(In thousands)* | 2016 | 2015 | 2016 | 2015 |
| **1% Increase in trend rate** | | | | |
| Accumulated Benefit Obligation | $ 313 | $ 334 | $ 5,552 | $ 6,430 |
| Postretirement Cost | 11 | 10 | 504 | 675 |
| **1% Decrease in trend rate** | | | | |
| Accumulated Benefit Obligation | $ (272) | $ (290) | $ (4,289) | $ (3,295) |
| Postretirement Cost | (9) | (8) | (383) | (499) |

We expect to pay approximately $0.9 million to $1.3 million in estimated postretirement benefits in each of the next five years. In the five years thereafter (2022-2026) we expect to pay a cumulative total of $7.7 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. However, effective January 1, 2014, we changed our retiree medical offering to a Medicare Advantage Plan. Under the Medicare Advantage Plan, any Part D subsidy belongs to the insurance carrier. Our results reflect this change.

## NOTE N — CONTINGENCIES AND OTHER ACCRUED LOSSES

Accrued loss reserves consist of the following:

| May 31, | 2016 | 2015 |
|---|---|---|
| *(In thousands)* | | |
| Accrued product liability reserves | $ 25,100 | $ 11,916 |
| Accrued warranty reserves | 9,137 | 8,718 |
| Accrued environmental reserves | 1,053 | 1,382 |
| **Total accrued loss reserves - Current** | $ 35,290 | $ 22,016 |
| Accrued product liability reserves - noncurrent | $ 29,045 | $ 29,769 |
| Accrued warranty liability - noncurrent | 4,177 | 2,945 |
| Accrued environmental reserves - noncurrent | 1,676 | 3,499 |
| **Total accrued loss reserves - Noncurrent** | $ 34,898 | $ 36,213 |

We provide, through our wholly owned insurance subsidiaries, certain insurance coverage, primarily product liability coverage, to our other subsidiaries. Excess coverage is provided by third-party insurers. Our product liability accruals provide for these potential losses as well as other uninsured claims. Product liability accruals are established based upon actuarial calculations of potential liability using industry experience, actual historical experience and actuarial assumptions developed for similar types of product liability claims, including development factors and lag times. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position.

We also offer warranties on many of our products, as well as long-term warranty programs at certain of our businesses, and have established product warranty liabilities. We review these liabilities for adequacy on a quarterly basis and adjust them as necessary. The primary factors that could affect these liabilities may include changes in performance rates as well as 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 related to claims not yet received. While our warranty liabilities represent our best estimates at May 31, 2016, 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.

Also, due to the nature of our businesses, the amount of claims paid can fluctuate from one period to the next. While our warranty liabilities represent our best estimates of our expected losses at any given time, from time-to-time we may revise our estimates based on our experience relating to factors such as weather conditions, specific circumstances surrounding product installations and other factors.

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

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| Beginning Balance | $ 11,663 | $ 14,741 | $ 9,330 |
| Deductions (1) | (18,061) | (29,543) | (19,155) |
| Provision charged to SG&A expense | 19,653 | 23,487 | 24,566 |
| Acquisitions, including SPHC reconsolidation | 59 | 2,978 | - |
| Ending Balance | $ 13,314 | $ 11,663 | $ 14,741 |

(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 and are not material to our financial statements during any of the periods presented.

We were notified by the SEC on June 24, 2014, that we are the subject of a formal investigation pertaining to the timing of our disclosure and accrual of loss reserves in fiscal 2013 with respect to the previously disclosed U.S. Department Of Justice (the “DOJ”) and the U.S. General Services Administration (the “GSA”) Office of Inspector General investigation into compliance issues relating to Tremco Roofing Division’s GSA contracts. As previously disclosed, our audit committee completed an investigation into the facts and circumstances surrounding the timing of our disclosure and accrual of loss reserves with respect to the GSA and DOJ investigations, and determined that it was appropriate to restate our financial results for the first, second and third quarters of fiscal 2013. These restatements had no impact on our audited financial statements for the fiscal years ended May 31, 2013 or 2014. The audit committee’s investigation concluded that there was no intentional misconduct on the part of any of our officers.

We are cooperating with the SEC in its ongoing investigation and continue to be engaged in discussions with the staff of the SEC’s Division of Enforcement (the “Staff”) concerning potential issues arising out of the SEC’s investigation. As previously disclosed, on October 26, 2015, we and our General Counsel received Wells notices from the SEC’s Division of Enforcement in connection with its investigation. A Wells notice is not a formal allegation or a finding of wrongdoing, but is a preliminary determination by the Staff that it may recommend to the SEC that a civil enforcement action or administrative proceeding be brought against the recipient. Our Wells notice also indicated that the Staff had preliminarily determined to recommend that the SEC pursue a clawback claim relating to incentive compensation payments paid to our Chief Executive Officer and Chief Financial Officer during the periods prior to the restatement. The Staff did not indicate an intention to recommend any charges against either of these officers.

Under SEC procedures, a recipient of a Wells notice has an opportunity to respond in the form of a Wells submission that seeks to persuade the SEC that such an action should not be brought. In November 2015, we made a Wells submission to further explain RPM's views concerning such matters and our belief that no enforcement action is warranted against us or our officers. We intend to contest any charges that may be brought.

Any action by the SEC could result in sanctions against us and/or certain of our officers. An enforcement action by the SEC could impose substantial additional costs and distractions, regardless of its outcome. We have determined that it is probable that we will incur a loss relating to this matter and have estimated a range of potential loss. We have accrued at the low end of the range of loss, as no amount within the range is more likely to occur, and no amount within the estimated range of loss would have a material impact on our consolidated financial condition, results of operations or cash flows.

In December 2014, we received notice of a claim seeking damages against one of our industrial segment subsidiaries alleging failure of coating systems. Insurance is covering the defense of this claim; however, coverage discussions are ongoing. Based on our current understanding of the claim, and given the ongoing insurance coverage discussions, we have determined that it is reasonably possible that we may incur a loss related to this claim, and have estimated a range of potential loss. We have accrued at the low end of the range of loss, as no amount within the range is more likely to occur, and no amount within the estimated range of loss would have a material impact on our consolidated financial condition, results of operations or cash flows.

## NOTE O — SEGMENT INFORMATION

As previously disclosed, during July 2015, our Board of Directors approved the realignment of certain businesses and management structure to recognize how we allocate resources and analyze the operating performance of our operating segments. During August 2015, we made the determination to combine our former RPM2-Industrial operating segment and our former SPHC operating segment into a single operating segment, called the "Specialty Products Group," which is discussed in further detail below. Information for all periods presented has been recast to reflect this change.

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 three reportable segments: the industrial reportable segment, the specialty reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate operating segments or product lines that consist of individual companies or 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 seven operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These seven 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 income 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 acquisitions, as opposed to segment operations.

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. The industrial reportable segment comprises three separate operating segments — Tremco Group, tremco illbruck Group and Performance Coatings Group. Products and services within this reportable segment include construction chemicals, roofing systems, weatherproofing and other sealants, and polymer flooring.

Our specialty reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The specialty reportable segment is a single operating segment, which offers products that include industrial cleaners, restoration services equipment, colorants, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty OEM coatings. As discussed in Note A(2), this segment includes the SPHC businesses, which were reconsolidated as of January 1, 2015.

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 and other parts of the world. Our consumer reportable segment products are primarily sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops, cosmetic companies and through distributors. This reportable segment comprises three operating segments — Rust-Oleum Group, DAP Group and SPG-Consumer Group. Products within this reportable segment include specialty, hobby and professional paints; nail care enamels; caulks; adhesives; silicone sealants and wood stains. Sales to the Home Depot represented less than 10% of our consolidated net sales for fiscal 2016, 10% and 11% of our consolidated net sales for fiscal 2015 and 2014, respectively, and 28%, 29% and 29% of our consumer segment net sales for fiscal 2016, 2015 and 2014, respectively.

In addition to our three 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 any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses 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; as well as 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.

The following tables reflect the results of our reportable segments consistent with our management philosophy, and represent the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses. Information for all periods presented has been recast to reflect the current-year change in reportable segments.

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| **Net Sales** | | | |
| Industrial | $ 2,444,120 | $ 2,533,476 | $ 2,464,266 |
| Specialty | 732,091 | 457,245 | 305,391 |
| Consumer | 1,637,438 | 1,603,829 | 1,606,696 |
| **Total** | $ 4,813,649 | $ 4,594,550 | $ 4,376,353 |
| **Income (Loss) Before Income Taxes** | | | |
| Industrial | | | |
| Income Before Income Taxes (a) | $ 252,781 | $ 246,997 | $ 234,123 |
| Interest (Expense), Net (b) | (5,987) | (8,190) | (10,482) |
| EBIT (c) | $ 258,768 | $ 255,187 | $ 244,605 |
| Specialty | | | |
| Income Before Income Taxes (a) | $ 111,945 | $ 68,340 | $ 61,628 |
| Interest (Expense), Net (b) | 730 | 534 | 255 |
| EBIT (c) | $ 111,215 | $ 67,806 | $ 61,373 |
| Consumer | | | |
| Income Before Income Taxes (a) | $ 268,218 | $ 274,001 | $ 251,229 |
| Interest (Expense), Net (b) | 40 | 34 | 122 |
| EBIT (c) | $ 268,178 | $ 273,967 | $ 251,107 |
| Corporate/Other | | | |
| (Expense) Before Income Taxes (a) | $ (149,478) | $ (136,085) | $ (122,493) |
| Interest (Expense), Net (b) | (76,101) | (61,416) | (55,131) |
| EBIT (c) | $ (73,377) | $ (74,669) | $ (67,362) |
| **Consolidated** | | | |
| Income Before Income Taxes (a) | $ 483,466 | $ 453,253 | $ 424,487 |
| Interest (Expense), Net (b) | (81,318) | (69,038) | (65,236) |
| EBIT (c) | $ 564,784 | $ 522,291 | $ 489,723 |
| **Identifiable Assets** | | | |
| Industrial | $ 2,165,920 | $ 2,105,364 | $ 2,222,704 |
| Specialty | 794,899 | 798,893 | 284,553 |
| Consumer | 1,734,600 | 1,626,097 | 1,648,272 |
| Corporate/Other | 80,622 | 163,886 | 222,836 |
| **Total** | $ 4,776,041 | $ 4,694,240 | $ 4,378,365 |
| **Capital Expenditures** | | | |
| Industrial | $ 76,761 | $ 46,150 | $ 50,039 |
| Specialty | 11,479 | 7,823 | 4,517 |
| Consumer | 27,269 | 29,354 | 35,391 |
| Corporate/Other | 1,674 | 2,036 | 3,845 |
| **Total** | $ 117,183 | $ 85,363 | $ 93,792 |
| **Depreciation and Amortization** | | | |
| Industrial | $ 46,570 | $ 47,235 | $ 48,046 |
| Specialty | 26,773 | 13,596 | 5,624 |
| Consumer | 31,445 | 32,153 | 31,378 |
| Corporate/Other | 6,251 | 6,192 | 5,021 |
| **Total** | $ 111,039 | $ 99,176 | $ 90,069 |

(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 based on income before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to 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, income before taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness. 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.

| Year Ended May 31, | 2016 | 2015 | 2014 |
|---|---|---|---|
| *(In thousands)* | | | |
| **Net Sales (based on shipping location)** (a) | | | |
| United States | $3,155,810 | $2,856,723 | $2,581,208 |
| Foreign | | | |
| Canada | 310,817 | 337,869 | 342,312 |
| Europe | 928,519 | 941,820 | 1,031,686 |
| Other Foreign | 418,503 | 458,138 | 421,147 |
| Total Foreign | 1,657,839 | 1,737,827 | 1,795,145 |
| **Total** | $4,813,649 | $4,594,550 | $4,376,353 |
| **Long-Lived Assets** (b) | | | |
| United States | $1,764,090 | $1,704,468 | $1,374,340 |
| Foreign | | | |
| Canada | 111,524 | 114,717 | 125,401 |
| Europe | 271,796 | 293,685 | 340,146 |
| United Kingdom | 257,935 | 273,118 | 259,829 |
| Other Foreign | 212,583 | 202,721 | 208,411 |
| Total Foreign | 853,838 | 884,241 | 933,787 |
| **Total** | $2,617,928 | $2,588,709 | $2,308,127 |

(a) It is not practicable to obtain the information needed to disclose revenues attributable to each of our product lines.

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

## NOTE P — QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended May 31, 2016 and 2015:

| | For Quarter Ended | | | |
|---|---|---|---|---|
| (In thousands, except per share amounts) | August 31 | November 30 | February 29 | May 31 |
| **2016** | | | | |
| Net Sales | $ 1,242,526 | $ 1,155,984 | $ 988,555 | $ 1,426,584 |
| Gross Profit | $ 532,958 | $ 493,934 | $ 412,962 | $ 647,194 |
| Net Income Attributable to RPM International Inc. Stockholders | $ 99,815 | $ 83,433 | $ 18,582 | $ 152,895 |
| **Basic Earnings Per Share** | $ 0.76 | $ 0.63 | $ 0.14 | $ 1.16 |
| **Diluted Earnings Per Share** | $ 0.74 | $ 0.62 | $ 0.14 | $ 1.13 |
| **Dividends Per Share** | $ 0.260 | $ 0.275 | $ 0.275 | $ 0.275 |

| *(In thousands, except per share amounts)* | August 31 | November 30 | February 28 (a) | May 31 |
|---|---|---|---|---|
| **2015** | | | | |
| Net Sales | $ 1,203,896 | $ 1,071,128 | $ 946,367 | $ 1,373,159 |
| Gross Profit | $ 508,393 | $ 453,943 | $ 379,738 | $ 599,295 |
| Net Income Attributable to RPM International Inc. Stockholders | $ 99,079 | $ 69,766 | $ (57,348) | $ 127,987 |
| **Basic Earnings Per Share** | $ 0.74 | $ 0.52 | $ (0.44) | $ 0.97 |
| **Diluted Earnings Per Share** | $ 0.73 | $ 0.52 | $ (0.44) | $ 0.94 |
| **Dividends Per Share** | $ 0.240 | $ 0.260 | $ 0.260 | $ 0.260 |

(a) Reflects the reconsolidation of SPHC effective January 1, 2015, and adjustments of $106.2 million to the Provision for Income Taxes related to the recognition of an ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on Net Income Attributable to Noncontrolling Interests. Refer to Note F, "Income Taxes," to the Consolidated Financial Statements for information regarding unremitted foreign earnings.

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 2016 | High | Low | Dividends paid per share | Fiscal 2015 | High | Low | Dividends paid per share |
|---|---|---|---|---|---|---|---|
| First Quarter | $ 51.27 | $ 40.11 | 0.260 | First Quarter | $ 47.33 | $ 42.80 | 0.240 |
| Second Quarter | $ 47.48 | $ 40.15 | 0.275 | Second Quarter | $ 48.30 | $ 39.57 | 0.260 |
| Third Quarter | $ 47.79 | $ 36.77 | 0.275 | Third Quarter | $ 51.97 | $ 44.95 | 0.260 |
| Fourth Quarter | $ 51.60 | $ 41.03 | 0.275 | Fourth Quarter | $ 51.13 | $ 46.65 | 0.260 |

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 June 1, 2016 was approximately 22,587, in addition to 85,598 beneficial holders.

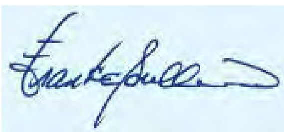
# Management's Report on Internal Control Over Financial Reporting

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, 2016. 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 (2013 Framework). Based on this assessment, management concluded that, as of May 31, 2016, RPM's internal control over financial reporting is effective.

The independent registered public accounting firm Deloitte & Touche LLP, has also audited the Company's internal control over financial reporting as of May 31, 2016 and their report thereon is included on page 63 of this report.



Frank C. Sullivan
*Chairman and Chief Executive Officer*

Russell L. Gordon
*Vice President and Chief Financial Officer*

July 28, 2016

# Reports of Independent Registered Public Accounting Firms

**TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF RPM INTERNATIONAL INC.**

We have audited the accompanying consolidated balance sheet of RPM International Inc. and subsidiaries (the "Company") as of May 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements 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 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of RPM International Inc. and subsidiaries as of May 31, 2016, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of May 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 28, 2016, expressed an unqualified opinion on the Company's internal control over financial reporting based on our audit.

Deloitte & Touche LLP

Cleveland, Ohio
July 28, 2016

**TO THE BOARD OF DIRECTORS AND STOCKHOLDERS**

**RPM International Inc. and Subsidiaries**

We have audited the accompanying consolidated balance sheets of RPM International Inc. and Subsidiaries as of May 31, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended May 31, 2015. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of RPM International Inc. and Subsidiaries at May 31, 2015 and the consolidated results of their operations and their cash flows for each of the two years in the period ended May 31, 2015, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Cleveland, Ohio
July 27, 2015
Except for Notes B and O, as to which the date is
July 28, 2016

## TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF RPM INTERNATIONAL INC.

We have audited the internal control over financial reporting of RPM International Inc. and subsidiaries (the “Company”) as of May 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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 by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended May 31, 2016, of the Company and our report dated July 28, 2016, expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Cleveland, Ohio
July 28, 2016

# Stockholder Information

### World Headquarters

RPM International Inc.
2628 Pearl Road
P.O. Box 777
Medina, OH 44258
Telephone: 330-273-5090 or 800-776-4488
Fax: 330-225-8743
Website: www.rpminc.com
E-mail: info@rpminc.com

### Annual Meeting

RPM stockholders are invited to attend RPM's Annual Meeting, which will be held at 2:00 p.m. EDT on Thursday, October 6, 2016 at the Holiday Inn, 15471 Royalton Road, Strongsville, Ohio. Directions can be found on the RPM website.

### Form 10-K and Other Financial Information

Investors may obtain, at no charge, a copy of the RPM Annual Report to the Securities and Exchange Commission on Form 10-K, a corporate video and other investor information by contacting Kathie M. Rogers, Manager of Investor Relations, at RPM, 800-776-4488.

Form 10-K, other public financial reports and news releases may also be obtained electronically through the website, www.rpminc.com.

### Corporate Governance

Copies of the RPM Board of Directors Corporate Governance Guidelines, as well as the Committee Charters and RPM's Governance Documents, are available on the company's website at www.rpminc.com, under "About RPM/Corporate Governance." Copies of these materials are also available, without charge, upon written request to the Secretary of RPM.

### Institutional Investor and Security Analyst Inquiries

Security analysts and investment professionals with questions regarding RPM should contact Barry M. Slifstein, Vice President - Investor Relations, at 330-273-5090 or bslifstein@rpminc.com.

### Dividend Payments

Common stock cash dividends are payable quarterly, upon authorization of the Board of Directors. Regular payment dates are typically the 31st of July, October and January and the 30th of April. RPM has increased the cash dividend payments to its stockholders for 42 consecutive years.

### Stock Exchange Listing

RPM International Inc. is listed on the New York Stock Exchange under the ticker symbol "RPM."

### Stock Transfer Agent, Registrar and Dividend Disbursing Agent

Wells Fargo Bank, N.A. maintains RPM's stockholder records and is responsible for disbursing dividend checks. Questions concerning your account, change of address, transfer of ownership, lost certificates, safekeeping of stock certificates, dividend payments, direct deposit of dividends and other related items should be directed to:

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854
Telephone: 800-988-5238 or
651-450-4064 (outside the United States)
Fax: 651-450-4085
Website: www.shareowneronline.com

Certified/Overnight Mail:
Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

### Internet Account Access

Stockholders of record may access their accounts via the Internet to view their account holdings, change address, complete certain transactions and get answers to other stock-related inquires through Wells Fargo Shareowner Online at www.shareowneronline.com.

### Direct Stock Purchase and Dividend Reinvestment Plan

RPM offers a direct stock purchase and dividend reinvestment plan administered by Wells Fargo Bank, N.A. The plan allows new investors to purchase RPM common stock directly, and existing stockholders to increase their holdings. There is no commission cost for shares purchased. The minimum initial investment is $200. Additional cash investments must be at least $25 and not more than $5,000 per month. For more details on the plan or questions concerning existing Dividend Reinvestment accounts, please contact Wells Fargo Shareholder Services (see above).

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP, Cleveland, Ohio

### Counsel

Calfee, Halter & Griswold LLP, Cleveland, Ohio

### The RPM App

For up-to-date investment information on RPM, download the RPM app for Apple and Android devices. Scan this QR code or visit your app market.

(5-31-2016)

| Company Name | Place of Incorporation |
|---|---|
| AD Fire Protection Systems Inc. | Canada |
| Agpro (N.Z.) Limited | New Zealand |
| Alteco Technik GmbH | Germany |
| API S.p.A. | Italy |
| Betumat Quimica Ltda. | Brazil |
| Bomat, Inc. | Delaware (USA) |
| Bondex International, Inc. | Delaware (USA) |
| Carboline Company | Delaware (USA) |
| Carboline Italia S.p.A. | Italy |
| Carboline Norge AS | Norway |
| CFM Consolidated, Inc. | Washington (USA) |
| Citadel Restoration and Repair, Inc. | Minnesota (USA) |
| Corgrate Fiberglass Systems, S.A. de C.V. | Mexico |
| Dane Color UK Limited | England & Wales |
| DAP Brands Company | Delaware (USA) |
| DAP Holdings, LLC | Delaware (USA) |
| DAP Products Inc. | Delaware (USA) |
| Day-Glo Color Corp. | Ohio (USA) |
| Dri-Eaz Products, Inc. | Washington (USA) |
| Dryvit Holdings, Inc. | Delaware (USA) |
| Dryvit Systems Inc. | Rhode Island (USA) |
| Euclid Admixture Canada Inc. | Canada |
| F T Morrell and Company Limited | England & Wales |
| F.T. Morrell (Ireland) Limited | Ireland |
| Failsafe Metering International Limited | England & Wales |
| Fibergrate Composite Structures Incorporated | Delaware (USA) |
| Finishworks, Inc. | Ohio (USA) |
| First Continental Services Co. | Vermont (USA) |
| Flowcrete (Hong Kong) Limited | Hong Kong |
| Flowcrete Asia Sdn. Bhd. | Malaysia |
| Flowcrete Europe Limited | England & Wales |
| Flowcrete Group Limited | England & Wales |
| Flowcrete International Ltd. | England & Wales |
| Flowcrete Norway AS | Norway |
| Flowcrete Sweden AB | Sweden |
| Flowcrete UK Ltd. | England & Wales |
| GJP Holdings Limited | England & Wales |
| Grupo StonCor, S.A. de C.V. (Mexico) | Mexico |
| Guardian Protection Products, Inc. | Delaware (USA) |
| HiChem Paint Technologies Pty. Limited | Australia |
| Holton Food Products Company | Illinois (USA) |
| Hummervoll Industribelegg AS | Norway |
| II Rep-Z, Inc. | Pennsylvania (USA) |
| Kirker Enterprises, Inc. | Delaware (USA) |
| Kirker Europe Limited | Scotland |

| | |
|---|---|
| Kirker International Holdings, LLC | Delaware (USA) |
| Kirker International Limited | Scotland |
| Kop-Coat New Zealand Limited | New Zealand |
| Kop-Coat, Inc. | Ohio (USA) |
| Krud Kutter, Inc. | Georgia (USA) |
| LBG Holdings, Inc. | Delaware (USA) |
| Mantrose-Haeuser Co., Inc. | Massachusetts (USA) |
| Martin Mathys NV | Belgium |
| Morrells Woodfinishes Limited | England & Wales |
| NatureSeal, Inc. (83% JV) | Delaware (USA) |
| New Ventures (UK) Limited | England & Wales |
| New Ventures Funding, LLC | Delaware (USA) |
| New Ventures II (UK) Limited | England & Wales |
| NMBFil, Inc. | Ohio (USA) |
| Pipeline and Drainage Systems Limited | England & Wales |
| Radiant Color NV wo NCIA | Belgium |
| RPM Canada Company | Canada |
| RPM Canada Investment Company | Canada |
| RPM Canada, a General Partnership | Canada |
| RPM CH, G.P. | Delaware (USA) |
| RPM Consumer Holding Company | Delaware (USA) |
| RPM Enterprises, Inc. | Delaware (USA) |
| RPM Europe Holdco B.V. | Netherlands |
| RPM FCP Belgium SPRL | Belgium |
| RPM Funding Corporation | Delaware (USA) |
| RPM Germany GmbH | Germany |
| RPM Holdco Corp. | Delaware (USA) |
| RPM Industrial Holding Company | Delaware (USA) |
| RPM International Inc. | Delaware (USA) |
| RPM Ireland IP Limited | Ireland |
| RPM Lux Enterprises S.ar.l. | Luxembourg |
| RPM Lux Holdco S.ar.l. | Luxembourg |
| RPM New Horizons Belgium SCRL | Belgium |
| RPM New Horizons C.V. | Netherlands |
| RPM New Horizons Italy S.r.l. | Italy |
| RPM New Horizons Netherlands B.V. | Netherlands |
| RPM New Horizons Spain, S.L.U. | Spain |
| RPM Performance Coatings Group, Inc. | Delaware (USA) |
| RPM United Kingdom G.P. | England & Wales |
| RPM Ventures C.V. | Netherlands |
| RPM Ventures Netherlands B.V. | Netherlands |
| RPM WFG Finishworks Holdings, Inc. | Nevada (USA) |
| RPM Wood Finishes Group, Inc. | Nevada (USA) |
| RPOW France S.A.S. | France |
| RPOW UK Limited | England & Wales |
| Rust-Oleum Argentina S.A. | Argentina |
| Rust-Oleum Brands Company | Delaware (USA) |
| Rust-Oleum Corporation | Illinois (USA) |
| Rust-Oleum International, LLC | Delaware (USA) |
| Rust-Oleum Netherlands BV | Netherlands |
| Skagit Northwest Holdings, Inc. | Washington (USA) |
| Specialty Products Holding Corp. | Ohio (USA) |
| StonCor Africa (Proprietary) Ltd. | South Africa |

| | |
|---|---|
| StonCor Corrosion Specialists Group Ltda. | Brazil |
| StonCor Group Inc. | Delaware (USA) |
| TCI, Inc. | Georgia (USA) |
| Tevco Enterprises, Inc. | New Jersey (USA) |
| The Euclid Chemical Company | Ohio (USA) |
| Tor Coatings Limited | England & Wales |
| Toxement, S.A. | Colombia |
| Tremco Barrier Solutions, Inc. | Delaware (USA) |
| Tremco Holdings, Inc. | Delaware (USA) |
| Tremco illbruck GmbH and Co. KG | Germany |
| Tremco illbruck Group GmbH | Germany |
| Tremco illbruck Limited | England & Wales |
| Tremco illbruck Productie B.V. | Netherlands |
| Tremco illbruck Produktion GmbH | Germany |
| Tremco illbruck SAS | France |
| Tremco Incorporated | Ohio (USA) |
| Tremco Roofing and Facility Services Private Limited | India |
| Universal Sealants (U.K.) Limited | England & Wales |
| Vandex Holding AG | Switzerland |
| Viapol Ltda. | Brazil |
| Watco UK Limited | England & Wales |
| Weatherproofing Technologies, Inc. | Delaware (USA) |
| Zinsser Brands Company | Delaware (USA) |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND REPORT ON SCHEDULE**

We consent to the incorporation by reference in:

- Registration Statement No. 333-101512 on Form S-8 pertaining to the Deferred Compensation Plan;
- Registration Statement No. 333-101501 on Form S-8 pertaining to the 401(k) Trust and Plan and the Union 401(k) Retirement Savings Trust and Plan;
- Registration Statement No. 333-117581 on Form S-8 pertaining to the 2003 Restricted Stock Plan for Directors;
- Registration Statement No. 333-120067 on Form S-8 pertaining to the Amended and Restated 2004 Omnibus Equity and Incentive Plan;
- Registration Statement No. 333-168437 on Form S-8 pertaining to the Amended and Restated 2004 Omnibus Equity and Incentive Plan;
- Registration Statement No. 333-139906 on Form S-8 pertaining to the 2007 Restricted Stock Plan;
- Registration Statement No. 333-203406 on Form S-8 pertaining to the 2014 Omnibus Equity and Incentive Plan; and
- Registration Statement No. 333-195132 on Form S-3

of our reports dated July 28, 2016, relating to the financial statements of RPM International Inc. and subsidiaries for the fiscal year ended May 31, 2016 , and the effectiveness of RPM International Inc.'s internal control over financial reporting as of May 31, 2016 appearing in this Annual Report on Form 10-K of RPM International Inc.

Our audit of the financial statements referred to in our aforementioned report also included the financial statement schedule of RPM International Inc. listed in Item 15. This financial statement schedule is the responsibility of RPM International Inc.'s management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein as of and for the year ended May 31, 2016.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
July 28, 2016

**Exhibit 23.2**

## 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. of our report dated July 27, 2015, except for Notes B and O, as to which the date is July 28, 2016, with respect to the consolidated financial statements of RPM International Inc.

Our audits also included the financial statement schedule of RPM International Inc. listed in Item 15(a). This schedule is the responsibility of RPM International Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is July 27, 2015, 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. 333-101512, 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 and 333-168437, Amended and Restated 2004 Omnibus Equity and Incentive Plan; 333-139906, 2007 Restricted Stock Plan; and 333-203406, 2014 Omnibus Equity and Incentive Plan); and

(2) Registration Statement (Form S-3 No. 333-195132) of RPM International Inc.

of our report dated July 27, 2015, except for Notes B and O, as to which the date is July 28, 2016, with respect to the consolidated financial statements of RPM International Inc., incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of RPM International Inc. included in this Annual Report (Form 10-K) of RPM International Inc. for the year ended May 31, 2015.

/s/ Ernst & Young LLP

Cleveland, Ohio
July 28, 2016

**Exhibit No. 31.1**

**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.

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

Dated: July 28, 2016

**Exhibit No. 31.2**

**RULE 13a-14(a) CERTIFICATION**

I, Russell L. Gordon, 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.

/s/ Russell L. Gordon
Russell L. Gordon
Vice President and Chief Financial Officer

Dated: July 28, 2016

**Exhibit 32.1**

**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, 2016 (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 28, 2016

/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.

**Exhibit 32.2**

**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, 2016 (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 28, 2016

/s/ Russell L. Gordon
Russell L. Gordon
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.