UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended August 31, 2020,

or

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

For the transition period from to .

Commission File No. 1-14187

RPM International Inc.
(Exact name of Registrant as specified in its charter)

DELAWARE **(State or other jurisdiction of incorporation or organization)**	**02-0642224** **(IRS Employer Identification No.)**
P.O. BOX 777; **2628 PEARL ROAD;** **MEDINA, OHIO** **(Address of principal executive offices)**	**44258** **(Zip Code)**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	**RPM**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒.

As of October 5, 2020, the registrant had 129,937,116 shares of common stock, $0.01 par value per share, outstanding.

RPM INTERNATIONAL INC. AND SUBSIDIARIES*

INDEX

* As used herein, the terms “RPM” and the “Company” refer to RPM International Inc. and its subsidiaries, unless the context indicates otherwise.

PART I. – FINANCIAL INFORMATION
ITEM 1. *FINANCIAL STATEMENTS*
RPM INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	August 31, 2020	May 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	$ 251,765	$ 233,416
Trade accounts receivable (less allowances of $55,927 and $55,847, respectively)	1,159,130	1,137,957
Inventories	783,472	810,448
Prepaid expenses and other current assets	262,668	241,608
Total current assets	2,457,035	2,423,429
Property, Plant and Equipment, at Cost	1,803,824	1,755,190
Allowance for depreciation	(942,849)	(905,504)
Property, plant and equipment, net	860,975	849,686
Other Assets		
Goodwill	1,278,534	1,250,066
Other intangible assets, net of amortization	583,787	584,380
Operating lease right-of-use assets	283,546	284,491
Deferred income taxes	36,577	30,894
Other	193,965	208,008
Total other assets	2,376,409	2,357,839
Total Assets	$ 5,694,419	$ 5,630,954
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 525,980	$ 535,311
Current portion of long-term debt	45,913	80,890
Accrued compensation and benefits	133,880	185,531
Accrued losses	22,269	20,021
Other accrued liabilities	364,735	271,827
Total current liabilities	1,092,777	1,093,580
Long-Term Liabilities		
Long-term debt, less current maturities	2,297,172	2,458,290
Operating lease liabilities	242,903	244,691
Other long-term liabilities	545,707	510,175
Deferred income taxes	63,789	59,555
Total long-term liabilities	3,149,571	3,272,711
Commitments and contingencies (Note 13)		
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 143,813 and outstanding 129,975 as of August 31, 2020; issued 143,261 and outstanding 129,511 as of May 31, 2020	1,300	1,295
Paid-in capital	1,024,879	1,014,428
Treasury stock, at cost	(587,232)	(580,117)
Accumulated other comprehensive (loss)	(667,662)	(717,497)
Retained earnings	1,678,309	1,544,336
Total RPM International Inc. stockholders' equity	1,449,594	1,262,445
Noncontrolling Interest	2,477	2,218
Total equity	1,452,071	1,264,663
Total Liabilities and Stockholders' Equity	$ 5,694,419	$ 5,630,954

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended	
	August 31, 2020	**August 31, 2019**
Net Sales	**$ 1,606,670**	**$ 1,472,764**
Cost of Sales	953,015	898,010
Gross Profit	653,655	574,754
Selling, General and Administrative Expenses	395,953	400,566
Restructuring Charges	4,233	6,622
Interest Expense	21,745	28,317
Investment (Income), Net	(12,763)	(5,385)
Other Expense, Net	3,118	1,785
Income Before Income Taxes	241,369	142,849
Provision for Income Taxes	60,584	36,353
Net Income	180,785	106,496
Less: Net Income Attributable to Noncontrolling Interests	190	308
Net Income Attributable to RPM International Inc. Stockholders	**$ 180,595**	**$ 106,188**
Average Number of Shares of Common Stock Outstanding:		
Basic	**128,418**	**128,882**
Diluted	**128,783**	**129,504**
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:		
Basic	**$ 1.39**	**$ 0.82**
Diluted	**$ 1.39**	**$ 0.82**

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended	
	August 31, 2020	August 31, 2019
Net Income	$ 180,785	$ 106,496
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments (net of tax of $2,862 and $0, respectively)	64,667	(28,434)
Pension and other postretirement benefit liability adjustments (net of tax of $786 and $1,104, respectively)	3,260	3,623
Unrealized gain on securities and other (net of tax benefit of $82 and tax $1, respectively)	89	371
Unrealized gain (loss) on derivatives (net of tax of $5,542 and $579, respectively)	(18,112)	784
Total other comprehensive income (loss)	49,904	(23,656)
Total Comprehensive Income	230,689	82,840
Less: Comprehensive Income Attributable to Noncontrolling Interests	259	277
Comprehensive Income Attributable to RPM International Inc. Stockholders	**$ 230,430**	**$ 82,563**

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended	
	August 31, 2020	**August 31, 2019**
Cash Flows From Operating Activities:		
Net income	**$ 180,785**	**$ 106,496**
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	35,317	35,839
Restructuring charges, net of payments	(1,972)	611
Fair value adjustments to contingent earnout obligations	2,712	-
Deferred income taxes	1,938	(4,580)
Stock-based compensation expense	10,457	6,560
Net (gain) on marketable securities	(11,784)	(2,854)
Other	(10)	250
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	692	116,349
Decrease (increase) in inventory	43,395	(22,640)
(Increase) in prepaid expenses and other current and long-term assets	(5,526)	(5,801)
Increase (decrease) in accounts payable	4,945	(63,831)
(Decrease) in accrued compensation and benefits	(55,368)	(73,180)
Increase in accrued losses	1,936	404
Increase in other accrued liabilities	109,399	50,588
Other	1,173	928
Cash Provided By Operating Activities	**318,089**	**145,139**
Cash Flows From Investing Activities:		
Capital expenditures	(41,488)	(36,602)
Acquisition of businesses, net of cash acquired	-	(30,598)
Purchase of marketable securities	(17,104)	(9,996)
Proceeds from sales of marketable securities	16,070	2,837
Other	244	(97)
Cash (Used For) Investing Activities	**(42,278)**	**(74,456)**
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	136	75,718
Reductions of long-term and short-term debt	(213,090)	(874)
Cash dividends	(46,622)	(45,323)
Repurchases of common stock	-	(100,000)
Shares of common stock returned for taxes	(7,115)	(6,127)
Payments of acquisition-related contingent consideration	(2,217)	(131)
Other	-	(295)
Cash (Used For) Financing Activities	**(268,908)**	**(77,032)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**11,446**	**(4,728)**
Net Change in Cash and Cash Equivalents	**18,349**	**(11,077)**
Cash and Cash Equivalents at Beginning of Period	**233,416**	**223,168**
Cash and Cash Equivalents at End of Period	**$ 251,765**	**$ 212,091**
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the period for:		
Interest	**$ 17,566**	**$ 18,485**
Income Taxes, net of refunds	**$ 16,845**	**$ 11,295**

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock								
	Number of Shares	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2020	129,511	$ 1,295	$ 1,014,428	$ (580,117)	$ (717,497)	$ 1,544,336	$ 1,262,445	$ 2,218	$ 1,264,663
Net income	-	-	-	-	-	180,595	180,595	190	180,785
Other comprehensive income	-	-	-	-	49,835	-	49,835	69	49,904
Dividends declared and paid ($0.36 per share)	-	-	-	-	-	(46,622)	(46,622)	-	(46,622)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	464	5	10,451	(7,115)	-	-	3,341	-	3,341
Balance at August 31, 2020	129,975	$ 1,300	$ 1,024,879	$ (587,232)	$ (667,662)	$ 1,678,309	$ 1,449,594	$ 2,477	$ 1,452,071

	Common Stock								
	Number of Shares	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2019	130,995	$ 1,310	$ 994,508	$ (437,290)	$ (577,628)	$ 1,425,052	$ 1,405,952	$ 2,653	$ 1,408,605
Net income	-	-	-	-	-	106,188	106,188	308	106,496
Other comprehensive (loss)	-	-	-	-	(23,625)	-	(23,625)	(31)	(23,656)
Dividends declared and paid ($0.35 per share)	-	-	-	-	-	(45,323)	(45,323)	-	(45,323)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(297)	(297)
Share repurchases under repurchase program	(1,656)	(16)	16	(100,000)	-	-	(100,000)	-	(100,000)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	330	3	6,557	(6,360)	-	-	200	-	200
Balance at August 31, 2019	129,669	$ 1,297	$ 1,001,081	$ (543,650)	$ (601,253)	$ 1,485,917	$ 1,343,392	$ 2,633	$ 1,346,025

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

NOTE 1 — CONSOLIDATION, NONCONTROLLING INTERESTS AND BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the U.S. ("GAAP") for interim financial information and the instructions to Form 10-Q. In our opinion, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included for the three-month periods ended August 31, 2020 and August 31, 2019. For further information, refer to the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended May 31, 2020.

Our financial statements include all of our majority-owned subsidiaries. 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).

NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

New Pronouncements Adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses," which requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Additionally, the standard amends the current available-for-sale securities other-than-temporary impairment model for debt securities. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods therein. The adoption of this new guidance, effective June 1, 2020, using the modified retrospective transition method, did not result in a cumulative-effect adjustment to the opening balance of retained earnings at June 1, 2020 and did not have a material impact on the Company's Consolidated Financial Statements. Refer to Note 14, "Revenue" for additional information.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," to eliminate step two from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. The adoption of this new guidance, effective June 1, 2020, did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of this new guidance, effective June 1, 2020, did not have a material impact on our Consolidated Financial Statements or disclosures.

New Pronouncements Issued

In August 2018, the FASB issued ASU 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20), Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with employers that sponsor defined benefit or other postretirement plans. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. We are currently reviewing the provisions of this new pronouncement, but do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740)," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for which financial statements have not yet been issued. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. We are currently reviewing the provisions of this new pronouncement, but do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

NOTE 3 — RESTRUCTURING

We record restructuring charges associated with management-approved restructuring plans to either reorganize one or more of our business segments, or to remove duplicative headcount and infrastructure associated with our businesses. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other costs. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. We record the short-term portion of our restructuring liability in Other Accrued Liabilities and the long-term portion, if any, in Other Long-Term Liabilities in our Consolidated Balance Sheets.

MAP to Growth

Between May and August 2018, we approved and implemented the initial phases of a multi-year restructuring plan, which was originally referred to as the 2020 Margin Acceleration Plan ("2020 MAP to Growth"). The initial phases of our 2020 MAP to Growth affected all of our reportable segments, as well as our corporate/nonoperating segment, and focused on margin improvement by simplifying business processes; reducing inventory categories and rationalizing SKUs; eliminating underperforming businesses; reducing headcount and working capital; and improving operating efficiency. The activities included in the initial phases of the restructuring activities have been substantially completed.

During the quarter ended November 30, 2018, we formally announced the remainder of our 2020 MAP to Growth. This multi-year restructuring is expected to increase operational efficiency while maintaining our entrepreneurial growth culture and will include three additional phases originally expected to be implemented between September 2018 and December 2020.

Recently, however, the disruption caused by the outbreak of Covid-19 is expected to delay the finalization of our 2020 MAP to Growth past the original target completion date of December 31, 2020. We will provide an update on the revised target completion timeline at a later date. In recognition of the fact our restructuring plan will now extend into calendar year 2021, we will now refer to it simply as "MAP to Growth."

Our execution of the MAP to Growth will continue to drive the de-layering and simplification of management and businesses associated with group realignment. We have implemented four center-led functional areas including manufacturing and operations; procurement and supply chain; information technology; and accounting and finance.

Our MAP to Growth optimizes our manufacturing facilities and will ultimately provide more efficient plant and distribution facilities. Through the balance sheet date, in association with our MAP to Growth initiative, we have completed, or are in the process of completing, the planned closure of 23 plants and 26 warehouses. We also expect to incur additional severance and benefit costs as part of our planned closure of these facilities.

Throughout the remainder of our MAP to Growth initiative, we will continue to assess and find areas of improvement and cost savings. As such, the final implementation and total expected costs are subject to change. In addition to the announced plan, we have continued to broaden the scope of our MAP to Growth initiative, specifically in consolidation of the general and administrative areas, potential outsourcing, as well as additional future plant closures and consolidations; the estimated costs of which have not yet been finalized. The current total expected costs associated with this plan are outlined in the table below and increased by approximately $4.9 million compared to our previous estimate, primarily attributable to increases in expected severance and benefit charges of $2.0 million, facility closure and other related costs of $2.4 million and $0.5 million of other restructuring costs.

Following is a summary of the charges recorded in connection with restructuring by reportable segment:

(In thousands)	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019	Cumulative Costs to Date	Total Expected Costs
Construction Products Group ("CPG") Segment:				
Severance and benefit costs (a)	$ 180	$ 160	$ 18,274	$ 23,132
Facility closure and other related costs	368	688	4,845	7,453
Other restructuring costs	36	-	1,976	2,070
Total Charges	$ 584	$ 848	$ 25,095	$ 32,655
Performance Coatings Group ("PCG") Segment:				
Severance and benefit costs (b)	$ 1,039	$ 2,500	$ 14,424	$ 16,997
Facility closure and other related costs	288	109	5,635	7,076
Other restructuring costs	29	-	630	790
Total Charges	$ 1,356	$ 2,609	$ 20,689	$ 24,863
Consumer Segment:				
Severance and benefit costs (c)	$ 790	$ 767	$ 11,257	$ 12,204
Facility closure and other related costs	597	516	9,534	12,075
Other restructuring costs	98	-	4,217	4,384
Total Charges	$ 1,485	$ 1,283	$ 25,008	$ 28,663
Specialty Products Group ("SPG") Segment:				
Severance and benefit costs (d)	$ 469	$ 366	$ 7,399	$ 8,757
Facility closure and other related costs	268	1,459	4,434	6,045
Other restructuring costs	71	64	1,193	1,442
Total Charges	$ 808	$ 1,889	$ 13,026	$ 16,244
Corporate/Other Segment:				
Severance and benefit costs	$ -	$ (7)	$ 13,347	$ 13,347
Total Charges	$ -	$ (7)	$ 13,347	$ 13,347
Consolidated:				
Severance and benefit costs	$ 2,478	$ 3,786	$ 64,701	$ 74,437
Facility closure and other related costs	1,521	2,772	24,448	32,649
Other restructuring costs	234	64	8,016	8,686
Total Charges	$ 4,233	$ 6,622	$ 97,165	$ 115,772

(a) Severance and benefit costs are associated with the elimination of 9 positions and 21 positions during the three months ended August 31, 2020 and 2019, respectively.

(b) Severance and benefit costs are associated with the elimination of 39 position and 51 positions during the three months ended August 31, 2020 and 2019, respectively.

(c) Severance and benefit costs are associated with the elimination of three positions and two positions during the three months ended August 31, 2020 and 2019, respectively.

(d) Severance and benefit costs are associated with the elimination of 28 positions and 10 positions during the three months ended August 31, 2020 and 2019, respectively.

A summary of the activity in the restructuring reserves related to our MAP to Growth is as follows:

(In thousands)	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Restructuring Costs	Total
Balance at June 1, 2020	$ 7,357	$ 5,880	$ -	13,237
Additions charged to expense	2,478	1,521	234	4,233
Cash payments charged against reserve	(4,942)	(1,263)	-	(6,205)
Non-cash charges included above (e)	-	-	(234)	(234)
Balance at August 31, 2020	$ 4,893	$ 6,138	$ -	$ 11,031

(In thousands)	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Restructuring Costs	Total
Balance at June 1, 2019	$ 4,837	$ 7,857	$ -	$ 12,694
Additions charged to expense	3,786	2,772	64	6,622
Cash payments charged against reserve	(5,677)	(334)	-	(6,011)
Non-cash charges included above (e)	-	(865)	(64)	(929)
Balance at August 31, 2019	$ 2,946	$ 9,430	$ -	$ 12,376

(e) Non-cash charges primarily include accelerated vesting of equity awards and asset-write offs.

In connection with our MAP to Growth, during the three months ended August 31, 2020, we incurred approximately $0.3 million of inventory-related charges at our Consumer segment. Comparatively, during the three months ended August 31, 2019, we incurred approximately $2.0 million, $0.9 million and $0.3 million of inventory-related charges at our PCG, Consumer and CPG segments, respectively. All of the aforementioned inventory-related charges are recorded in cost of sales in our Consolidated Statements of Income. These inventory charges were the result of the exit of a business or product line and SKU rationalization initiatives in connection with our overall plan of restructuring.

NOTE 4 — 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 expected 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 conclude on 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 addition, with respect to our derivative assets and liabilities measured at fair value, refer to Note 5, "Derivatives and Hedging" for discussion of their classification within 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 August 31, 2020
Available-for-sale debt securities:				
U.S. Treasury and other government	$ -	$ 26,736	$ -	$ 26,736
Corporate bonds	-	191	-	191
Total available-for-sale debt securities	-	26,927	-	26,927
Marketable equity securities:				
Stocks - domestic	5,806	-	-	5,806
Mutual funds - foreign	-	45,053	-	45,053
Mutual funds - domestic	-	55,899	-	55,899
Total marketable equity securities	5,806	100,952	-	106,758
Contingent consideration	-	-	(15,928)	(15,928)
Total	$ 5,806	$ 127,879	$ (15,928)	$ 117,757

(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, 2020
Available-for-sale debt securities:				
U.S. Treasury and other government	$ -	$ 26,736	$ -	$ 26,736
Corporate bonds	-	186	-	186
Total available-for-sale debt securities	-	26,922	-	26,922
Marketable equity securities:				
Stocks - domestic	3,870	-	-	3,870
Mutual funds - foreign	-	28,815	-	28,815
Mutual funds - domestic	-	63,536	-	63,536
Total marketable equity securities	3,870	92,351	-	96,221
Contingent consideration	-	-	(15,682)	(15,682)
Total	$ 3,870	$ 119,273	$ (15,682)	$ 107,461

Our investments in available-for-sale debt securities and marketable equity securities 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.

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 the first three months of fiscal 2021, we paid approximately $2.8 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 recorded an increase in the accrual for approximately $2.7 million related to fair value adjustments. During the first three months of fiscal 2020, we paid approximately $5.9 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during last year's first three months. In the Consolidated Statements of Cash Flows, payments of acquisition-related contingent consideration for the amount recognized at fair value as of the acquisition date are reported in cash flows from financing activities, while payments of contingent consideration in excess of fair value are reported in cash flows from operating activities.

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 August 31, 2020 and May 31, 2020, 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 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 August 31, 2020 and May 31, 2020 are as follows:

	At August 31, 2020	
(In thousands)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	$ 251,765	$ 251,765
Marketable equity securities	106,758	106,758
Available-for-sale debt securities	26,927	26,927
Long-term debt, including current portion	2,343,085	2,533,117

	At May 31, 2020	
(In thousands)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	$ 233,416	$ 233,416
Marketable equity securities	87,111	87,111
Available-for-sale debt securities	26,922	26,922
Long-term debt, including current portion	2,539,180	2,618,719

NOTE 5 — DERIVATIVES AND HEDGING

Derivative Instruments and Hedging Activities

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, from time to time, we enter into various derivative transactions. We use various types of derivative instruments including forward contracts and swaps. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

Derivatives Designated as Hedges

In October 2017, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a fair value hedge and two cross currency swaps, in which we paid variable rate interest in Euros and received fixed rate interest in U.S. Dollars with a combined notional amount of approximately €85.25 million ($100 million U.S. Dollar equivalent), and which had a maturity date of November 2022. This effectively converted a portion of our U.S. Dollar denominated fixed-rate debt to Euro denominated variable rate debt. The fair value hedge was recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge were recognized in interest expense in our Consolidated Statements of Income. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. In February 2020, the fair value hedge and two cross currency swaps agreements were terminated, and we received cash in the amount of $9.3 million, representing the fair value of the swap and interest accrued through the date of termination. Accordingly, hedge accounting was discontinued and a hedge accounting adjustment to our Senior Notes of $1.5 million was recorded and is being amortized to interest expense in the Consolidated Statements of Income through the termination of the 3.450% Notes in November 2022. Changes in the fair value of the cross currency swaps due to spot foreign exchange rates are recorded as cumulative translation adjustment within AOCI and will remain in AOCI until either the sale or substantially complete liquidation of the hedged subsidiaries.

Separately, in February 2020, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a cash flow hedge and two cross currency swaps, in which we will pay fixed rate interest in Euros and receive variable rate interest in U.S. Dollars with a combined notional amount of approximately €277.73 million ($300 million U.S. Dollar equivalent), and which have a maturity date of February 2023. This effectively converts our U.S. Dollar denominated variable rate debt to Euro denominated fixed rate debt. The cash flow hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge will be recognized in AOCI when the hedged items affect earnings. Amounts recognized in AOCI will be recognized in earnings in interest expense when the hedged interest payment is accrued. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized in AOCI to offset the changes in the values of the net investments being hedged. In addition, in February 2020, as a means of mitigating the variability of the functional-currency-equivalent cash flows associated with the U.S. Dollar denominated term loan facility (referred to as Foreign Borrower's Term Loan), we executed a cash flow hedge, in which we will pay fixed rate interest in Euros and receive variable rate interest in U.S. Dollars with a notional amount of approximately €92.52 million ($100 million U.S. Dollar equivalent), and which have a maturity date of February 2023. This effectively converts our U.S. Dollar denominated variable rate debt to Euro denominated fixed rate debt. The cash flow hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge will be recognized in AOCI when the hedged items affect earnings. Amounts recorded in AOCI will be recognized in earnings in interest expense when the hedged interest payment is accrued. In addition, since this currency swap is a hedge of variability of the functional currency equivalent cash flows of a recognized liability to be remeasured at spot exchange rates under ASC 830, an amount that will offset the gain or loss arising from the remeasurement of the hedged liability will be reclassified each period from AOCI to earnings as foreign exchange gain/(loss), which is a component of SG&A expenses.

The following table summarizes the location and effects of our derivatives instruments on the Consolidated Statements of Comprehensive Income and Consolidated Statements of Income for gains or losses initially recognized in AOCI in the Consolidated Balance Sheet:

(In thousands)	**Pretax gain/(loss) recognized in AOCI**			**Pretax gain/(loss) reclassified from AOCI into income**	
	Three Months Ended			**Three Months Ended**	
Derivatives in hedging relationships	**August 31, 2020**	**August 31, 2019**	**Income statement location**	**August 31, 2020**	**August 31, 2019**
Interest rate swap (cash flow)	$ (598)	$ -	Interest expense	$ (766)	$ -
Cross currency swap (cash flow)	(7,356)	-	Interest income	191	-
Cross currency swap (cash flow)	-	-	Foreign exchange (loss)	(7,455)	-
Cross currency swap (net investment)	(23,133)	1,397	Gain or (loss) on sale of subsidiary	-	-
Total	$ (31,087)	$ 1,397		$ (8,030)	$ -

Derivatives Not Designated as Hedges

At August 31, 2020, and May 31, 2020, we held one foreign currency forward contract at each period end designed to reduce our exposure to 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 contract has not been designated as a hedge; therefore, the changes in fair value of the derivative are recognized in earnings as a component of SG&A expenses. Amounts recognized in earnings did not have a material impact on our Consolidated Financial Statements for any period presented. As of August 31, 2020 and May 31, 2020, the notional amounts of the forward contract held to purchase foreign currencies was $84.7 million and $63.2 million, respectively.

Disclosure about Derivative Instruments

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts to present value using market based observable inputs, including interest rate curves, foreign currency rates, as well as future and basis point spreads, as applicable.

The fair values of qualifying and non-qualifying instruments used in hedging transactions as of August 31, 2020 and May 31, 2020 are as follows:

(In thousands) Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value August 31, 2020	Fair Value May 31, 2020
Assets:			
Cross Currency Swap (Net Investment)	Other Current Assets	$ 5,652	$ 5,352
Cross Currency Swap (Cash Flow)	Other Current Assets	632	750
Cross Currency Swap (Net Investment)	Other Assets (Long-Term)	-	12,409
Liabilities:			
Interest Rate Swap (Cash Flow)	Other Accrued Liabilities	$ 3,238	$ 2,981
Cross Currency Swap (Net Investment)	Other Accrued Liabilities	701	294
Cross Currency Swap (Net Investment)	Other Long-Term Liabilities	29,537	18,204
Cross Currency Swap (Cash Flow)	Other Long-Term Liabilities	11,320	3,608
Interest Rate Swap (Cash Flow)	Other Long-Term Liabilities	4,761	5,187

(In thousands) Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value August 31, 2020	Fair Value May 31, 2019
Liabilities:			
Foreign Currency Exchange	Other Accrued Liabilities	$ 28	$ 53

NOTE 6 — INVESTMENT (INCOME), NET

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

(In thousands)	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
Interest (income)	$ (667)	$ (1,348)
Net (gain) on marketable securities	(11,784)	(3,540)
Dividend (income)	(312)	(497)
Investment (income), net	$ (12,763)	$ (5,385)

Net (Gain) on Marketable Securities

(In thousands)	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
Unrealized (gains) on marketable equity securities	$ (13,956)	$ (3,476)
Realized (gains) losses on marketable equity securities	2,169	(68)
Realized losses on available-for-sale debt securities	3	4
Net (gain) on marketable securities	$ (11,784)	$ (3,540)

NOTE 7 — OTHER EXPENSE, NET

Other expense, net, consists of the following components:

(In thousands)	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
Royalty (income) expense, net	$ (31)	$ 266
(Income) expense related to unconsolidated equity affiliates	(187)	91
Pension non-service costs	3,336	1,428
Other expense, net	$ 3,118	$ 1,785

NOTE 8 — INCOME TAXES

The effective income tax rate of 25.1% for the three months ended August 31, 2020 compares to the effective income tax rate of 25.5% for the three months ended August 31, 2019. The effective income tax rates for the three months ended August 31, 2020 and 2019 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes, non-deductible business expenses and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation.

Our deferred tax liability for unremitted foreign earnings was $12.0 million as of August 31, 2020, which represents our estimate of the foreign tax cost associated with the remittance of $433.7 million of foreign earnings that are not considered to be permanently reinvested. We have not provided for foreign withholding or income taxes on the remaining foreign subsidiaries' undistributed earnings because such earnings have been retained and reinvested by the subsidiaries as of August 31, 2020. Accordingly, no provision has been made for foreign withholding or income taxes, which may become payable if the remaining undistributed earnings of foreign subsidiaries were remitted to us as dividends.

NOTE 9 — INVENTORIES

Inventories, net of reserves, were composed of the following major classes:

(In thousands)	August 31, 2020	May 31, 2020
Raw material and supplies	$ 310,346	$ 282,579
Finished goods	473,126	527,869
Total Inventory, Net of Reserves	$ 783,472	$ 810,448

NOTE 10 — STOCK REPURCHASE PROGRAM

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. As announced on November 28, 2018, our goal is to return $1.0 billion in capital to stockholders by May 31, 2021 through share repurchases. On April 16, 2019, after taking into account share repurchases under our existing stock repurchase program to date, our Board of Directors authorized the repurchase of the remaining $600.0 million in value of RPM International Inc. common stock by May 31, 2021. As a result, 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. Given recent macroeconomic uncertainty resulting from the Covid-19 pandemic, we have suspended our stock repurchase program. During the three months ended August 31, 2020, we did not repurchase any shares of our common stock under this program. During the three months ended August 31, 2019, we repurchased 1,655,616 shares of our common stock at a cost of approximately $100.0 million, or an average cost of $60.40 per share, under this program.

NOTE 11 — EARNINGS PER SHARE

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share for the three-month periods ended August 31, 2020 and 2019.

	Three Months Ended	
(In thousands, except per share amounts)	August 31, 2020	August 31, 2019
Numerator for earnings per share:		
Net income attributable to RPM International Inc. stockholders	$ 180,595	$ 106,188
Less: Allocation of earnings and dividends to participating securities	(1,552)	(623)
Net income available to common shareholders - basic	179,043	105,565
Add: Undistributed earnings reallocated to unvested shareholders	4	2
Net income available to common shareholders - diluted	$ 179,047	$ 105,567
Denominator for basic and diluted earnings per share:		
Basic weighted average common shares	128,418	128,882
Average diluted options and awards	365	622
Total shares for diluted earnings per share (1)	128,783	129,504
Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:		
Basic Earnings Per Share of Common Stock	$ 1.39	$ 0.82
Method used to calculate basic earnings per share	Two-class	Two-class
Diluted Earnings Per Share of Common Stock	$ 1.39	$ 0.82
Method used to calculate diluted earnings per share	Two-class	Two-class

(1) Restricted shares totaling 225,500 and 178,000 for the three months ended August 31, 2020 and 2019, respectively, were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. In addition, stock appreciation rights ("SARs") totaling 360,000 and 790,000 for the three months ended August 31, 2020 and 2019, respectively, were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive.

NOTE 12 — PENSION PLANS

We offer defined benefit pension plans, defined contribution pension plans, and various postretirement benefit plans. The following tables provide the retirement-related benefit plans' impact on income before income taxes for the three months ended August 31, 2020 and 2019:

	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
(In thousands) **Pension Benefits**	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
Service cost	$ 11,130	$ 9,856	$ 1,406	$ 1,391
Interest cost	3,806	5,104	1,122	1,193
Expected return on plan assets	(8,279)	(8,573)	(1,607)	(1,834)
Amortization of:				
Prior service cost (credit)	2	2	(35)	(9)
Net actuarial losses recognized	7,501	4,629	526	523
Net Periodic Benefit Cost	$ 14,160	$ 11,018	$ 1,412	$ 1,264

(In thousands)	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
Postretirement Benefits	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
Service cost	$ -	$ -	$ 431	$ 429
Interest cost	19	37	283	282
Amortization of:				
Prior service (credit)	(42)	(55)	-	-
Net actuarial (gains) losses recognized	10	(16)	130	158
Net Periodic Benefit (Credit) Cost	$ (13)	$ (34)	$ 844	$ 869

Due to lower discount rates, net periodic pension and U.S. postretirement cost for fiscal 2021 is higher than our fiscal 2020 expense. We expect that pension expense will fluctuate on a year-to-year basis, depending 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. We previously disclosed in our financial statements for the fiscal year ended May 31, 2020 that we expected to contribute approximately $8,000 to our retirement plans in the U.S. and approximately $6.7 million to plans outside the U.S. during the current fiscal year, and as of August 31, 2020, those amounts remain unchanged. During the year, we will evaluate whether to make additional contributions.

NOTE 13 — CONTINGENCIES AND ACCRUED LOSSES

Product Liability Matters

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.

Warranty Matters

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 August 31, 2020, 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. Based upon the nature of the expense, product warranty expense is recorded as a component of cost of sales or within SG&A.

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:

(In thousands)	Three Months Ended	
	August 31, 2020	August 31, 2019
Beginning Balance	$ 11,106	$ 10,414
Deductions (1)	(5,930)	(5,513)
Provision charged to expense	7,660	5,168
Ending Balance	$ 12,836	$ 10,069

(1) Primarily claims paid during the year.

Environmental Matters

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. In general, our environmental accruals are undiscounted liabilities, which are exclusive of claims against third parties, and are not material to our financial statements during any of the periods presented.

Other Contingencies

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 investigation, and determined that it was appropriate 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 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.

In connection with the foregoing, on September 9, 2016, the SEC filed an enforcement action against us and our General Counsel. We have cooperated with the SEC's investigation and believe the allegations in the complaint mischaracterize both our and our General Counsel's actions in connection with the matters related to our quarterly results in fiscal 2013 and are without merit. The complaint seeks disgorgement of gains that may have resulted from the conduct alleged in the complaint, and payment of unspecified monetary penalties from us and our General Counsel pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Further, the complaint seeks to permanently enjoin us from violations of Sections 17(a)(2) and (a)(3) of the Securities Act, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13, and to permanently enjoin our General Counsel from violations of Sections 17(a)(2) and (a)(3) of the Securities Act and Exchange Act Rules 13b2-1 and 13b2-2(a). Both we and our General Counsel filed motions to dismiss the complaint on February 24, 2017. Those motions to dismiss the complaint were denied by the Court on September 29, 2017. We and our General Counsel filed answers to the complaint on October 16, 2017. Formal discovery is closed. Summary judgement briefing is due to conclude in April 2021. We intend to continue to contest the allegations in the complaint vigorously.

Also in connection with the foregoing, a stockholder derivative action was filed in the United States District Court, Northern District of Ohio, Eastern Division, against certain of our directors and officers. The court has stayed this stockholder derivative action pending the completion of the SEC enforcement action.

The action by the SEC could result in sanctions against us and/or our General Counsel and 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.

NOTE 14 – REVENUE

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 disaggregate revenues from the sales of our products and services based upon geographical location by each of our reportable segments, which are aligned by similar economic factors, trends and customers, which best depict the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See Note 15, "Segment Information," for further details regarding our disaggregated revenues as well as a description of each of the unique revenue streams related to each of our four reportable segments.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. The majority of our revenue is recognized at a point in time. However, we also record revenues generated under construction contracts, mainly in connection with the installation of specialized roofing and flooring systems and related services. For certain polymer flooring installation projects, we account for our revenue using the output method, as we consider square footage of completed flooring to be the best measure of progress toward the complete satisfaction of the performance obligation. In contrast, for certain of our roofing installation projects, we account for our revenue using the input method, as that method was the best measure of performance as it considers costs incurred in relation to total expected project costs, which essentially represents the transfer of control for roofing systems to the customer. In general, for our construction contracts, we record contract revenues and related costs as our contracts progress on an over-time model.

We have elected to apply the practical expedient to recognize revenue net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. Payment terms and conditions vary by contract type, although our customers' payment terms generally include a requirement to pay within 30 to 60 days of fulfilling our performance obligations. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. We have elected to apply the practical expedient to treat all shipping and handling costs as fulfillment costs, as a significant portion of these costs are incurred prior to control transfer.

Significant Judgments

Our contracts with customers may include promises to transfer multiple products and/or services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For example, judgment is required to determine whether products sold in connection with the sale of installation services are considered distinct and accounted for separately, or not distinct and accounted for together with installation services and recognized over time.

We provide customer rebate programs and incentive offerings, including special pricing and co-operative advertising arrangements, promotions and other volume-based incentives. These customer programs and incentives are considered variable consideration and recognized as a reduction of net sales. Up-front consideration provided to customers is capitalized as a component of other assets and amortized over the estimated life of the contractual arrangement. We include in revenue variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the variable consideration is resolved. In general, this determination is made based upon known customer program and incentive offerings at the time of sale, and expected sales volume forecasts as it relates to our volume-based incentives. This determination is updated each reporting period. Certain of our contracts include contingent consideration that is receivable only upon the final inspection and acceptance of a project. We include estimates of such variable consideration in our transaction price. Based on historical experience, we consider the probability-based expected value method appropriate to estimate the amount of such variable consideration.

Our products are generally sold with a right of return and we may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. We record a right of return liability to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

We offer assurance type warranties on our products as well as separately sold warranty contracts. Revenue related to warranty contracts that are sold separately is recognized over the life of the warranty term. Warranty liabilities for our assurance type warranties are discussed further in Note 13, "Contingencies and Other Accrued Losses."

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing customers. Our contract assets are recorded for products and services that have been provided to our customer but have not yet been billed, and are included in prepaid expenses and other current assets in our consolidated balance sheets. Our short-term contract liabilities consist of advance payments, or deferred revenue, and are included in other accrued liabilities in our consolidated balance sheets.

Trade accounts receivable, net of allowances, and net contract assets (liabilities) consisted of the following:

(In thousands, except percents)	**August 31, 2020**	**May 31, 2020**	**$ Change**	**% Change**
Trade accounts receivable, less allowances	$ 1,159,130	$ 1,137,957	$ 21,173	1.9%
Contract assets	$ 36,292	$ 25,249	$ 11,043	43.7%
Contract liabilities - short-term	(25,605)	(25,288)	(317)	1.3%
Net Contract Assets (Liabilities)	$ 10,687	$ (39)	$ 10,726	

The $10.7 million change in our net contract assets/(liabilities) from May 31, 2020 to August 31, 2020 resulted primarily due to the timing and volume of construction jobs in progress at August 31, 2020 versus May 31, 2020. During the first quarter of fiscal 2021, net sales at our U.S. based general contracting and roofing services business increased by $25.1 million as compared to the fourth quarter of fiscal 2020. During the fourth quarter of fiscal 2020, we began to mobilize on the jobs that were scheduled to be executed during the peak summer months. In the first quarter of fiscal 2021, we performed a substantial amount of work on these jobs, and as such, our unbilled revenue is higher as of August 31, 2020 than it was at May 31, 2020. We also record long-term deferred revenue, which amounted to $66.4 million and $66.0 million as of August 31, 2020 and May 31, 2020, respectively. The long-term portion of deferred revenue is related to warranty contracts and is included in other long-term liabilities in our consolidated balance sheets.

We have elected to adopt the practical expedient to not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the reporting period for performance obligations that are part of a contract with an original expected duration of one year or less.

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. As our contract terms are primarily one year or less in duration, we have elected to apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales force compensation program and certain incentive programs as we have determined annual compensation is commensurate with annual sales activities.

Allowance for Credit Losses

Our primary allowance for credit losses is the allowance for doubtful accounts. The allowance for doubtful accounts reduces the accounts receivable balance to the estimated net realizable value equal to the amount that is expected to be collected. The allowance was based on assessments of current creditworthiness of customers, historical collection experience, the aging of receivables and other currently available evidence. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful collection of accounts are included in selling, general and administrative expenses.

The following table summarizes the activity for the allowance for credit losses for the three months ended August 31, 2020:

(In thousands)		
Balance at June 1, 2020	$	55,847
Bad debt expense		1,274
Uncollectible accounts written off, net of recoveries		(2,854)
Translation adjustments		1,660
Balance at August 31, 2020	$	55,927

NOTE 15 — SEGMENT INFORMATION

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We manage our portfolio by organizing our businesses and product lines into four reportable segments as outlined below, which also represent our operating segments. Within each operating segment, we manage product lines and businesses which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our four 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 four 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"), and/or adjusted EBIT, as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations.

Our CPG reportable segment products are sold throughout North America and also account for the majority of our international sales. Our construction product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products and services within this reportable segment include construction sealants and adhesives, coatings and chemicals, roofing systems, concrete admixture and repair products, building envelope solutions, insulated cladding, flooring systems, and weatherproofing solutions.

Our PCG reportable segment products are sold throughout North America, as well as internationally, and are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers.

Products and services within this reportable segment include high-performance flooring solutions, corrosion control and fireproofing coatings, infrastructure repair systems, fiberglass reinforced plastic gratings and drainage systems.

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 and through distributors. The Consumer reportable segment offers products that include specialty, hobby and professional paints; caulks; adhesives; silicone sealants and wood stains.

Our SPG 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 SPG reportable segment offers products that include industrial cleaners, restoration services equipment, colorants, nail enamels, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty original equipment manufacturer ("OEM") coatings.

In addition to our four 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 and identifiable assets.

We reflect income from our joint ventures on the equity method, and receive royalties from our licensees.

The following tables present a disaggregation of revenues by geography, and reflect the results of our reportable segments consistent with our management philosophy, by representing the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses.

Three Months Ended August 31, 2020	**CPG Segment**	**PCG Segment**	**Consumer Segment**	**SPG Segment**	**Consolidated**
(In thousands)					
Net Sales (based on shipping location)					
United States	$ 327,961	$ 156,062	$ 509,584	$ 133,497	$ 1,127,104
Foreign					
Canada	55,642	17,112	48,908	1,920	123,582
Europe	108,720	63,634	67,610	16,996	256,960
Latin America	34,853	5,594	7,392	465	48,304
Asia Pacific	17,639	4,886	7,674	5,146	35,345
Other Foreign	2,875	12,500	-	-	15,375
Total Foreign	219,729	103,726	131,584	24,527	479,566
Total	$ 547,690	$ 259,788	$ 641,168	$ 158,024	$ 1,606,670

Three Months Ended August 31, 2019	**CPG Segment**	**PCG Segment**	**Consumer Segment**	**SPG Segment**	**Consolidated**
(In thousands)					
Net Sales (based on shipping location)					
United States	$ 307,659	$ 181,906	$ 381,229	$ 131,731	$ 1,002,525
Foreign					
Canada	50,443	20,973	32,505	2,228	106,149
Europe	114,302	64,459	51,009	20,839	250,609
Latin America	42,847	8,441	6,315	432	58,035
Asia Pacific	20,396	7,424	6,181	4,858	38,859
Other Foreign	458	14,038	2,091	-	16,587
Total Foreign	228,446	115,335	98,101	28,357	470,239
Total	$ 536,105	$ 297,241	$ 479,330	$ 160,088	$ 1,472,764

(In thousands) **Income (Loss) Before Income Taxes**	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
CPG Segment	$ 98,349	$ 82,680
PCG Segment	28,514	28,057
Consumer Segment	132,722	59,158
SPG Segment	20,449	23,327
Corporate/Other	(38,665)	(50,373)
Consolidated	$ 241,369	$ 142,849

(In thousands) **Identifiable Assets**	August 31, 2020	May 31, 2020
CPG Segment	$ 1,664,612	$ 1,622,632
PCG Segment	949,224	925,569
Consumer Segment	2,104,448	2,067,017
SPG Segment	734,132	728,449
Corporate/Other	242,003	287,287
Consolidated	$ 5,694,419	$ 5,630,954

NOTE 16 — GOODWILL

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 assess goodwill for impairment annually during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill. We evaluate our reporting units when changes in our operating structure occur, and if necessary, reassign goodwill using a relative fair value allocation approach.

The following table summarizes the changes in the carrying amount of goodwill, by reportable segment, for the periods presented:

(In thousands)	CPG Segment	PCG Segment	Consumer Segment	SPG Segment	Total
Balance as of May 31, 2020	$ 405,354	$ 185,404	$ 496,218	$ 163,090	$ 1,250,066
Translation adjustments & other	21,396	265	4,075	2,732	28,468
Balance as of August 31, 2020	426,750	185,669	500,293	165,822	1,278,534

NOTE 17 — SUBSEQUENT EVENTS

Subsequent to the end of our first quarter, on September 1, 2020, we acquired Ali Industries, LLC, a leading manufacturer of sandpaper and other abrasives. The company, which is headquartered in Fairborn, Ohio, has annual net sales of approximately $75 million, and will be part of our Consumer reportable segment.

ITEM 2. *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. 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; reserves for excess and obsolete inventories; allowances for recoverable sales and/or value-added 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.

A comprehensive discussion of the accounting policies and estimates that are the most critical to our financial statements are set forth in our Annual Report on Form 10-K for the year ended May 31, 2020.

BUSINESS SEGMENT INFORMATION

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.

(In thousands)	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
Net Sales		
CPG Segment	$ 547,690	$ 536,105
PCG Segment	259,788	297,241
Consumer Segment	641,168	479,330
SPG Segment	158,024	160,088
Consolidated	$ 1,606,670	$ 1,472,764
Income Before Income Taxes (a)		
CPG Segment		
Income Before Income Taxes (a)	$ 98,349	$ 82,680
Interest (Expense), Net (b)	(2,110)	(2,027)
EBIT (c)	$ 100,459	$ 84,707
PCG Segment		
Income Before Income Taxes (a)	$ 28,514	$ 28,057
Interest (Expense), Net (b)	(31)	(129)
EBIT (c)	$ 28,545	$ 28,186
Consumer Segment		
Income Before Income Taxes (a)	$ 132,722	$ 59,158
Interest (Expense), Net (b)	(62)	(105)
EBIT (c)	$ 132,784	$ 59,263
SPG Segment		
Income Before Income Taxes (a)	$ 20,449	$ 23,327
Interest Income (Expense), Net (b)	(82)	26
EBIT (c)	$ 20,531	$ 23,301
Corporate/Other		
(Loss) Before Income Taxes (a)	$ (38,665)	$ (50,373)
Interest (Expense), Net (b)	(6,697)	(20,697)
EBIT (c)	$ (31,968)	$ (29,676)
Consolidated		
Net Income	$ 180,785	$ 106,496
Add: Provision for Income Taxes	60,584	36,353
Income Before Income Taxes (a)	241,369	142,849
Interest (Expense)	(21,745)	(28,317)
Investment Income, Net	12,763	5,385
EBIT (c)	$ 250,351	$ 165,781

(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 Income (Expense), Net includes the combination of interest income (expense) and investment income (expense), net.

(c) EBIT is a non-GAAP measure, and 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 income 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

Three Months Ended August 31, 2020

Net Sales Consolidated net sales of $1,606.7 million for the first quarter of fiscal 2021 grew by approximately 9.1% from net sales of $1,472.8 million for last year's first quarter. Organic sales, which include the impact of price and volume, contributed 9.3% to consolidated net sales while acquisitions added 0.5%. Unfavorable foreign currency exchange impacted consolidated net sales during the current quarter by 0.7%.

CPG segment net sales for the current quarter grew by 2.2% to $547.7 million from net sales of $536.1 million during the same period a year ago. Organic growth contributed 3.6% during the quarter, mainly driven by market share gains and the introduction of new products, with the fastest growth being generated in our roofing business, which experienced better weather in the current year than the prior year when unfavorable conditions caused a delay in North American construction activity, and our commercial sealants business, which experienced sales during the first quarter of fiscal 2021 from distributors who did not order in April and May due to Covid-19 lockdown restrictions. Unfavorable foreign currency exchange negatively impacted the segment's net sales by 1.4% during the current quarter.

PCG segment net sales for the current quarter declined by 12.6% to $259.8 million from net sales of $297.3 million during the same period a year ago. The organic decline was 12.2% during the quarter as restrictions associated with Covid-19 impacted the ability of contractors to gain access to the facilities of our end customers. Furthermore, our customers in the energy sector are facing poor economic conditions, which is causing deferrals in industrial maintenance spending. Recent acquisitions contributed 0.3% to net sales during the current quarter, while unfavorable foreign currency exchange negatively impacted the segment's net sales by 0.7% during the current quarter.

Consumer segment net sales for the quarter grew by 33.8% to $641.2 million from $479.3 million during last year's first quarter. Organic growth provided 34.0%, while unfavorable foreign currency exchange negatively impacted net sales in the segment by 0.2% during the current quarter versus the same period a year ago. The significant increase in sales volume resulted from a combination of higher "do-it-yourself" demand as consumers are spending more time at home during the Covid-19 shutdowns and an easier comparison to the prior year, when sales were very low due to extremely wet weather.

SPG segment net sales for the quarter decreased by 1.3% to $158.0 million from $160.1 million during last year's first quarter. Organic sales declined 5.7% during the current quarter, as a result of supply chain difficulties and operating disruptions in our water damage restoration business and decreased demand in our fluorescent pigments and edible coatings businesses, all resulting from the Covid-19 pandemic. These declines were somewhat offset by favorable market conditions in our marine business, as Covid-19 has increased demand for outdoor recreation, our wood coatings business, which benefited from increased lumber sales, and our nail polish business, as Covid-19 has led to more demand for our product offering with nails being done at home instead of at salons. Additionally, foreign currency exchange had a favorable impact on the segment's net sales of 0.3% during the quarter, while recent acquisitions added 4.1% of net sales during the quarter.

As demonstrated above, Covid-19 has had a mixed impact on our businesses, impacting some unfavorably and others favorably. RPM continues to be well-served by the strategic balance in its portfolio of businesses. It continues to be difficult to predict the future financial impact on net sales, as we cannot predict the duration or scope of the pandemic, but the impact could be material. Future performance in net sales is dependent on several factors, including but not limited to: (i) the ability of our customers to continue operations; (ii) continued organic growth in DIY sales, as people spend more time at home; (iii) a potential for organic growth in professional and consumer cleaning and disinfectant brands, some of which are effective against Covid-19; (iv) the nature and extent of facility closures as a result of Covid-19; and (v) the length and severity of the downturn in energy markets and associated unfavorable impact on maintenance spending in this sector. With that being said, we expect to generate consolidated sales growth in the low- to mid-single digits, which is more in line with recent quarters prior to the outbreak of Covid-19.

Gross Profit Margin Our consolidated gross profit margin of 40.7% of net sales for the first quarter of fiscal 2021 compares to a consolidated gross profit margin of 39.0% for the comparable period a year ago. The current quarter gross profit margin increase of approximately 1.7% of net sales, or 170 basis points ("bps"), resulted primarily from a combination of increases in selling prices, MAP to Growth savings, which include raw material savings due to our centralized procurement initiatives, and higher sales volume versus the same period a year ago.

Raw material costs inflation seems to be moderating in a number of our key product categories. Our global supply chain remains strong, despite some challenges at specific businesses in our portfolio. While we have had to temporarily shut down certain plants in response to Covid-19, we have generally been able to maintain our principal operations. While we have not yet experienced a material impact, we do anticipate that certain raw materials and packaging components are likely to create future cost pressure, as our suppliers are struggling to meet demand in light of Covid-19. Despite these facts, as we cannot predict the duration or scope of the Covid-19 pandemic, the future financial impact to gross profit margin cannot be reasonably estimated, but could be material.

SG&A Our consolidated SG&A expense during the current period was $4.6 million lower versus the same period last year and decreased to 24.6% of net sales from 27.2% of net sales for the prior year quarter. During the first quarter of fiscal 2021, we continued our MAP to Growth and have generated incremental savings of approximately $6.4 million. Additional SG&A expense recognized by companies we recently acquired approximated $1.3 million during the first quarter of fiscal 2021.

Our CPG segment SG&A was approximately $9.4 million lower for the first quarter of fiscal 2021 versus the comparable prior year period and decreased as a percentage of net sales. This decrease was mainly due to minimizing discretionary spending (i.e., meetings, travel, etc.), salary cuts taken in response to the economic downturn, and MAP to Growth savings.

Our PCG segment SG&A was approximately $8.6 million lower for the first quarter of fiscal 2021 versus the comparable prior year period, but increased as a percentage of net sales, mainly due to the decrease in sales for the quarter. The decrease in SG&A was primarily attributable to a reduction in discretionary spending, as well as MAP to Growth savings. Additionally, companies we recently acquired contributed approximately $0.2 million of additional SG&A expense during the current quarter.

Our Consumer segment SG&A increased by approximately $13.7 million during the first quarter of fiscal 2021 versus the same period last year, but significantly decreased as a percentage of net sales. The year-over-year increase in SG&A was primarily attributable to increases in distribution and incentives as a result of higher volume, offset somewhat by minimizing discretionary spending. There were also slight increases in advertising and promotional expense when compared to the prior year quarter.

Our SPG segment SG&A was approximately $0.7 million lower during the first quarter of fiscal 2021 versus the comparable prior year period and decreased as a percentage of net sales. The slight decrease in SG&A expense is attributable to cost control measures associated with lower sales volumes and savings resulting from actions taken during the past year associated with our MAP to Growth. Additionally, companies we recently acquired contributed approximately $1.1 million of additional SG&A expense during the current quarter.

SG&A expenses in our corporate/other category increased slightly to $29.0 million during the first quarter of fiscal 2021 as compared to $28.5 million recorded during last year's first quarter.

We recorded total net periodic pension and postretirement benefit costs of $16.4 million and $13.1 million for the first quarter of fiscal 2021 and 2020, respectively. The $3.3 million increase in pension expense resulted from the combination of higher net actuarial losses recognized during the current quarter versus last year's first quarter for approximately $2.9 million and a higher service costs of approximately $1.3 million during the current quarter versus the same period a year ago. These increases were partially offset by a decrease of approximately $1.4 million in interest costs during the current quarter, when compared to the same period a year ago. We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, both of which are difficult to predict in light of the lingering macroeconomic uncertainties associated with Covid-19, but which may have a material impact on our consolidated financial results in the future.

As we cannot predict the duration or scope of the Covid-19 pandemic, the future financial impact to SG&A cannot be reasonably estimated, but could be material. As previously disclosed, the disruption caused by the outbreak of Covid-19 is expected to delay the finalization of our MAP to Growth past the original target completion date of December 31, 2020, which may impact our near-term ability to drive further reduction in SG&A as a percentage of sales. However, this will be offset to some degree by lower variable SG&A, such as reduced travel-related expenses incurred by our associates, due to travel restrictions in place because of the Covid-19 outbreak.

Restructuring Charges We recorded restructuring charges of $4.2 million during the first quarter of fiscal 2021, which compares with $6.6 million during the first quarter of fiscal 2020. These charges were the result of the continued implementation of our MAP to Growth, which focuses upon strategic shifts in operations across our entire business. On a consolidated basis, we recognized $2.5 million of severance and benefit costs during the first quarter of fiscal 2021 compared with $3.8 million during the same period a year ago. Facility closure and other related costs totaled $1.5 million during the first quarter of fiscal 2021 versus $2.8 million during the first quarter of fiscal 2020. Finally, $0.2 million of other restructuring costs during the current period compared with $0.1 million during the same period a year ago. These charges were associated with closures of certain facilities as well as the elimination of duplicative headcount and infrastructure associated with certain of our businesses.

We currently expect to incur approximately $18.6 million of future additional charges in relation to implementation of our MAP to Growth. These additional charges include approximately $9.7 million of severance and benefit costs, $8.2 million of facility closure and other related charges, as well as $0.7 million of other restructuring costs. We previously expected these charges to be incurred by the end of calendar year 2020, upon which we expected to achieve an annualized pretax savings of approximately $290 million per year.

Recently, however, the disruption caused by the outbreak of Covid-19 is expected to delay our implementation of our MAP to Growth past the original target completion date of December 31, 2020. We will provide an update on the revised target completion timeline at a later date. However, by May 31, 2021, we now expect we will have achieved our annualized pretax savings goal of approximately $290 million and made substantial progress on our $230 million working capital improvement goal. See Note 3, "Restructuring," to the Consolidated Financial Statements, for further details surrounding our MAP to Growth.

Interest Expense Interest expense was $21.7 million for the first quarter of fiscal 2021 versus $28.3 million for the same period a year ago. Excluding acquisition-related borrowings, lower average borrowings quarter over quarter decreased interest expense by approximately $2.3 million during the first quarter of fiscal 2021 when compared to the prior year quarter. Higher average borrowings, related to recent acquisitions, increased interest expense during this year's first quarter by approximately $0.2 million versus the same period a year ago. Lower interest rates, which averaged 3.38% overall for the first quarter of fiscal 2021 compared with 4.13% for the same period of fiscal 2020, decreased interest expense by approximately $4.5 million during the current quarter versus the same period last year. The interest rate decrease was a result of lower market rates on the variable cost borrowings.

Investment (Income)Expense, Net Net investment income of approximately $12.8 million for the first quarter of fiscal 2021 compares to net investment income of $5.4 million during the same period last year. Dividend and interest income totaled $1.0 million and $1.8 million for the first quarter of fiscal 2021 and 2020, respectively. Net gains on marketable securities totaled $11.8 million during the first quarter of fiscal 2021 compared to $3.5 million during the same period a year ago.

Income Before Income Taxes ("IBT") Our consolidated IBT for the first quarter of fiscal 2021 of $241.4 million compares with IBT of $142.8 million for the same period a year ago. Our CPG segment had IBT of $98.3 million, or 18.0% of net sales, for the quarter ended August 31, 2020, versus IBT of $82.7 million, or 15.4% of net sales, for the same period a year ago. Our CPG segment results reflect selling price increases, moderating raw material costs, MAP to Growth savings and cost control measures. Our PCG segment had IBT of $28.5 million, or 11.0% of net sales, for the quarter ended August 31, 2020, versus IBT of $28.1 million, or 9.4% of net sales, for the same period a year ago. Our PCG segment results reflect proactively managing a favorable product and service mix with a focus on higher margins, as well as MAP to Growth business rationalization efforts. Our Consumer segment IBT approximated $132.7 million, or 20.7% of net sales, for the first quarter of fiscal 2021, versus the prior year first quarter IBT of $59.2 million, or 12.3% of net sales. Our Consumer segment results reflect the large increase in sales and related volume leveraging impact on margins, along with savings from MAP to Growth. Our SPG segment had IBT of $20.4 million, or 12.9% of net sales for the quarter ended August 31, 2020, versus IBT of $23.3 million, or 14.6% of net sales, for the same period a year ago, reflecting declines in sales volume in our water damage restoration products, fluorescent pigments and edible coatings businesses, which were somewhat mitigated by savings from MAP to Growth and other cost cutting measures.

Income Tax Rate The effective income tax rate of 25.1% for the three months ended August 31, 2020 compares to the effective income tax rate of 25.5% for the three months ended August 31, 2019. The effective income tax rates for the three months ended August 31, 2020 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation.

Net Income Net income of $180.8 million for the quarter ended August 31, 2020 compares to net income of $106.5 million for the comparable prior year period. Net income attributable to RPM International Inc. stockholders for the first quarter of fiscal 2021 was $180.6 million, or 11.2% of consolidated net sales, which compared to net income of $106.2 million, or 7.2% of consolidated net sales for the comparable prior year period.

Diluted earnings per share of common stock for the quarter ended August 31, 2020 of $1.39 compares with diluted earnings per share of common stock of $0.82 for the quarter ended August 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Fiscal 2021 Compared with Fiscal 2020

Approximately $318.1 million of cash was provided by operating activities during the first three months of fiscal 2021, compared with $145.1 million of cash provided by operating activities during the same period last year. The net change in cash from operations includes the change in net income, which increased by $74.3 million during the first three months of fiscal 2021 versus the same period during fiscal 2020. During the first three months of fiscal 2021, we recorded $4.2 million in restructuring charges and made cash payments of $6.2 million related to our MAP to Growth, as further described in Note 3, "Restructuring."

Additionally, certain government entities located where we have operations have enacted various pieces of legislation designed to help businesses weather the economic impact of Covid-19 and ultimately preserve jobs. Some of this legislation, such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act here in the U.S., enables employers to postpone the payment of various types of taxes over varying time horizons. As of May 31, 2020, we had deferred $17.7 million of such government payments that would have normally been paid during our fourth quarter of fiscal 2020, but which will be paid in future periods. During the first quarter ended August 31, 2020, we deferred an additional $14.8 million of such government payments that would have normally been paid during our first quarter of fiscal 2021, but which will be paid in future periods. The $14.8 million of deferrals generated during the first quarter of fiscal 2021 is presented net of payments that occurred during the quarter but which normally would have been paid in prior periods.

The change in accounts receivable during the first three months of fiscal 2021 provided approximately $115.7 million less cash than during the same period a year ago. This resulted from the timing of sales, which dipped sharply in the fourth quarter of last year, but rebounded sharply in the first quarter of this year. Days sales outstanding ("DSO") at August 31, 2020 decreased to 60.4 days from 63.7 days at August 31, 2019. Our CPG, Consumer and SPG segments achieved decreases in DSO during the current period versus last year. Those improvements were partially offset by increased DSO at our PCG segment.

During the first three months of fiscal 2021, we spent approximately $66.0 million less cash for inventory compared to our spending during the same period a year ago, which resulted primarily from the timing of purchases by retail customers. Days of inventory outstanding ("DIO") was approximately 74.0 and 86.2 days at August 31, 2020 and 2019, respectively. The improvement in DIO was driven mainly by the Consumer segment, which was due to a significant increase in demand as well as our MAP to Growth efforts to improve our manufacturing and operational planning processes.

The change in accounts payable during the first three months of fiscal 2021 used approximately $68.8 million less cash than during the first three months of fiscal 2020 due principally to the timing of purchases, but also longer days payables outstanding ("DPO") which increased by approximately 3.5 days from 72.3 days at August 31, 2019 to 75.8 days at August 31, 2020. The longer DPO is a direct result of moving toward a center-led procurement process that includes negotiating modified payment terms. Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

As we cannot predict the duration or scope of the Covid-19 pandemic and its impact on our customers and suppliers, the negative financial impact to our results cannot be reasonably estimated, but could be material. We are actively managing the business to maintain cash flow and we have significant liquidity. We believe that these factors will allow us to meet our anticipated funding requirements.

Investing Activities

For the first quarter of fiscal 2021, cash used for investing activities decreased by $32.2 million to $42.3 million as compared to $74.5 million in the prior year period. This year-over-year decrease in cash used for investing activities was mainly driven by $30.6 million in less cash spent on acquisitions as we did not acquire any businesses during the first quarter of fiscal 2021 as compared to one acquisition during the first quarter of 2020.

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. We paid for capital expenditures of $41.5 million and $36.6 million during the first quarters of fiscal 2021 and fiscal 2020, respectively. Depreciation is relatively flat year-over-year, as we incurred $23.8 million in the current year as compared to $23.6 million in the prior year. We have continued to increase our capital spending in fiscal 2021, in an effort to consolidate ERP systems and our plant footprint, as part of our MAP to Growth.

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 August 31, 2020 and May 31, 2020, the fair value of our investments in marketable securities totaled $133.6 million and $114.0 million, respectively. 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.

As of August 31, 2020, approximately $217.6 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries, compared with $199.6 million at May 31, 2020. 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 8, "Income Taxes," to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

Financing Activities

For the first quarter of fiscal 2021, cash used for financing activities increased by $191.9 million to $268.9 million as compared to $77.0 million in the prior year period. The overall increase in cash used for financing activities was driven principally by debt-related activities, as we received $75.6 million less cash related to new debt and used $212.2 million more cash to paydown existing debt in the first quarter of fiscal 2021 as compared to the prior year. See below for further details on the significant components of our debt.

The increase in cash used for financing activities generated by debt-related activities was somewhat offset by a $100.0 million decrease in cash used for the repurchase of common stock during the first quarter of fiscal 2021, as compared to the prior year, as we suspended our stock repurchase program during the fourth quarter of fiscal 2020, given recent macroeconomic uncertainty resulting from the Covid-19 pandemic.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.50 billion at August 31, 2020, compared with $1.28 billion at May 31, 2020. Significant components of our debt include (refer to "Note G – Borrowings" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020 for more comprehensive details):

Term Loan Facility Credit Agreement

On February 21, 2020, we and our subsidiary, RPM New Horizons Netherlands, B.V. (the "Foreign Borrower"), entered into an unsecured syndicated term loan facility credit agreement (the "New Credit Facility") with the lenders party thereto and PNC Bank, National Association, as administrative agent for the lenders. The New Credit Facility provides for a $300 million term loan to the Company and a $100 million term loan to the Foreign Borrower (together, the "Term Loans"), each of which was fully advanced on the closing date. The Term Loans mature on February 21, 2023, with no scheduled amortization before that date, and the Term Loans may be prepaid at any time without penalty or premium. We agreed to guarantee all obligations of the Foreign Borrower under the New Credit Facility. The proceeds of the Term Loans were used to repay a portion of the outstanding borrowings under our revolving credit facility. After giving effect to such repayment, we had approximately $820 million of borrowing availability on our Revolving Credit Facility. See "Revolving Credit Agreement" below for further details.

The Term Loans will bear interest at either the base rate or the Eurodollar Rate, at our option, plus a spread determined by our debt rating. We, and the Foreign Borrower, have entered into multicurrency floating to fixed interest rate swap agreements that effectively fix interest payment obligations on the entire principal amount of the Term Loans through their maturity at (a) 0.612% per annum on our Term Loan, and (b) 0.558% per annum on the Foreign Borrower's Term Loan.

The New Credit Facility contains customary covenants, including but not limited to, limitations on our ability, and in certain instances, our subsidiaries' ability, to incur liens, make certain investments, or sell or transfer assets. Additionally, we may not permit (i) our consolidated interest coverage ratio to be less than 3.5 to 1.0, or (ii) our leverage ratio (defined as the ratio of total indebtedness, less unencumbered cash and cash equivalents in excess of $50 million, to consolidated EBITDA for the four most recent fiscal quarters) to exceed 3.75 to 1.0. Upon notification to the lenders, however, the maximum permitted leverage ratio can be relaxed to 4.25 to 1.0 for a one-year period in connection with certain material acquisitions. The covenants contained in the New Credit Facility are substantially similar to those contained in our Revolving Credit Facility. See "Revolving Credit Agreement" below for details on our compliance with all significant financial covenants at August 31, 2020.

Accounts Receivable Securitization Program

As of August 31, 2020, the outstanding balance under our AR Program was $45.0 million, which compares with the maximum availability on that date of $250.0 million. The maximum availability under the AR Program is $250.0 million, but 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 $250.0 million of funding available under the AR Program.

The AR Program contains various customary affirmative and negative covenants, as well as 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 immediately. 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.

Revolving Credit Agreement

During the quarter ended November 30, 2018, we replaced our previous $800.0 million revolving credit agreement, which was set to expire on December 5, 2019, with a $1.3 billion unsecured syndicated revolving credit facility (the "Revolving Credit Facility"), which expires on October 31, 2023. 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 $1.5 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, and for general corporate purposes.

On April 30, 2020, we amended both our Revolving Credit Facility and the New Credit Facility (see "Term Loan Facility Credit Agreement" section above for further details) to allow the maximum permitted Net Leverage Ratio to be increased from 3.75 to 1.00 to 4.25 to 1 for four consecutive fiscal quarters following notice to the Administrative Agent on or before June 30, 2021 and the payment of a ten basis point fee ("Increased Net Leverage Ratio Period"). Such increase is in addition to any increase requested by the Company in the maximum permitted Net Leverage Ratio following a Material Acquisition (any acquisition for which the aggregate consideration is $100.0 million or greater). During an Increased Net Leverage Ratio Period, the Euro-Rate Spread on loans under the Revolving Credit Facility shall be increased to 1.75% and the Base Rate Spread shall be 0.75% until the first day of the month following the Increased Net Leverage Ratio Period: provided, however, if at any time during an Increased Net Leverage Ratio, all three rating agencies rate the Company as non-investment grade, the Euro-Rate Spread shall be 2.00% and the Base Rate Spread shall be 1.0% in each case until earlier of the first day of the month after the Increased Net Leverage Ratio or the date on which at least one rating agency rates the Company as investment grade. As of August 31, 2020, we have not provided any notice to the Administrative Agent to trigger this provision of the agreement.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant (i.e., Net Leverage Ratio) and interest coverage ratio, which are calculated in accordance with the terms as defined by the credit agreement. Under the terms of the leverage covenant, we may not permit our leverage ratio for total indebtedness to consolidated EBITDA for the four most recent fiscal quarters to exceed 3.75 to 1.0. During certain periods and per the terms of the Revolving Credit Facility, this ratio may be increased to 4.25 to 1.0 in connection with certain material acquisitions, or under the Increased Net Leverage Ratio Period. 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 EBITDA as defined in the Revolving Credit Facility.

As of August 31, 2020, 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 2.39 to 1, while our interest coverage ratio was 9.80 to 1. As of August 31, 2020, we had $1.04 billion of borrowing availability on our Revolving Credit Facility.

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.

Stock Repurchase Program

See Note 10, "Stock Repurchase Program" to the Consolidated Financial Statements, for further detail surrounding our stock repurchase program.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financings for the year ended May 31, 2020, other than the minimum operating lease commitments as previously disclosed in our Form 10-K for the year ended May 31, 2020. As of June 1, 2019, upon adoption of ASC 842, the minimum operating lease commitments are no longer off-balance sheet. 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.

OTHER MATTERS

Environmental Matters

Environmental obligations continue to be appropriately addressed and, based upon the latest available information, it is not anticipated that the outcome of such matters will materially affect our results of operations or financial condition. Our critical accounting policies and estimates set forth above describe our method of establishing and adjusting environmental-related accruals and should be read in conjunction with this disclosure. For additional information, refer to "Part II, Item 1. Legal Proceedings."

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 and metal 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) the timing of and the realization of anticipated cost savings from restructuring initiatives and the ability to identify additional cost savings opportunities; (j) risks related to the adequacy of our contingent liability reserves; (k) risks relating to the recent outbreak of the coronavirus (Covid-19); and (l) 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, 2020, 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.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We are exposed to market risk from changes in raw materials costs, interest rates and foreign exchange rates since we fund our operations through long- and short-term borrowings and conduct our business in a variety of foreign currencies. There were no material potential changes in our exposure to these market risks since May 31, 2020.

ITEM 4. *CONTROLS AND PROCEDURES*

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

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(e)) as of August 31, 2020 (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) CHANGES IN INTERNAL CONTROL.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended August 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

SEC Investigation and Enforcement Action

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 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 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 statements 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.

In connection with the foregoing, on September 9, 2016, the SEC filed an enforcement action in the U.S. District Court for the District of Columbia against us and our General Counsel. We have cooperated with the SEC's investigation and believe the allegations in the complaint mischaracterize both our and our General Counsel's actions in connection with the matters related to our quarterly results in fiscal 2013 and are without merit. The complaint seeks disgorgement of gains that may have resulted from the conduct alleged in the complaint, and payment of unspecified monetary penalties from us and our General Counsel pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Further, the complaint seeks to permanently enjoin us from violations of Sections 17(a)(2) and (a)(3) of the Securities Act, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13, and to permanently enjoin our General Counsel from violations of Sections 17(a)(2) and (a)(3) of the Securities Act and Exchange Act Rules 13b2-1 and 13b2-2(a). Both we and our General Counsel filed motions to dismiss the complaint on February 24, 2017. Those motions to dismiss the complaint were denied by the Court on September 29, 2017. We and our General Counsel filed answers to the complaint on October 16, 2017. Formal discovery is closed. Summary judgement briefing is due to conclude in April 2021. We intend to continue to contest the allegations in the complaint vigorously.

Also, in connection with the foregoing, a stockholder derivative action was filed in the United States District Court, Northern District of Ohio, Eastern Division, against certain of our directors and officers. The court has stayed this stockholder derivative action pending the completion of the SEC enforcement action.

The action by the SEC could result in sanctions against us and/or our General Counsel and 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.

Environmental Proceedings

Like other companies participating in similar lines of business, some of our subsidiaries are identified as a "potentially responsible party" under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar local environmental statutes or are participating in the cost of certain clean-up efforts or other remedial actions relating to environmental matters. 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 our Annual Report on Form 10-K for the year ended May 31, 2020.

On August 13, 2019, Kirker Enterprises Inc. received an Administrative Order and Civil Administrative Penalty Assessment letter from the State of New Jersey Department of Environmental Protection Division of Air Enforcement formally notifying it of alleged failures to fulfill all conditions of an air permit applicable to its Patterson, New Jersey facility. The letter includes a proposed penalty of approximately $192,000.

Carboline Company previously was identified as a potentially responsible party in connection with a matter filed on behalf of the U.S. EPA claiming that Carboline Company, among other potentially responsible parties, violated Section 107 of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and seeking reimbursement for response costs incurred in connection with the release or threatened release of hazardous substances at the Lammers Barrel Superfund Site in Beavercreek, Ohio. During the third quarter of fiscal 2020, Carboline Company agreed in principle to settle this matter for $1.3 million, which amount is subject to final approval and court entry of the proposed consent decree relating to this matter.

ITEM 1A. *RISK FACTORS*

In addition to the other information set forth in this report, you should carefully consider the other risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

ITEM 2. *UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS*

(c) The following table presents information about repurchases of common stock we made during the first quarter of fiscal 2021:

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 Dollar Amount that May Yet be Purchased Under the Plans or Programs(2)
June 1, 2020 through June 30, 2020	4,793	$ 73.64	-	
July 1, 2020 through July 31, 2020	79,275	$ 81.49	-	
August 1, 2020 through August 31, 2020	3,584	$ 83.87	-	
Total - First Quarter	87,652	$ 81.15	-	

(1) All of the 87,652 shares of common stock reported as purchased during the period represents shares of common stock that were disposed of back to us in satisfaction of tax obligations related to the vesting of restricted stock which was granted under RPM International Inc.'s Amended and Restated 2014 Omnibus Equity and Incentive Plan and 2007 Restricted Stock Plan.

(2) The maximum dollar amount that may yet be repurchased under our program was approximately $469.7 million at August 31, 2020. Given recent macroeconomic uncertainty resulting from the Covid-19 pandemic, we have suspended our stock repurchase program. Refer to Note 10 “Stock Repurchase Program” to the Consolidated Financial Statements for further information regarding our stock repurchase program.

ITEM 6. *EXHIBITS*

Exhibit Number	Description
10.1	Employment Agreement by and between the Company and Michael H. Sullivan, Vice President – Operations and Chief Restructuring Officer.(x)
10.2	Amendment No. 7 to Second Amended and Restated Receivables Sale Agreement, dated as of June 5, 2020, which is incorporated by reference to Exhibit 10.3.7 to the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on July 27, 2020 (File No. 1-14187).
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.(x)
32.2	Section 1350 Certification of the Company's Chief Financial Officer.(x)
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2020, has been formatted in Inline XBRL

(x) Filed herewith.

SIGNATURES

Pursuant to the requirements 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

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

Dated: October 7, 2020

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") dated effective as of the 3rd day of October 2019, between RPM International Inc., a Delaware corporation (the "Company"), and Michael H. Sullivan ("Executive").

WHEREAS, Executive is currently Vice President – Operations and Chief Restructuring Officer of the Company; and

WHEREAS, the Board of Directors of the Company recognizes the importance of Executive's continuing contribution to the future growth and success of the Company and desires to assure the Company and its stockholders of Executive's continued employment in an executive capacity and to compensate him therefor; and

WHEREAS, Executive is desirous of committing himself to continue to serve the Company on the terms herein provided.

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

1. Term of Employment. The Company hereby agrees to continue to employ Executive, and Executive hereby agrees to continue to serve the Company, on the terms and conditions set forth herein for the period commencing as of the date hereof and expiring on May 31, 2020 (the "Employment Period"). The Employment Period shall automatically be extended on May 31 of each year for a period of one year from such date unless, not later than March 31 of such year, the Company or Executive has given notice to the other party that it or he, as the case may be, does not wish to have the Employment Period extended. In addition, in the event of a Change in Control, the Employment Period shall automatically be extended for a period of three years beginning on the date of the Change in Control and ending on the third anniversary of the date of such Change in Control (unless further extended under the immediately preceding sentence). In any case, the Employment Period may be Terminated earlier under the terms and conditions set forth herein.

2. Position and Duties. Executive shall serve as Vice President – Operations and Chief Restructuring Officer reporting to the Chairman and Chief Executive Officer of the Company ("Direct Report") (or his designee) and shall have responsibility for assisting with supervising, planning and managing the Company's operations as well as operations, matters related to the Company's 2020 MAP to Growth initiative and shall have such other powers and duties as may from time to time be assigned by Executive's Direct Report (or his designee) or the Board of Directors of the Company; provided, however, that such duties are consistent with his present duties and his position with the Company. Executive shall devote substantially all his working time and efforts to the continued success of the business and affairs of the Company.

3. Place of Employment. The parties acknowledge that Executive's current residence is located in Carmel, IN and as a condition of his continued employment, Executive must relocate to the Cleveland, OH area no later than July 1, 2020. The Company will reimburse Executive's reasonable relocation expenses; provided that Executive uses a relocation firm selected by the Company. In connection with his employment by the Company and once Executive has relocated to the Cleveland, OH area, Executive shall not be required to perform services which would make the continuance of his principal residence in the Cleveland, OH area unreasonably difficult or inconvenient for him. The Company shall give Executive at least six months' advance notice of any proposed relocation of its Medina, Ohio offices to a location more than 50 miles from Medina, Ohio and, if Executive in his sole discretion chooses to relocate his principal residence, the Company shall promptly pay (or reimburse him for) all reasonable relocation expenses (consistent with the Company's past practice for similarly situated senior executive officers) incurred by him relating to a change of his principal residence in connection with any such relocation of the Company's offices from Medina, Ohio.

4. Compensation.

(a) Base Salary. During the Employment Period, Executive shall receive a base salary at the rate of not less than Three-Hundred and Fifty Thousand Dollars ($350,000) per annum ("Base Salary"), payable in substantially equal semi-monthly installments during the Employment Period hereunder. It is contemplated that annually in the first quarter of each fiscal year of the Company the Board of Directors of the Company (or a committee thereof), with the assistance of the Chief Executive Officer, will review Executive's Base Salary and other compensation during the Employment Period and, at its discretion, the Board of Directors of the Company (or a committee thereof) may increase Executive's Base Salary and other compensation, effective as of June 1 of such fiscal year, based upon Executive's performance, then generally prevailing industry salary scales, the Company's results of operations, and other relevant factors. Any increase in Base Salary or other compensation shall in no way limit or reduce any other obligation of the Company hereunder and, once established at an increased specified rate, Executive's Base Salary hereunder shall not be reduced without his written consent.

(b) Incentive Compensation. In addition to his Base Salary, Executive shall be entitled to receive such annual cash incentive compensation ("Incentive Compensation") for each fiscal year of the Company during the Employment Period as the Board of Directors of the Company (or committee thereof), with the assistance of the Chief Executive Officer, may determine in its sole discretion based upon the Company's results of operation and other relevant factors. Such annual Incentive Compensation shall be received by Executive as soon as possible, but no later than 90 days after the close of the Company's fiscal year for which such Incentive Compensation is granted, provided however, that to the extent the Company's senior executive for Human Resources determines it to be consistent with Section 409A of the Code, Executive shall have such right, if any, as may be provided under the Deferred Compensation Plan to elect to defer annual Incentive Compensation. Any such election shall be made in accordance with the terms of the Deferred Compensation Plan (including provisions regarding the time and form of such deferral election) and such procedures as may be established thereunder.

(c) Expenses. During the Employment Period and subject to Section 16 of this Agreement, Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by him (in accordance with Company practice) in performing services hereunder, provided that Executive properly accounts therefor in accordance with either Company policies or guidelines established by the Internal Revenue Service if such are less burdensome.

(d) Participation in Benefit Plans.

(i) During the Employment Period and subject to Section 4(d)(ii) below, Executive shall be entitled to continue to participate in or receive benefits under the Benefit Plans, subject to and on a basis consistent with the terms, conditions and overall administration of the Benefit Plans. Except with respect to any benefits related to salary reductions authorized by Executive, nothing paid or awarded to Executive under any Benefit Plan presently in effect or made available in the future shall reduce or be deemed to be in lieu of compensation to Executive pursuant to any other provision of this Section 4. Executive's right to participate in any Benefit Plan shall be subject to the applicable eligibility criteria for participation and Executive shall not be entitled to any benefits under, or based on, any Benefit Plan for any purposes of this Agreement if Executive does not during the Employment Period satisfy the eligibility criteria for participation in such plan.

(ii) Notwithstanding the foregoing, Executive shall be entitled to participate in the Executive Life Insurance Plan only as specified by the terms of the plan and hereby acknowledges that (A) actual coverage in the Executive Life Insurance Plan is dependent upon satisfying the underwriting requirements of the insurance company; (B) in the event the underwriting requirements cannot be satisfied, coverage (if any) may only be available to the level approved by the insurance company; and (C) if the amount of coverage is less than applied for (including the insurance company's determination that no coverage at all is available), the Company has no obligation to provide for any death benefit or any shortfall in the amount of the death benefit that would otherwise be available if the Executive was able to satisfy the underwriting requirements of the insurance company.

(e) Vacations. During the Employment Period, Executive shall be entitled to the same number of paid vacation days in each fiscal year determined by the Company from time to time for its other senior executive officers, but not less than four weeks in any fiscal year, to be taken at such time or times as is desired by Executive after consultation with Executive's Direct Report (or the designated vacation coordinator) to avoid scheduling conflicts (prorated in any fiscal year during which Executive is employed hereunder for less than the entire such year in accordance with the number of days in such fiscal year during which he is so employed). Executive also shall be entitled to all paid holidays given by the Company to its other salaried employees.

(f) Other Benefits. During the Employment Period, Executive shall be entitled to continue to receive the fringe benefits appertaining to his position with the Company in accordance with present practice, including the use of the most recent model of a full-sized automobile.

5. Termination Outside of Protected Period.

(a) Events of Termination. At any time other than during the Protected Period, the Employment Period shall Terminate immediately upon the occurrence of any of the following events: (i) expiration of the Employment Period; (ii) the death of Executive; (iii) the expiration of 30 days after the Company gives Executive written notice of its election to Terminate the Employment Period upon the Disability of Executive, if before the expiration of such 30-day period Executive has not returned to the performance of his duties hereunder on a full-time basis; (iv) the resignation of Executive; (v) the Company's Termination of the Employment Period for Cause; or (vi) the Company's Termination of the Employment Period at any time, without Cause, for any reason or no reason. For purposes of Subsections 5(b) and 5(c), expiration of the Employment Period upon a notice of the Company under Section 1 that it does not wish to have the Employment Period extended shall be deemed a Termination of Employment without Cause pursuant to Subsection 5(a)(vi) and expiration of the Employment Period upon a notice of Executive under Section 1 that he does not wish to have the Employment Period extended shall be deemed a resignation of Executive pursuant to Subsection 5(a)(iv).

(b) Compensation Upon Termination. This Subsection 5(b) sets forth the payments and benefits to which Executive is entitled under any Termination of Employment pursuant to Subsection 5(a).

(i) Death; Disability. During any period in which Executive fails to perform his duties hereunder as a result of Disability, Executive shall continue to receive his full Base Salary until his employment is Terminated pursuant to Subsection 5(a)(ii) or (iii); provided that his employment shall not be continued beyond the 29th month after such period of Disability began. Upon Termination of the Employment Period under Subsection 5(a)(ii) or (iii), Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law or as governed by the Benefit Plans including the Group Long Term Disability Insurance in which Executive participates immediately prior to such Termination of Employment, but Executive shall be entitled to receive his Earned Incentive Compensation, if any, within 30 days after the Termination Date.

(ii) Resignation or Cause. If Executive's employment is Terminated pursuant to Subsection 5(a)(iv) or (v), the Company shall pay Executive his full Base Salary through the Termination Date at the rate in effect at such time. The Company shall then have no further obligations to Executive under this Agreement and Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law.

(iii) Termination of Employment Without Cause.

(A) Termination Prior to or on September 24, 2020 If Executive's employment is Terminated without Cause pursuant to Subsection 5(a)(vi) prior to or on September 24, 2020, then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date and subject to the last sentence of this Subsection 5(b)(iii)(A), the Company shall pay to Executive on the Specified Payment Date, a lump sum amount equal to the sum of (A) 100% of Executive's Base Salary in effect as of such date. Notwithstanding any other provision of this Subsection 5(b)(iii)(A), Subsection 5(c) or this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 5(b)(iii)(A) or provide any continuing benefits or payment referred to in Subsection 5(c) unless (X) Executive executes and delivers to the Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(B) Termination After September 24, 2020. If Executive's employment is Terminated without Cause pursuant to Subsection 5(a)(vi) after September 24, 2020, then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date and subject to the last sentence of this Subsection 5(b)(iii)(B), the Company shall pay to Executive on the Specified Payment Date, a lump sum amount equal to the sum of (A) 150% of Executive's Base Salary in effect as of such date and (B) the amount of Executive's Earned Incentive Compensation. Executive also shall be entitled to certain continuing benefits under the terms of Subsection 5(c). Notwithstanding any other provision of this Subsection 5(b)(iii)(B), Subsection 5(c) or this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 5(b)(iii)(B) or provide any continuing benefits or payment referred to in Subsection 5(c) unless (X) Executive executes and delivers to the Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(c) Additional Benefits Following Termination under Subsection 5(a)(vi) After September 24, 2020. This Subsection 5(c) sets forth the benefits to which Executive shall be entitled, in addition to those set forth in Subsection 5(b)(iii)(B), following a Termination of the Employment Period under Subsection 5(a)(vi) after September 24, 2020. Executive shall not be entitled to the benefit of any provision of this Subsection 5(c) following a Termination of the Employment Period under any other provision hereof (including a Termination of the Employment Period without Cause prior to or on September 24, 2020).

(i) Continuing Benefit Plans. Executive shall be entitled to receive a lump sum payment in an amount equal to eighteen months' worth of the premiums and other costs for the Continuing Benefit Plans at the rates for Executive's coverage elections in effect for such plans immediately prior to the Termination Date. Such lump sum payment shall be paid to Executive on the Specified Payment Date.

(ii) Limited Benefit Plans. After such a Termination Date, Executive shall no longer be entitled to participate as an active employee in, or receive any additional or new benefits under, the Limited Benefit Plans, except as set forth in this Subsection 5(c)(ii) and except for such benefits, if any, available under such plans to former employees. After such a Termination Date, Executive shall be entitled to the following additional benefits:

(A) A lump sum payment made on the Specified Payment Date equal to 1 ½ times the annual premium most recently paid with respect to Executive for such Executive Life Insurance Plan as may be maintained by the Company at the Termination Date, except that if such premium is less than the next scheduled premium as shown on the then current illustration of coverage, the lump sum payment shall be 1 ½ times such next scheduled premium;

(B) A lump-sum payment equal to the cash value of the benefits Executive would have received had he continued to participate in and receive annual awards under the Restricted Stock Plan on a basis consistent with his past practice for a period of 18 months after the Termination Date, with such payment to be paid on the Specified Payment Date; and

(C) The lapse of all restrictions on transfer and forfeiture provisions to which Executive's awards under the Restricted Stock Plan are subject, so that any restricted shares previously awarded to Executive under such plan shall be nonforfeitable and freely transferable thereafter, all on the terms of the Restricted Stock Plan or the agreements thereunder.

(d) Notice of Termination. Any Termination of Employment by the Company pursuant to Subsection 5(a)(iii), (v) or (vi) or by Executive pursuant to Subsection 5(a)(iv) shall be communicated to the other party hereto by written notice of Termination of Employment, which shall state in reasonable detail the facts upon which the Termination of Employment has occurred.

(e) Set-Off. There shall be no right of set-off or counterclaim against, or delay in, any payment by the Company to Executive of any lump sum payment made under Subsection 5(b)(iii)(A), 5(b)(iii)(B) or 5(c)(ii)(B) in respect of any claim against or debt or obligation of Executive, whether arising hereunder or otherwise.

6. Termination During Protected Period.

(a) Events of Termination. During the Protected Period, the Employment Period shall Terminate immediately upon the occurrence of any of the following events: (i) the death of Executive; (ii) the expiration of 30 days after the Company gives Executive written notice of its election to Terminate the Employment Period upon the Disability of Executive, if before the expiration of such 30-day period Executive has not returned to the performance of his duties hereunder on a full-time basis; (iii) the resignation of Executive without delivering Notice of Termination for Good Reason; (iv) the Company's Termination of the Employment Period for Cause; (v) the Company's Termination of the Employment Period at any time, without Cause, for any reason or no reason; or (vi) Executive's Termination of the Employment Period for Good Reason by delivery of Notice of Termination for Good Reason to the Company during the Protected Period indicating that an event constituting Good Reason has occurred, provided that Executive notifies the Company in writing of the event alleged to constitute Good Reason within 90 days of the date of occurrence of such event and provides the Company at least 30 days from the receipt of such written notice to cure such event. If Executive fails to provide such notice to the Company within the 90-day period described in the preceding sentence and/or fails to provide the Company the opportunity to cure such alleged Good Reason event as described in the preceding sentence, Executive shall be deemed to waive his ability to Terminate the Employment Period for Good Reason under this Subsection 6(a)(vi) based on such event.

(b) Compensation Upon Termination. This Subsection 6(b) sets forth the payments and benefits to which Executive is entitled under any Termination of Employment pursuant to Subsection 6(a).

(i) Death; Disability. During any period in which Executive fails to perform his duties hereunder as a result of Disability, Executive shall continue to receive his full Base Salary until his employment is Terminated pursuant to Subsection 6(a)(i) or (ii); provided that his employment shall not be continued beyond the 29th month after such period of Disability began. Upon Termination of the Employment Period under Subsection 6(a)(i) or (ii), Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law or as governed by the Benefit Plans including the Group Long Term Disability Insurance in which Executive participates immediately prior to such Termination of Employment, but Executive shall be entitled to receive his Earned Incentive Compensation, if any, within 30 days after the Termination Date.

(ii) Resignation or Cause. If Executive's employment is Terminated pursuant to Subsection 6(a)(iii) or (iv), the Company shall pay Executive his full Base Salary through the Termination Date at the rate in effect at such time. The Company shall then have no further obligations to Executive under this Agreement and Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law.

(iii) Termination of Employment Without Cause or for Good Reason. If Executive's employment is Terminated by the Company without Cause pursuant to Subsection 6(a)(v) or by Executive for Good Reason pursuant to Subsection 6(a)(vi), then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date, the Company shall pay to Executive a lump sum amount equal to the sum of (A) 150% of Executive's Base Salary in effect as of such date and (B) the amount of Executive's Earned Incentive Compensation. Payment under this Section 6(b)(iii) shall be made on the Specified Payment Date. Executive also shall be entitled to certain continuing benefits under the terms of Subsection 6(c). Notwithstanding any other provision of this Subsection 6(b)(iii), Subsection 6(c), Section 7 or this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 6(b)(iii), to provide any continuing benefits or payment referred to in Subsection 6(c) unless (X) Executive executes and delivers to the Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(c) Additional Benefits Following Termination under Subsections 6(a)(v) or (vi). This Subsection 6(c) sets forth the benefits to which Executive shall be entitled, in addition to those set forth in Subsection 6(b)(iii), following a Termination of the Employment Period under Subsection 6(a)(v) or (vi). Executive shall not be entitled to the benefit of any provision of this Subsection 6(c) following a Termination of the Employment Period under any other provision hereof.

(i) Continuing Benefit Plans. Executive shall be entitled to receive a lump sum payment in an amount equal to eighteen months' worth of the premiums and other costs for the Continuing Benefit Plans at the rates for Executive's coverage elections in effect for such plans immediately prior to the Termination Date. Such lump sum payment shall be paid to Executive on the Specified Payment Date.

(ii) Limited Benefit Plans. After such a Termination Date, Executive shall no longer be entitled to participate as an active employee in, or receive any additional or new benefits under, the Limited Benefit Plans, except as set forth in this Subsection 6(c)(ii) and except for such benefits, if any, available under such plans to former employees. After such a Termination Date, Executive shall be entitled to the following additional benefits:

(A) A lump sum payment made on the Specified Payment Date equal to 1 ½ the annual premium most recently paid with respect to Executive for such Executive Life Insurance Plan as may be maintained by the Company at the Termination Date, except that if such premium is less than the next scheduled premium as shown on the then current illustration of coverage, the lump sum payment shall be 1 ½ times such next scheduled premium;

(B) A lump-sum payment to be paid under the Restricted Stock Plan equal to the cash value of the benefits Executive would have received had he continued to participate in and receive annual awards under the Restricted Stock Plan on a basis consistent with his past practice for a period of 18 months after the Termination Date, determined in accordance with the terms of the Restricted Stock Plan and the Company's past practice and payable on the Specified Payment Date; and

(C) The lapse of all restrictions on transfer and forfeiture provisions to which Executive's awards under the Restricted Stock Plan are subject, so that any restricted shares previously awarded to Executive under such plan shall be nonforfeitable and freely transferable thereafter, all on the terms of the Restricted Stock Plan or the agreements thereunder.

(d) Notice of Termination. Any Termination of Employment by the Company pursuant to Subsection 6(a)(ii), (iv) or (v) or by Executive pursuant to Subsection 6(a)(iii) shall be communicated to the other party hereto by written notice of Termination, which shall state in reasonable detail the facts upon which the Termination of Employment has occurred. A Termination of Employment pursuant to Subsection 6(a)(vi) shall be communicated by Notice of Termination for Good Reason.

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

(f) Deemed Termination After Change in Control. In the event of a Termination of Employment of Executive by the Company without Cause following the commencement of any discussion with or communication from a third party that ultimately results in a Change in Control that is also a "change in control" within the meaning of Section 409A, but prior to the date of such a Change in Control, and Executive can reasonably demonstrate that such Termination of Employment was made in connection with or in anticipation of such Change in Control, then Executive shall be entitled to the benefits provided under Subsections 6(b)(iii) and 6(c) and Section 7, provided that (i) no such payments or benefits shall be provided prior to such Change in Control; (ii) any payments shall be payable within the various timeframes specified in Subsections 6(b)(iii) and 6(c) and Section 7, but with such timeframes beginning as of the date of such Change in Control instead of as of the date of Termination of Employment; and (iii) any reimbursements or in-kind benefits shall be made or provided within the timeframes specified within the applicable provisions of regulations under Section 409A in order to be exempt from or, if necessary, compliant with Section 409A.

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

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

(i) Outplacement Assistance. Promptly after a request in writing from Executive following a Termination of the Employment Period under Subsection 6(a)(v) or (vi), the Company shall retain a professional outplacement assistance service firm reasonably acceptable to Executive, at the Company's expense, to provide outplacement assistance to Executive during the Protected Period. In the event Executive pays for such services, the Company shall reimburse Executive within 30 days from the time Executive presents an invoice or receipt for such expenses, provided Executive presents such receipt(s) no later than 30 days before the end of Executive's second taxable year following the year in which such expenses were incurred**.** Any outplacement services shall be appropriate to Executive's position with the Company, as determined by the outplacement assistance service firm. Executive shall not be entitled to such services, however, following a Termination of the Employment Period under Subsection 6(a)(i), (ii), (iii) or (iv).

7. Best Net Alternative Under Section 280G of the Code.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment or distribution by the Company or any of its Affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, restricted stock, stock appreciation right or similar right, or the lapse or termination of any restriction on, or the vesting or exercisability of, any of the foregoing (collectively, the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto), or to any similar tax imposed by state or local law, or to any interest or penalties with respect to such taxes (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the payments under this Agreement shall be reduced in the order specified below, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The Total Payments shall be reduced in the following order: (A) reduction of any cash severance payments otherwise payable to the Executive that are exempt from Section 409A of the Code; (B) reduction of any other cash payments or benefits otherwise payable to the Executive that are exempt from Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code; (C) reduction of any other payments or benefits otherwise payable to the Executive on a pro-rata basis or such other manner that complies with Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting and payments with respect to any equity award that are exempt from Section 409A of the Code; and (D) reduction of any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code, in each case beginning with payments that would otherwise be made last in time.

(b) All determinations required to be made under this Section 7, including whether an Excise Tax is payable by Executive, the amount of such Excise Tax and whether and when the Total Payments should be reduced, shall be made (i) by PricewaterhouseCoopers (or its successor) (the "Accounting Firm"), regardless of any services that PricewaterhouseCoopers (or its successor) has performed or may be performing for the Company, or (ii) if PricewaterhouseCoopers (or its successor) is serving as accountant or auditor for the individual, entity or group effecting a Change in Control, or cannot (because of limitations under applicable law or otherwise) make the determinations required to be made under this Section 7, then by another nationally recognized accounting firm selected by Executive and reasonably acceptable to the Company (which accounting firm shall then be the "Accounting Firm" hereunder). The Company, or Executive if he selects the Accounting Firm, shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or Executive. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the written opinion of the Accounting Firm, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the written opinion of the Accounting Firm, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of Executive's "Base Amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Accounting Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

As a result of uncertainty in the application of Section 280G and Section 4999 of the Code and the possibility of similar uncertainty regarding applicable state or local tax law at the time of the initial calculation by the Accounting Firm hereunder, it is possible that the cash severance payment made by the Company will have been less than the Company should have paid pursuant to Section 6 hereof (the amount of any such deficiency, the "Underpayment"), or more than the Company should have paid pursuant to Section 6 hereof (the amount of any such overage, the "Overpayment"). In the event of an Underpayment, the Company shall pay Executive the amount of such Underpayment (together with interest at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) not later than five business days after the amount of such Underpayment is subsequently determined, provided, however, such Underpayment shall not be paid later than the end of the calendar year following the calendar year in which the Executive remitted the related taxes. In the event of an Overpayment, the amount of such Overpayment shall by paid to the Company by the Executive not later than five business days after the amount of such Overpayment is subsequently determined (together with interest at 120% of the rate provided in Section 1274(b)(2)(B) of the Code).

(c) The Company and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Subsection 7(b). Any determination by the Accounting Firm as to the amount of any reduction of the Total Payments, or any Underpayment or Overpayment shall be binding upon the Company and Executive.

(d) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Subsection 7(b) shall be borne by the Company.

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

9. Restrictive Covenants.

(a) Non-Competition. During the Employment Period and for a period of 18 months following the Termination Date, Executive shall not, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner or director with, or have any financial interest in, any business which is in substantial competition with any business conducted by the Company or by any group, division or Subsidiary of the Company (collectively, the "RPM Group"), in any area where such business is being conducted at the time of such Termination of Employment. Ownership of 5% or less of the voting stock of any corporation which is required to file periodic reports with the Securities and Exchange Commission under the Exchange Act shall not constitute a violation hereof.

(b) Non-Solicitation. Executive shall not directly or indirectly, at any time during the Employment Period and for 18 months thereafter, solicit or induce or attempt to solicit or induce any employee, sales representative or other representative, agent or consultant of the RPM Group to terminate his or its employment, representation or other relationship with the RPM Group or in any way directly or indirectly interfere with such a relationship.

(c) Confidentiality.

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

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

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

If to Executive:
Michael H. Sullivan
[Redacted]

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

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

12. Amendments; Waivers. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Executive and by another executive

officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

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

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

15. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In the event that any provision of Section 9 is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy, such court shall exercise its discretion in reforming such provision to the end that Executive shall be subject to such restrictions and obligations as are reasonable under the circumstances and enforceable by the Company.

16. Code Section 409A. The benefits under this Agreement generally are intended to comply with or meet the requirements for exemption from Code Section 409A and shall be so construed and administered. To the extent any benefit hereunder is not exempt from the application of Code Section 409A, it shall be administered in compliance with Code Section 409A. For this purpose, with respect to any payment (i) that is considered deferred compensation for purposes of Section 409A (and for which there is no applicable exemption), (ii) that is conditioned upon the execution of a Release and Waiver of Claims, (iii) as to which the date of payment or commencement of payment may be in the current calendar year or the subsequent calendar year, and (iv) as to which the Executive's action with respect to returning the Release and Waiver of Claims could affect the calendar year of payment, such payment shall be made in the second taxable year. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be amended as the Company may determine, with the consent of the Executive (which shall not be unreasonably withheld), to better secure exemption of each benefit hereunder from, or if exemption is not reasonably available for such a benefit, to better comply with, the requirements of Code Section 409A.

17. Specified Employee. Notwithstanding any other payment schedule provided herein to the contrary, if Executive is identified on the date of his separation from service a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B) (which generally means a key employee of a corporation any stock of which is publicly traded on an established securities market or otherwise), then, with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation subject to Code Section 409A and payable on account of a Termination of Employment such payment or benefit shall not be made or provided until the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's Termination of Employment and (ii) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 17 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them therein.

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

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

20. No Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, except as provided in Section 8.

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

22. Enforcement Costs. The Company is aware that upon the occurrence of a Change in Control the Board of Directors or a stockholder of the Company may then cause or attempt to cause the Company to refuse to comply with its obligations under this Agreement, or may cause or attempt to cause the Company to institute, or may institute, litigation seeking to have this Agreement declared unenforceable, or may take, or attempt to take, other action to deny Executive the benefits intended under this Agreement. In these circumstances, the purpose of this Agreement could be frustrated. It is the intent of the Company that Executive not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder, nor be bound to negotiate any settlement of his rights hereunder under threat of incurring such expenses. Accordingly, if at any time in the two calendar years following a Termination of Employment during the Protected Period, it should appear to Executive that the Company has failed to comply with any of its obligations under this Agreement or the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any litigation or other legal action designed to deny, diminish or recover from Executive the benefits intended to be provided to Executive hereunder, and Executive has complied with all of his obligations under Section 9, then the Company irrevocably authorizes Executive from time to time to retain counsel of his choice at the expense of the Company as provided in this Section 21 to represent Executive in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. The Company's obligations under this Section 21 shall not be conditioned on Executive's success in the prosecution or defense of any such litigation or other legal action. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Executive entering into an attorney-client relationship with such counsel, and in that connection the Company and Executive agree that a confidential relationship shall exist between Executive and such counsel. The reasonable fees and expenses of counsel selected from time to time by Executive as hereinabove provided shall be paid or reimbursed to Executive by the Company on a regular, periodic basis no later than 30 days after presentation by Executive of a statement or statements prepared by such counsel in accordance with its customary practices, up to a maximum annual amount of $250,000 in each of the two calendar years following the year in which occurs such Termination of Employment within the Protected Period; provided, that Executive presents such statement(s) no later than 30 days prior to the end of each such year, and provided, further, no such payment shall be made prior to the Specified Payment Date. Notwithstanding the foregoing, this Section 21 shall not apply at any time unless a Change in Control has occurred.

[Signatures on following page.]

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

RPM INTERNATIONAL INC.

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

EXECUTIVE

/s/ Michael H. Sullivan
Michael H. Sullivan

Schedule A
Certain Definitions

As used in this Agreement, the following capitalized terms shall have the following meanings:
"*401(k) Plan*" means the RPM International Inc. 401(k) Trust and Plan and any successor plan or arrangement.

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

"*Average Incentive Compensation"* means an amount equal to the average amount of the annual Incentive Compensation payable to Executive (without regard to any reduction thereof elected by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company, including, without limitation, the Deferred Compensation Plan) for the three most recent completed fiscal years (or for such shorter period during which Executive has been employed by the Company) preceding the Termination Date in which the Company paid Incentive Compensation to executive officers of the Company or in which the Company considered and declined to pay Incentive Compensation to executive officers of the Company.

"*Benefit Plans*" means the Continuing Benefit Plans and the Limited Benefit Plans.

"*Cause*" means a determination of the Board of Directors (without the participation of Executive) of the Company pursuant to the exercise of its business judgment, that either of the following events has occurred:

(a) Executive has engaged in willful and intentional acts of dishonesty or gross neglect of duty or

(b) Executive has breached Section 9.

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

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

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

(c) Any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) becomes the beneficial owner (as the term "beneficial owner" is defined under SEC Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing twenty-five percent (25%) or more of the total votes relating to the then-outstanding securities entitled to vote generally in the election of directors (the "Voting Power");

(d) During any period of two (2) consecutive years, individuals who, at the beginning of any such period constitute the Directors, cease, for any reason, to constitute at least a majority thereof, unless the nomination for election by the Company's stockholders of each new Director was approved by a vote of at least two-thirds (2/3) of the Directors then in office who were Directors at the beginning of any such period.

Notwithstanding the foregoing provisions of paragraphs (c) of this definition, a "Change in Control" shall not be deemed to have occurred for purposes of this Agreement: (i) solely because (A) the Company, (B) a Subsidiary, or (C) any Company-sponsored employee stock ownership plan or other employee benefit plan of the Company or any Subsidiary, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or proxy statement under or in response to Schedule 13D, Schedule TO, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock or because the Company reports that a change in control of the

Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership, (ii) solely because any other person or entity either files or becomes obligated to file a report on Schedule 13D or Schedule TO (or any successor schedule, form or report) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, but only if both (A) the transaction giving rise to such filing or obligation is approved in advance of consummation thereof by the Company's Board of Directors and (B) at least a majority of the Voting Power immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such transaction, or (iii) solely because of a change in control of any Subsidiary.

"*COBRA Continuation Coverage*" means the health care continuation requirements under the federal Consolidated Omnibus Budget Reconciliation Act, as amended, Part VI of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Code Section 4980B(f), or any successor provisions thereto.

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

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

"*Continuing Benefit Plans*" means only the following employee benefit plans and arrangements of the Company in effect on the date hereof, or any successor plan or arrangement in which Executive is eligible to participate immediately before the Termination Date:

(a) The RPM International Inc. Health and Welfare Plan (including medical, dental and prescription drug benefits) as in existence on the date of this Agreement, or any successor plan that provides medical, dental and prescription drug benefits, but only to the extent of such benefits; and

(b) Estate/Financial Planning Benefits.

"*Deferred Compensation Plan*" means the RPM International Inc. Deferred Compensation Plan, as amended from time to time, in which executive officers of the Company are eligible to participate and any such successor plan or arrangement.

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

"*Disability*" means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, and that makes Executive eligible for benefits under any long-term disability program of the Company or an Affiliate. The Company and Executive acknowledge and agree that the essential functions of Executive's position are unique and critical to the Company and that a disability condition that causes Executive to be unable to perform the essential functions of his position under the circumstances described above will constitute an undue hardship on the Company.

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

(a) The amount of any Incentive Compensation payable but not yet paid for the fiscal year preceding the fiscal year in which the Termination Date occurs. If the Chief Executive Officer has determined such amount prior to the Termination Date, then such amount shall be the amount so determined by the Chief Executive Officer. If the Chief Executive Officer has not determined such amount prior to the Termination Date, then such amount shall equal the amount of the Average Incentive Compensation. For purposes of this paragraph (a), any Incentive Compensation deferred by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company, including, without limitation, the Deferred Compensation Plan, shall be deemed to have been paid on the date of deferral; and

(b) An amount equal to the Average Incentive Compensation multiplied by a fraction, the numerator of which is the number of days in the current fiscal year of the Company that have expired before the Termination Date and the denominator of which is 365.

"*Estate/Financial Planning Benefits*" means those estate and financial planning services (a) in effect on the date hereof in which Executive is eligible to participate or (b) that the Company makes available at any time before the Termination Date to the executives and key management employees of the Company and in which Executive is then eligible to participate.

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

"*Executive Life Insurance Plan*" means the RPM International Inc. Executive Life Insurance Plan in effect on the date hereof or any successor arrangement that the Company makes available at any time before the Termination Date to the executives and key management employees of the Company and in which Executive is then eligible to participate after satisfaction of any underwriting requirement that must be met so that a life insurance policy can be actually issued on the life of Executive.

"*Good Reason*" means the occurrence of one or more of the following events within the two-year period following a Change in Control:

(a) a significant reduction in the nature or scope of the title, authority or responsibilities of Executive from those held by Executive immediately prior to the Change in Control or a relocation of Executive's primary place of employment to a new location that is greater than twenty-five (25) miles from the location immediately prior to the Change in Control;

(b) a reduction in Executive's (i) annual base salary from the amount in effect on the date of the Change in Control, or (ii) annual cash incentive compensation from the amount of Executive's annual cash incentive compensation earned for the fiscal year preceding the fiscal year in which the Executive's termination of employment occurs, unless such reduction results solely from the Company's results of operations;

(c) the failure by the Company to offer to Executive an economic value of benefits reasonably comparable to the economic value of benefits under the benefit plans in which the Executive participates at the time of the Change in Control;

(d) the failure by the Company to comply with and satisfy Section 8 of this Agreement, relating to the assumption of this Agreement and the Company's obligations hereunder by any successor entity, or any other action or inaction that constitutes a material breach by the Company of this Agreement or any other agreement under which Executive provides his services to the Company; or

(e) the Company materially changes its strategic direction, which shall be deemed to occur in the event of (i) any material change in the Company's group operating structure from that in place immediately prior to the Change in Control; (ii) any sale, liquidation, or other disposition or discontinuation of any business or businesses that represent, individually or in the aggregate, greater than 20% of the Company's revenue, income from operations or cash flow during the most recent fiscal year completed prior to the Change in Control; or (iii) any material change in the principal methods of sourcing raw materials for, manufacturing of, or methods of distribution with respect to, products that represent, individually or in the aggregate, greater than 20% of the Company's revenue, income from operations or cash flow during the most recent fiscal year completed prior to the Change in Control.

"*Group Long Term Disability Insurance*" means the Group Long Term Disability Insurance sponsored by the Company, as currently in effect and as the same may be amended from time to time, and any successor long-term disability insurance sponsored by the Company in which the executives and key management employees of the Company are eligible to participate.

"*Incentive Compensation*" shall have the meaning given such term in Section 4(b).

"*Life and Disability Welfare Plan*" means the RPM International Inc. Life and Disability Welfare Plan, which includes Group Life Insurance, Group Long Term Disability Insurance and Group Accidental Death and Dismemberment Insurance.

"*Limited Benefit Plans*" means all the Company's employee benefit plans and arrangements in effect at any time and in which the executives and key management employees of the Company are eligible to participate, excluding the Continuing Benefit Plans, but including, without limitation, the following employee benefit plans and arrangements as in effect on the date of this Agreement or any successor or new plan or arrangement made available in the future to the executives and key management employees of the Company and in which Executive is eligible to participate before the Termination Date:

(a) The 401(k) Plan;

(b) The RPM International Inc. Retirement Plan;

(c) Stock option plans and other equity-based incentive plans, including the RPM International Inc. 2007 Stock Option Plan, the Restricted Stock Plan and the Omnibus Plan;

(d) Any Executive Life Insurance;

(e) The RPM International Inc. Incentive Compensation Plan;

(f) The Deferred Compensation Plan;

(g) The RPM International Inc. Employee Stock Purchase Plan;

(h) The Life and Disability Welfare Plan;

(i) The RPM International Inc. Group Variable Universal Life Plan (also known as GRIP or GVUL);

(j) The RPM International Inc. Business Travel Accident Plan;

(k) The fringe benefits appertaining to Executive's position with the Company referred to in Subsection 4(f), including the use of an automobile; and

(l) RPM International Inc. Flexible Benefits Plan.

"*Lump-Sum Payment*" means, collectively, the lump-sum payments that may be payable to Executive pursuant to the first sentence of Subsection 6(b)(iii) and pursuant to Subsection 6(c)(ii).

"*Notice of Termination for Good Reason*" means a written notice delivered by Executive in good faith to the Company under Subsection 6(a)(vi) setting forth in reasonable detail the facts and circumstances that have occurred and that Executive claims in good faith to be an event constituting Good Reason.

"Omnibus Plan" means the RPM International Inc. 2014 Omnibus Equity and Incentive Plan, as amended from time to time.

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

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

Notwithstanding anything herein to the contrary, a Release and Waiver of Claims shall not be considered effective if it is not duly executed and returned by Executive, and is not revoked, within the applicable periods provided to the Executive under Section 7(f) of the Age Discrimination in Employment Act for such execution and revocation, or such longer period of time as permitted in the release (the "Release Return and Revocation Period"), provided that the Release Return and Revocation Period is no longer than 60 days after the date of the Executive's Termination of Employment.

"*Restricted Stock Plan*" means either the RPM International Inc. 1997 Restricted Stock Plan or the RPM International Inc. 2007 Restricted Stock Plan and any successor plan or arrangement to either of such plans, but shall not be deemed to mean or include the Omnibus Plan.

"*Specified Payment Date*" means the first payroll date in the seventh month following Executive's Termination of Employment.

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

"*Termination of Employment*" means the separation from service within the meaning of Section 409A of the Code, of Executive with the Company and all of its Affiliates, for any reason, including without limitation, quit, discharge, or retirement, or a leave of absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months, or the period for which Executive's right to reemployment is provided either by statute or by contract) or permanent decrease in service to a level that is no more than Twenty Percent (20%) of its prior level. For this purpose, whether a Termination of Employment has occurred is determined based on whether it is reasonably anticipated that no further services will be performed by Executive after a certain date or that the level of bona fide services Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than Twenty Percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if Executive has been providing services less than 36 months). The terms "Terminate" or "Terminated," when used in reference to Executive's employment or the Employment Period, shall refer to a Termination of Employment as set forth in this paragraph.

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

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

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

Schedule B

280G "Best Net Alternative" Example

The following tables illustrate how the "best net alternative" approach under Section 280G would work pursuant to Section 7 of the Agreement. Section 7 provides that the employee will receive the greater of either (i) the total amount of parachute payments the employee would be entitled to receive after paying all taxes, including the 280G excise tax (20%) and the federal and state taxes (~40%) or (ii) an amount equal to approximately 2.99 times the employee's base compensation, which is just below the threshold for triggering an excise tax under Section 280G. In other words, is the employee better off receiving the full amount and paying the 280G excise tax of 20% on a portion of the amount or is the employee better off receiving a reduced amount equal to approximately 2.99 of his base compensation?

The answer will depend on the amount of the parachute payments. Once the amount is high enough, the employee will be better off taking the full amount and paying the excise tax. However, there is a certain lower range in which the employee is better off taking a reduced payment and not paying the excise tax.

The first table below illustrates a scenario in which the employee is better off paying the excise tax as compared to taking a reduced payment (see the "Total Payments After Taxes" column, in which "No 280G Cutback" is greater than "With 280G Cutback"). The second table below illustrates a scenario in which the employee is better off taking a reduced payment instead of paying the 280G excise tax (see the "Total Payments After Taxes" column, in which "With 280G Cutback" is greater than "No 280G Cutback"). Note that the difference in the "Potential Parachute Payments" is what drives the difference between the two scenarios. In the first scenario, $1,500,000 is a high enough amount in which the employee is better off paying the excise tax. In the second scenario, $1,000,000 is a low enough amount in which the employee is better off reducing the payments and not paying the excise tax. The differences in the Potential Parachute Payments the employee could receive between the two scenarios ($1,500,000 vs. $1,000,000) would be largely driven by the stock price used to determine the value of any accelerated equity payments. Other factors, such as the costs of benefits or any prorated payments may also affect the Potential Parachute Payments amount.

Better Payment without Cutback

	Base Amount	**280G threshold (3X base amount)**	**Potential Parachute Payments**	**Excess Parachute Amount (total payments minus base amount)**	**20% Excise Tax on Excess Parachute Amount**	**Federal and State Income tax (~40%)**	**Total Taxes (income plus excise tax)**	**Total Payment After Taxes**
No 280G Cutback	$350,000	$1,050,000	$1,750,000	$1,400,000	$ 280,000	$700,000	$980,000	$770,000
With 280G Cutback	$350,000	$1,050,000	$1,049,999*	$ 0	$ 0	$420,000	$420,000	$629,999

Better Payment with Cutback

	Base Amount	**280G threshold (3X base amount)**	**Potential Parachute Payments**	**Excess Parachute Amount (total payments minus base amount)**	**20% Excise Tax on Excess Parachute Amount**	**Federal and State Income tax (~40%)**	**Total Taxes (income plus excise tax)**	**Total Payment After Taxes**
No 280G Cutback	$350,000	$1,050,000	$1,250,000	$ 900,000	$ 180,000	$500,000	$680,000	$570,000
With 280G Cutback	$350,000	$1,050,000	$1,049,999*	$ 0	$ 0	$420,000	$420,000	$629,000

* Note -- $1,049,999 reflects the amount the employee would receive if the payments were reduced to just under his 280G threshold. This row is the same in both tables because the employee's 280G threshold (3 times his base compensation) is going to stay the same in both scenarios.

Exhibit No. 31.1

RULE 13a-14(a) CERTIFICATION

I, Frank C. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the “registrant”);

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: October 7, 2020

Exhibit No. 31.2

RULE 13a-14(a) CERTIFICATION

I, Russell L. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the “registrant”);

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: October 7, 2020

Exhibit No. 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended August 31, 2020 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q 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-Q.

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

Dated: October 7, 2020

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-Q or as a separate disclosure document.

Exhibit No. 32.2

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended August 31, 2020 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q 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-Q.

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

Dated: October 7, 2020

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-Q or as a separate disclosure document.