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

FORM 10-K

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

For the fiscal year ended December 31, 2015

Commission file number 1-04851

THE SHERWIN-WILLIAMS COMPANY

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of incorporation or organization)

101 West Prospect Avenue, Cleveland, Ohio

(Address of principal executive offices)

34-0526850

(I.R.S. Employer Identification No.)

44115-1075

(Zip Code)

(216) 566-2000

Registrant's telephone number, including area code

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

Title of each class

Common Stock, Par Value \$1.00

Name of each exchange on which registered

New York Stock Exchange

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

None

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

At January 31, 2016, 92,270,422 shares of common stock were outstanding, net of treasury shares. The aggregate market value of common stock held by non-affiliates of the Registrant at June 30, 2015 was \$25,439,468,259 (computed by reference to the price at which the common stock was last sold on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Annual Report to Shareholders for the fiscal year ended December 31, 2015 ("2015 Annual Report") are incorporated by reference into Parts I, II and IV of this report.

Portions of our Proxy Statement for the 2016 Annual Meeting of Shareholders ("Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended December 31, 2015 are incorporated by reference into Part III of this report.

THE SHERWIN-WILLIAMS COMPANY

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PART I

ITEM 1. BUSINESS

Introduction

The Sherwin-Williams Company, founded in 1866 and incorporated in Ohio in 1884, is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe and Asia. Our principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1075, telephone (216) 566-2000. As used in this report, the terms “Sherwin-Williams,” “Company,” “we” and “our” mean The Sherwin-Williams Company and its consolidated subsidiaries unless the context indicates otherwise.

Available Information

We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. You may access these documents on the “Investor Relations” page of our website at www.sherwin.com.

We also make available free of charge on our website our Corporate Governance Guidelines, our Director Independence Standards, our Code of Conduct and the charters of our Audit Committee, our Compensation and Management Development Committee and our Nominating and Corporate Governance Committee. You may access these documents in the “Corporate Governance” section on the “Investor Relations” page of our website at www.sherwin.com.

Basis of Reportable Segments

We report our segment information in the same way that management internally organizes our business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC). We have four reportable operating segments: Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group (individually, a “Reportable Segment” and collectively, the “Reportable Segments”). Factors considered in determining our Reportable Segments include the nature of business activities, the management structure directly accountable to the Company’s chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to our Board of Directors. We report all other business activities and immaterial operating segments that are not reportable in the Administrative segment. For more information about the Reportable Segments, see pages 8 through 17 of our 2015 Annual Report, which is incorporated herein by reference.

The Company’s CODM has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on profit or loss before income taxes and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements on pages 46 through 49 of our 2015 Annual Report, which is incorporated herein by reference.

Paint Stores Group

The Paint Stores Group consisted of 4,086 company-operated specialty paint stores in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba and St. Lucia at December 31, 2015. Each store in this segment is engaged in the related business activity of selling paint, coatings and related products to end-use customers. The Paint Stores Group markets and sells Sherwin-Williams® branded architectural paint and coatings, protective and marine products, original equipment manufacturer (“OEM”) product finishes and related items. These products are produced by manufacturing facilities in the Consumer Group. In addition, each store sells select purchased associated products. The loss of any single customer would not have a material adverse effect on the business of this segment. During 2015, this segment opened 83 net new stores, consisting of 113 new stores opened (99 in the United States, 12 in Canada, 1 in Puerto Rico and 1 in Trinidad and Tobago) and 30 stores closed (25 in the United States and 5 in Canada). During 2014, this segment opened 95 net new stores. During 2013, this segment acquired 306 stores and opened 82 net new stores. A map on the cover flap of our 2015 Annual Report, which is incorporated herein by reference, shows the number of paint stores and their geographic locations. The CODM uses discrete financial information about the Paint Stores Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to the Paint

Stores Group as a whole. In accordance with ASC 280-10-50-9, the Paint Stores Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

Consumer Group

The Consumer Group develops, manufactures and distributes a variety of paint, coatings and related products to third party customers primarily in the United States and Canada and the Paint Stores Group. Approximately 63 percent of the total sales of the Consumer Group in 2015 were intersegment transfers of products primarily sold through the Paint Stores Group. Sales and marketing of certain controlled brand and private labeled products are performed by a direct sales staff. The products distributed through third party customers are intended for resale to the ultimate end-user of the product. The Consumer Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. This segment incurred most of the Company's capital expenditures related to ongoing environmental compliance measures. The CODM uses discrete financial information about the Consumer Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

Global Finishes Group

The Global Finishes Group develops, licenses, manufactures, distributes and sells a variety of protective and marine products, automotive finishes and refinish products, OEM product finishes and related products in North and South America, Europe and Asia. This segment meets the demands of its customers for a consistent worldwide product development, manufacturing and distribution presence and approach to doing business. This segment licenses certain technology and trade names worldwide. Sherwin-Williams® and other controlled brand products are distributed through the Paint Stores Group and this segment's 296 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third party distributors. During 2015, this segment opened 3 new branches (2 in Canada and 1 in Mexico) and closed 7 branches (5 in the United States and 2 in Chile) for a net decrease of 4 branches. At December 31, 2015, the Global Finishes Group consisted of operations in the United States, subsidiaries in 35 foreign countries and income from licensing agreements in 15 foreign countries. The CODM uses discrete financial information about the Global Finishes Group, supplemented with information about geographic divisions, business units, and subsidiaries, to assess performance of and allocate resources to the Global Finishes Group as a whole. In accordance with ASC 280-10-50-9, the Global Finishes Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of our 2015 Annual Report, which is incorporated herein by reference, shows the number of branches and their geographic locations.

Latin America Coatings Group

The Latin America Coatings Group develops, licenses, manufactures, distributes and sells a variety of architectural paint and coatings, protective and marine products, OEM product finishes and related products in North and South America. This segment meets the demands of its customers for consistent regional product development, manufacturing and distribution presence and approach to doing business. Sherwin-Williams® and other controlled brand products are distributed through this segment's 291 company-operated stores and by a direct sales staff and outside sales representatives to retailers, dealers, licensees and other third party distributors. During 2015, this segment opened 17 new stores (11 in South America and 6 in Mexico) and closed 2 stores (1 in South America and 1 in Mexico) for a net increase of 15 stores. At December 31, 2015, the Latin America Coatings Group consisted of operations from subsidiaries in 9 foreign countries, 4 foreign joint ventures and income from licensing agreements in 7 foreign countries. The CODM uses discrete financial information about the Latin America Coatings Group, supplemented with information about geographic divisions, business units, and subsidiaries, to assess performance of and allocate resources to the Latin America Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Latin America Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of our 2015 Annual Report, which is incorporated herein by reference, shows the number of stores and their geographic locations.

Administrative Segment

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site. Also included in the Administrative segment was interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses which were not directly associated with the Reportable Segments. The Administrative segment did not include any significant foreign operations. Also included in the Administrative segment was a real estate management unit that is responsible for the ownership, management, and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Sales of this segment represented external leasing revenue of excess headquarters space or leasing of facilities no longer used.

by the Company in its primary businesses. Gains and losses from the sale of property were not a significant operating factor in determining the performance of the Administrative segment.

Segment Financial Information

For financial information regarding our Reportable Segments, including net external sales, segment profit, identifiable assets and other information by Reportable Segment, see Note 18 of the Notes to Consolidated Financial Statements on pages 72 through 75 of our 2015 Annual Report, which is incorporated herein by reference.

Domestic and Foreign Operations

Financial and other information regarding domestic and foreign operations is set forth in Note 18 of the Notes to Consolidated Financial Statements on page 73 of our 2015 Annual Report, which is incorporated herein by reference.

Additional information regarding risks attendant to foreign operations is set forth on page 31 of our 2015 Annual Report under the caption “Market Risk” of “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” which is incorporated herein by reference.

Business Developments

For additional information regarding our business and business developments, see pages 8 through 17 of our 2015 Annual Report and the “Letter to Shareholders” on pages 2 through 7 of our 2015 Annual Report, which is incorporated herein by reference.

Raw Materials and Products Purchased for Resale

We believe we generally have adequate sources of raw materials and fuel supplies used in our business. There are sufficient suppliers of each product purchased for resale that none of the Reportable Segments anticipate any significant sourcing problems during 2016. See Item 1A Risk Factors for more information regarding cost and sourcing of raw materials.

Seasonality

The majority of the sales for the Reportable Segments traditionally occur during the second and third quarters. There is no significant seasonality in sales for the Administrative segment.

Working Capital

In order to meet increased demand during the second and third quarters, the Company usually builds its inventories during the first quarter. Working capital items (inventories and accounts receivable) are generally financed through short-term borrowings, which include the use of lines of credit and the issuance of commercial paper. For a description of the Company’s liquidity and capital resources, see pages 26 through 32 of our 2015 Annual Report under the caption “Financial Condition, Liquidity and Cash Flow” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which is incorporated herein by reference.

Trademarks and Trade Names

Customer recognition of our trademarks and trade names collectively contribute significantly to our sales. The major trademarks and trade names used by each of the Reportable Segments are set forth below.

- *Paint Stores Group:* Sherwin-Williams®, ProMar®, SuperPaint®, A-100®, Duron®, MAB®, PrepRite®, Duration®, Duration Home®, ProGreen®, Harmony®, ProClassic®, Woodscapes®, Deckscapes®, Cashmere®, HGTV HOME® by Sherwin-Williams, Emerald®, Duracraft®, Solo®, ProIndustrial™, ProPark®, Frazee®, Parker™ Paints, Kwal®, Color Wheel™ and General Paint™.
- *Consumer Group:* Dutch Boy®, Krylon®, Minwax®, Thompson’s® WaterSeal®, Pratt & Lambert®, Martin Senour®, H&C®, White Lightning®, Dupli-Color®, Rubberset®, Purdy®, Bestt Liebeco®, Accurate Dispersions™, Uniflex®, VHT®, Kool Seal®, Snow Roof®, Altax™, Tri-Flow®, Sprayon®, Ronseal™, DuraSeal®, Geocel®, Conco®, Duckback®, Superdeck®, Mason's Select® and HGTV HOME® by Sherwin-Williams.
- *Global Finishes Group:* Sherwin-Williams®, Lazzuril®, Excelo®, Baco®, Planet Color®, AWX Performance Plus™, Ultra™, Ultra-Cure®, Martin Senour®, Kem Aqua®, Sher-Wood®, Powdura®, Polane®, Euronavy®, Inchem®, Sayerlack®, AcromaPro®, Firetex®, Macropoxy®, Oece™, Arti™, Acrolon®, Sher-Nar®, PermaClad®, Heat-Flex®, Magnalux™, ATX™, Genesis®, Dimension®, Finish 1™, Lanet™, DFL™, Conely™, Envirolastic® and Fastline™.
- *Latin America Coatings Group:* Sherwin-Williams®, Marson®, Metalatex®, Novacor®, Loxon®, Colorgin®, Andina®, Napko™, Martin Senour®, Sumare®, Condor®, Krylon®, Kem Tone®, Minwax® and Pratt & Lambert®.

Patents

Although patents and licenses are not of material importance to our business as a whole or any segment, the Global Finishes Group and Latin America Coatings Group derive a portion of their income from the licensing of technology, trademarks and trade names to foreign companies.

Backlog and Productive Capacity

Backlog orders are not significant in the business of any Reportable Segment since there is normally a short period of time between the placing of an order and shipment. We believe that sufficient productive capacity currently exists to fulfill our needs for paint, coatings and related products through 2016 .

Research and Development

For information regarding our costs of research and development included in technical expenditures, see Note 1 of the Notes to Consolidated Financial Statements on page 49 of our 2015 Annual Report, which is incorporated herein by reference.

Competition

We experience competition from many local, regional, national and international competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. We are a leading manufacturer and retailer of paint, coatings and related products to professional, industrial, commercial and retail customers, however, our competitive position varies for our different products and markets.

In the Paint Stores Group, competitors include other paint and wallpaper stores, mass merchandisers, home centers, independent hardware stores, hardware chains and manufacturer-operated direct outlets. Product quality, product innovation, breadth of product line, technical expertise, service and price determine the competitive advantage for this segment.

In the Consumer Group, domestic and foreign competitors include manufacturers and distributors of branded and private labeled paint and coatings products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are the key competitive factors for this segment.

The Global Finishes Group has numerous competitors in its domestic and foreign markets with broad product offerings and several others with niche products. Key competitive factors for this segment include technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price.

In the Latin America Coatings Group, competitors include other paint and wallpaper stores, mass merchandisers, home centers, independent hardware stores, hardware chains and manufacturer-operated direct outlets. Product quality, product innovation, breadth of product line, technical expertise, service and price determine the competitive advantage for this segment.

The Administrative segment has many competitors consisting of other real estate owners, developers and managers in areas in which this segment owns property. The main competitive factors are the availability of property and price.

Employees

We employed 40,706 persons at December 31, 2015 .

Environmental Compliance

For additional information regarding environmental-related matters, see page 29 of our 2015 Annual Report under the caption “Environmental-Related Liabilities” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 , 8 and 13 of the Notes to Consolidated Financial Statements on pages 48 , 60 and 68 , respectively, of our 2015 Annual Report, which is incorporated herein by reference.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this report constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon management’s current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “expects,” “anticipates,” “believes,” “will,” “will likely result,” “will continue,” “plans to” and similar expressions.

Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, that could cause actual

results to differ materially from such statements and from our historical results and experience. These risks, uncertainties and other factors include such things as:

- general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry;
- competitive factors, including pricing pressures and product innovation and quality;
- changes in raw material and energy supplies and pricing;
- changes in our relationships with customers and suppliers;
- our ability to attain cost savings from productivity initiatives;
- our ability to successfully integrate past and future acquisitions into our existing operations, as well as the performance of the businesses acquired;
- changes in general domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations;
- risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors;
- the achievement of growth in foreign markets, such as Asia, Europe and South America;
- increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment;
- inherent uncertainties involved in assessing our potential liability for environmental-related activities;
- other changes in governmental policies, laws and regulations, including changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations);
- the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; and
- unusual weather conditions.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 1A. RISK FACTORS

The risks described below and in other documents that we file from time to time with the Securities and Exchange Commission could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition.

Adverse changes in general business and economic conditions in the United States and worldwide may adversely affect our results of operations, cash flow, liquidity or financial condition.

Our business is sensitive to global and regional business and economic conditions. Adverse changes in such conditions in the United States and worldwide may reduce the demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us, each of which could adversely affect our results of operations, cash flow, liquidity or financial condition. Higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions, changing governmental policies, laws and regulations, and other economic factors could also adversely affect demand for some of our products and our results of operations, cash flow, liquidity or financial condition and that of our customers, vendors, and suppliers.

A weakening or reversal of the general economic recovery in the United States and other countries and regions in which we do business, or the continuation or worsening of the economic downturn in other countries and regions, may adversely affect our results of operations, cash flow, liquidity or financial condition.

Global economic uncertainty continues to exist. A weakening or reversal of the general economic recovery in the United States and other countries and regions in which we do business, or the continuation or worsening of the economic downturn in other countries and regions, may adversely impact our net sales, the collection of accounts receivable, funding for working capital needs, expected cash flow generation from current and acquired businesses, and our investments, which may adversely impact our results of operations, cash flow, liquidity or financial condition.

We finance a portion of our sales through trade credit. Credit markets remain tight, and some customers who require financing for their businesses have not been able to obtain necessary financing. A continuation or worsening of these conditions could limit our ability to collect our accounts receivable, which could adversely affect our results of operations, cash flow, liquidity or financial condition.

We generally fund a portion of our seasonal working capital needs and obtain funding for other general corporate purposes through short-term borrowings backed by our revolving credit facility and other financing facilities. If any of the banks in these credit and financing facilities are unable to perform on their commitments, which could adversely affect our ability to fund seasonal working capital needs and obtain funding for other general corporate purposes, our cash flow, liquidity or financial condition could be adversely impacted.

Although we currently have available credit facilities to fund our current operating needs, we cannot be certain that we will be able to replace our existing credit facilities or refinance our existing or future debt when necessary. Our cost of borrowing and ability to access the capital markets are affected not only by market conditions, but also by our debt and credit ratings assigned by the major credit rating agencies. Downgrades in these ratings will increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including our access to the commercial paper market. An inability to access the capital markets could have a material adverse effect on our results of operations, cash flow, liquidity or financial condition.

We have goodwill and intangible assets recorded on our balance sheet. We periodically evaluate the recoverability of the carrying value of our goodwill and intangible assets whenever events or changes in circumstances indicate that such value may not be recoverable. Impairment assessment involves judgment as to assumptions regarding future sales and cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions and may result in changes in our estimates of future sales and cash flows that may result in us incurring substantial impairment charges, which would adversely affect our results of operations or financial condition.

We hold investments in equity and debt securities in some of our defined benefit pension plans. A decrease in the value of plan assets resulting from a general financial downturn may cause a negative pension plan investment performance, which may adversely affect our results of operations, cash flow, liquidity or financial condition.

Protracted duration of economic downturns in cyclical segments of the economy may depress the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition.

Portions of our business involve the sale of paint, coatings and related products to segments of the economy that are cyclical in nature, particularly segments relating to construction, housing, manufacturing and oil production, refining, storage and transportation. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending may decrease, and the recovery of these segments may lag behind the recovery of the overall economy. This decrease in spending will likely reduce the demand for some of our products and may adversely affect our sales, earnings, cash flow or financial condition.

During the financial crisis of 2008 and 2009, the U.S. homebuilding industry experienced a significant and sustained decrease in demand for new homes and an oversupply of new and existing homes available for sale. During this same time period, the U.S. real estate industry also experienced a significant decrease in existing home turnover. The commercial and industrial building and maintenance sectors also experienced a significant decline. The downturn in each of these segments contributed to an unprecedented decline in the demand for some of our products. The recovery in new home starts, existing home sales and new commercial construction has been sluggish and erratic in many markets and remain below their pre-recession highs. Challenging market conditions are expected to continue for the foreseeable future and may worsen. A worsening in these segments will reduce the demand for some of our products and may adversely impact sales, earnings and cash flow.

Increases in the cost of raw materials and energy may adversely affect our earnings or cash flow.

We purchase raw materials (including titanium dioxide and propylene) and energy for use in the manufacturing, distribution and sale of our products. Factors such as adverse weather conditions, including hurricanes, and other disasters can disrupt raw material and fuel supplies and increase our costs. Although raw materials and energy supplies (including oil and natural gas) are generally available from various sources in sufficient quantities, unexpected shortages and increases in the cost of raw materials and energy, or any deterioration in our relationships with or the financial viability of our suppliers, may have an adverse effect on our earnings or cash flow in the event we are unable to offset higher costs in a timely manner by sufficiently decreasing our operating costs or raising the prices of our products. While we have experienced some easing of the prices of certain raw materials recently, raw material pricing has in the past experienced, and likely will in the future experience, periods of volatility.

Although we have an extensive customer base, the loss of any of our largest customers could adversely affect our sales, earnings or cash flow.

We have a large and varied customer base due to our extensive distribution network. During 2015, no individual customer accounted for sales totaling more than ten percent of our sales. However, we have some customers that, individually, purchase a

large amount of products from us. Although our broad distribution channels help to minimize the impact of the loss of any one customer, the loss of any of these large customers could have an adverse effect on our sales, earnings or cash flow.

Adverse weather conditions may temporarily reduce the demand for some of our products and could have a negative effect on our sales, earnings or cash flow.

Our business is seasonal in nature, with the second and third quarters typically generating a higher proportion of sales and earnings than other quarters. From time to time, adverse weather conditions in certain parts of the United States have had an adverse effect on our sales of paint, coatings and related products. For example, unusually cold and rainy weather, such as that which occurred in certain parts of the United States during the exterior painting season in 2015, could have an adverse effect on sales of our exterior paint products. An adverse effect on sales may cause a reduction in our earnings or cash flow.

Increased competition may reduce our sales, earnings or cash flow performance.

We face substantial competition from many international, national, regional and local competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. Some of our competitors are larger than us and have greater financial resources to compete. Other competitors are smaller and may be able to offer more specialized products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are the key competitive factors for our business. Competition in any of these areas may reduce our sales and adversely affect our earnings or cash flow by resulting in decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products.

Inability to protect or enforce our material trademarks and other intellectual property rights could have an adverse effect on our business.

We have numerous patents, trade secrets, trademarks, trade names and know-how that are valuable to our business. Despite our efforts to protect such intellectual property and other proprietary information from unauthorized use or disclosure, third parties may attempt to disclose, obtain or use our trademarks or such other intellectual property and information without our authorization. Although we rely on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect our intellectual property rights, the laws of some countries may not protect such rights to the same extent as the laws of the United States. Unauthorized use of our intellectual property by third parties, the failure of foreign countries to have laws to protect our intellectual property rights, or an inability to effectively enforce such rights in foreign countries could have an adverse effect on our business.

To service our debt, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. We also depend on the business of our subsidiaries to satisfy our cash needs. If we cannot generate the required cash, we may not be able to make the necessary payments required under our indebtedness.

At December 31, 2015, we had total debt of approximately \$2.0 billion. We have the ability under our existing credit facilities to incur substantial additional indebtedness in the future. Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures. Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent to some extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or other payments. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Finally, changes in the laws of foreign jurisdictions in which we operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us.

Our results of operations, cash flow or financial condition may be negatively impacted if we do not successfully integrate future acquisitions into our existing operations and if the performance of the businesses we acquire do not meet our expectations.

We have historically made strategic acquisitions of businesses in the paint and coatings industry and will likely acquire additional businesses in the future as part of our long-term growth strategy. The success of future acquisitions depends in large part on our ability to integrate the operations and personnel of the acquired companies and manage challenges that may arise as a result of the acquisitions, particularly when the acquired businesses operate in new or foreign markets. In the event that we do not successfully integrate such future acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flow or financial condition could be adversely affected.

Risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets could adversely affect our results of operations, cash flow, liquidity or financial condition.

Net external sales of our consolidated foreign subsidiaries totaled approximately 15.8% , 19.8% and 20.9% of our total consolidated net sales in 2015 , 2014 and 2013 , respectively. Sales outside of the United States make up a significant part of our current business and future strategic plans. Our results of operations, cash flow, liquidity or financial condition could be adversely affected by a variety of international factors, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign currency exchange controls, interest rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, difficulties in staffing and managing foreign operations and other external economic and political factors. Our inability to successfully manage the risks and uncertainties relating to these factors could adversely affect our results of operations, cash flow, liquidity or financial condition.

In many foreign countries, it is acceptable to engage in certain business practices that we are prohibited from engaging in because of regulations that are applicable to us, such as the Foreign Corrupt Practices Act and the UK Bribery Act. Although we have internal control policies and procedures designed to ensure compliance with these regulations, there can be no assurance that our policies and procedures will prevent a violation of these regulations. Any violation could cause an adverse effect on our results of operations, cash flow or financial condition.

Fluctuations in foreign currency exchange rates could adversely affect our results of operations, cash flow, liquidity or financial condition.

Because of our international operations, we are exposed to risk associated with interest rates and value changes in foreign currencies, which may adversely affect our business. Historically, our reported net sales, earnings, cash flow and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Argentine peso, the Brazilian real, the British pound, the Canadian dollar, the Chilean peso, the euro and the Mexican peso, each against the U.S. dollar. While we actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, we believe we may experience losses from foreign currency exchange rate fluctuations, and such losses could adversely affect our sales, earnings, cash flow, liquidity or financial condition.

We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, for which compliance could adversely affect our results of operations, cash flow or financial condition.

We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, and legal compliance risks, including securities laws, tax laws, employment and pension-related laws, competition laws, U.S. and foreign export and trading laws, data privacy and security laws, and laws governing improper business practices. We are affected by new laws and regulations, and changes to existing laws and regulations, including interpretations by courts and regulators. From time to time, our Company, our operations and the industries in which we operate are being reviewed or investigated by regulators, which could lead to enforcement actions or the assertion of private litigation claims and damages.

Although we believe that we have adopted appropriate risk management and compliance programs to mitigate these risks, the global and diverse nature of our operations means that compliance risks will continue to exist. Investigations, examinations and other proceedings, the nature and outcome of which cannot be predicted, will likely arise from time to time. These investigations, examinations and other proceedings could subject us to significant liability and require us to take significant accruals or pay significant settlements, fines and penalties, which could have a material adverse effect on our results of operations, cash flow or financial condition.

We are subject to tax laws and regulations in the United States and multiple foreign jurisdictions. We are affected by changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance. In the ordinary course of our business, we are subject to examinations and investigations by various tax authorities. In addition to existing examinations and investigations, there could be additional examinations and investigations in the future, and existing examinations and investigations could be expanded.

For non-income tax risks, we estimate material loss contingencies and accrue for such loss contingencies as required by U.S. generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingency. In the event the loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material adverse effect on our results of operations or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material adverse effect on our results of operations, cash flow or financial condition for the annual or interim period during which such liability is accrued or paid. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50% likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we assess that there is not a greater than 50% likelihood that such tax benefits will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously-recognized benefit which could result in a material adverse effect on our results of operations, cash flow or financial position for the annual or interim period during which such liability is accrued or paid.

We discuss risks and uncertainties with regard to taxes in more detail in Note 14 of the Notes to Consolidated Financial Statements on pages 69 and 70 of our 2015 Annual Report.

Unauthorized disclosure of sensitive or confidential customer, employee, supplier or Company information, whether through a breach of our computer systems, including cyber attacks, or otherwise, could severely harm our business.

As part of our business, we collect, process, and retain sensitive and confidential personal information about our customers, employees and suppliers. Despite the security measures we have in place, our facilities and systems, and those of the retailers, dealers, licensees and other third party suppliers and vendors with which we do business, may be vulnerable to security breaches, cyber attacks, acts of vandalism or misconduct, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer, employee, supplier or Company information, whether by us or by the retailers, dealers, licensees and other third party suppliers and vendors with which we do business, could result in losses, severely damage our reputation, expose us to the risks of litigation and liability, disrupt our operations and have a material adverse effect on our business, results of operations and financial condition. As cyber security threats evolve in sophistication and become more prevalent in numerous industries worldwide, we continue to increase our sensitivity and attention to these threats and seek additional investments and resources to address these threats and enhance the security of our facilities and systems. The regulatory environment related to information security, data collection and privacy is increasingly rigorous and complex, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs.

We are required to comply with numerous complex and increasingly stringent domestic and foreign health, safety and environmental laws and regulations, the cost of which is likely to increase and may adversely affect our results of operations, cash flow or financial condition.

Our operations are subject to various domestic and foreign health, safety and environmental laws and regulations. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our past operations. We expect health, safety and environmental laws and regulations to impose increasingly stringent requirements upon our industry and us in the future. Our costs to comply with these laws and regulations may increase as these requirements become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition.

We are involved with environmental investigation and remediation activities at some of our currently and formerly owned sites, as well as a number of third-party sites, for which our ultimate liability may exceed the current amount we have accrued.

We are involved with environmental investigation and remediation activities at some of our currently and formerly owned sites and a number of third-party sites. We accrue for estimated costs of investigation and remediation activities at these sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are based on currently available facts regarding each site. We continuously assess our potential liability for investigation and remediation activities and adjust our environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated. Due to the uncertainties surrounding environmental investigation and remediation activities, our liability may result in costs that are significantly higher than currently accrued and may have an adverse effect on our earnings. We discuss these risks and

uncertainties in more detail on page 25 of our 2015 Annual Report under the caption “Environmental Matters,” page 29 of our 2015 Annual Report under the caption “Environmental-Related Liabilities” and in Note 8 of the Notes to Consolidated Financial Statements on pages 60 through 62 of our 2015 Annual Report.

The nature, cost, quantity and outcome of pending and future litigation, such as litigation arising from the historical manufacture and sale of lead pigments and lead-based paint, could have a material adverse effect on our results of operations, cash flow, liquidity and financial condition.

In the course of our business, we are subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to us. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, we accrue for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event that a loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. In those cases where no accrual is recorded or exposure to loss exists in excess of the amount accrued, the Contingencies Topic of the ASC requires disclosure of the contingency when there is a reasonable possibility that a loss or additional loss may have been incurred.

Our past operations included the manufacture and sale of lead pigments and lead-based paints. Along with other companies, we are and have been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. We have also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. We believe that the litigation brought to date is without merit or subject to meritorious defenses and are vigorously defending such litigation. We have not settled any material lead pigment or lead-based paint litigation. We expect that additional lead pigment and lead-based paint litigation may be filed against us in the future asserting similar or different legal theories and seeking similar or different types of damages and relief.

Notwithstanding our views on the merits, litigation is inherently subject to many uncertainties, and we ultimately may not prevail. Adverse court rulings, such as the court's decision in the Santa Clara County, California proceeding, the jury verdict against us and other defendants in the State of Rhode Island action and the Wisconsin State Supreme Court's determination that Wisconsin's risk contribution theory may apply in the lead pigment litigation, or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against us and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which we and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings, or the effect that any legislation and/or administrative regulations may have on the litigation or against us. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. We have not accrued any amounts for such litigation. With respect to such litigation, including the public nuisance litigation, the Company does not believe that it is probable that a loss has occurred, and it is not possible to estimate the range of potential losses as there is no prior history of a loss of this nature and there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. In the event any significant liability is determined to be attributable to us relating to such litigation, the recording of the liability may result in a material impact on net income for the annual or interim period during

which such liability is accrued. Additionally, due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to us arising out of such litigation may have a material adverse effect on our results of operations, cash flow, liquidity or financial condition. An estimate of the potential impact on our results of operations, cash flow, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

A trial commenced in the Santa Clara County, California proceeding on July 15, 2013 and ended on August 22, 2013. The court entered final judgment on January 27, 2014, finding in favor of the plaintiffs and against the Company and two other defendants, and holding the Company jointly and severally liable with the other two defendants to pay \$1.15 billion into a fund to abate the public nuisance. The Company has filed a notice of appeal. However, if the appeal process is unsuccessful at reversing the decision or otherwise reducing the amount of the judgment, we and the other defendants will be subject to significant liabilities, costs and expenses to abate the public nuisance in, on and around residences in the plaintiffs' jurisdictions, which could encourage an increase in future public nuisance claims and proceedings. Any adverse court rulings or any determinations of liability against us may result in a material impact on our results of operations, liquidity or financial condition.

We discuss the risks and uncertainties related to litigation, including the lead pigment and lead-based paint litigation, in more detail on page 25 of our 2015 Annual Report under the caption "Litigation and Other Contingent Liabilities" and in Note 9 of the Notes to Consolidated Financial Statements on pages 62 through 65 of our 2015 Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our world headquarters located in Cleveland, Ohio, which includes the world headquarters for the Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group. Our principal manufacturing and distribution facilities are located as set forth below. We believe our manufacturing and distribution facilities are well-maintained and are suitable and adequate, and have sufficient productive capacity, to meet our current needs.

CONSUMER GROUP

Manufacturing Facilities

Andover, Kansas	Owned	Homewood, Illinois	Owned
Arlington, Texas	Owned	Lawrenceville, Georgia	Owned
Baltimore, Maryland	Owned	Manchester, Georgia	Owned
Bedford Heights, Ohio	Owned	Memphis, Tennessee	Owned
Beltsville, Maryland	Owned	Morrow, Georgia	Owned
Chicago, Illinois	Owned	Ontario, California	Leased
Cincinnati, Ohio	Owned	Orlando, Florida	Owned
Columbus, Ohio	Owned	Plymouth, United Kingdom	Leased
Crisfield, Maryland	Leased	Portland, Oregon	Leased
Elkhart, Indiana	Owned	Rexdale, Ontario, Canada	Owned
Ennis, Texas	Owned	Richmond, Kentucky	Owned
Fernley, Nevada	Owned	Rockford, Illinois	Leased
Flora, Illinois	Owned	San Diego, California	Owned
Fort Erie, Ontario, Canada	Owned	Sheffield, United Kingdom	Owned
Garland, Texas	Owned	South Holland, Illinois	Owned
Greensboro, North Carolina (2)	Owned	Szamotoły, Poland	Owned
Grimsby, Ontario, Canada	Owned	Vancouver, British Columbia, Canada	Owned
Grove City, Ohio	Owned	Victorville, California	Owned
Holland, Michigan	Owned		

Distribution Facilities

Aurora, Colorado	Leased	Richmond, Kentucky	Owned
Buford, Georgia	Leased	Shawinigan, Quebec, Canada	Leased
Effingham, Illinois	Leased	Sheffield, United Kingdom	Owned
Fredericksburg, Pennsylvania	Owned	Swaffham, United Kingdom	Leased
Moreno Valley, California	Leased	Szamotoły, Poland	Owned
Plymouth, United Kingdom	Leased	Waco, Texas	Leased
Reno, Nevada	Leased	Winter Haven, Florida	Owned

GLOBAL FINISHES GROUP

Manufacturing Facilities

Bello, Sweden	Owned	Pasir Gudang, Johor, Malaysia	Owned
Binh Duong Province, Vietnam	Owned	Pianoro, Italy	Owned
Bolton, United Kingdom	Owned	Saint Cheron, France	Owned
Brantford, Ontario, Canada	Owned	Sao Paulo, Brazil	Owned
Cavezzo, Italy	Owned	Shanghai, China	Leased
Changzhou, China	Leased	Texcoco, Mexico	Owned
Mariano Comense, Italy	Owned	Valencia, Spain	Owned
Marsta, Sweden	Owned	Wuppertal, Germany	Owned
Monterrey, Mexico	Owned	Zhao Qing, China	Leased

Distribution Facilities

Bolton, United Kingdom	Owned	Nassjo, Sweden	Leased
Cavezzo, Italy	Leased	Quito, Ecuador	Owned
Changzhou, China	Owned	Sao Paulo, Brazil	Owned
Guadalajara, Mexico	Leased	Shanghai, China	Owned
Lima, Peru	Leased	Texcoco, Mexico	Owned
Mexico City, Mexico	Owned		

LATIN AMERICA COATINGS GROUP

Manufacturing Facilities

Buenos Aires, Argentina	Owned	Santiago, Chile (2)	Leased
Montevideo City, Uruguay	Owned	Sao Paulo, Brazil (2)	Owned
Quito, Ecuador	Owned	Sao Paulo, Brazil	Leased
Santiago, Chile	Owned	Vallejo, Mexico	Owned

Distribution Facilities

Buenos Aires, Argentina	Owned	Santa Catarina, Brazil	Leased
Hermosillo, Mexico	Leased	Santiago, Chile	Owned
Lima, Peru	Leased	Sao Paulo, Brazil (2)	Owned
Machala, Ecuador	Leased	Sao Paulo, Brazil	Leased
Montevideo City, Uruguay	Owned	Vallejo, Mexico	Owned
Quito, Ecuador	Owned		

The operations of the Paint Stores Group included a manufacturing and distribution facility in Jamaica and 4,086 company-operated specialty paint stores, of which 207 were owned, in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba and St. Lucia at December 31, 2015. These paint stores are divided into five separate operating divisions that are responsible for the sale of predominantly architectural, protective and marine and related products through the paint stores located within their geographical region. At the end of 2015 :

- the Mid Western Division operated 1,046 paint stores primarily located in the midwestern and upper west coast states;
- the Eastern Division operated 823 paint stores along the upper east coast and New England states;
- the Canada Division operated 198 paint stores throughout Canada;
- the Southeastern Division operated a manufacturing and distribution facility in Jamaica and 1,054 paint stores principally covering the lower east and gulf coast states, Puerto Rico, Jamaica, Trinidad and Tobago, St. Maarten, Virgin Islands, Curacao, Aruba and St. Lucia; and
- the South Western Division operated 965 paint stores in the central plains and the lower west coast states.

During 2015 , the Paint Stores Group opened 83 net new stores, consisting of 113 new stores opened (99 in the United States, 12 in Canada, 1 in Puerto Rico and 1 in Trinidad and Tobago) and 30 stores closed (25 in the United States and 5 in Canada).

The Global Finishes Group operated 236 branches in the United States, of which 8 were owned, at December 31, 2015 . The Global Finishes Group also operated 60 branches internationally, of which 7 were owned, at December 31, 2015 , consisting of branches in Canada (26), Europe (16), Chile (12), Mexico (4), Peru (1) and Thailand (1). During 2015 , the Global Finishes Group opened 3 new branches (2 in Canada and 1 in Mexico) and closed 7 branches (5 in the United States and 2 in Chile) resulting in a net decrease of 4 branches.

The Latin America Coatings Group operated 291 stores, of which 9 were owned, at December 31, 2015 , consisting of stores in Mexico (124), Brazil (88), Chile (45), Ecuador (21), Uruguay (9), Peru (3) and Colombia (1). During 2015 , the Latin America Coatings Group opened 17 new stores in South America (11) and in Mexico (6) and closed 2 in South America (1) and in Mexico (1) for a net increase of 15 stores.

All real property within the Administrative segment is owned by us. For additional information regarding real property within the Administrative segment, see the information set forth in Item 1 of this report, which is incorporated herein by reference.

For additional information regarding real property leases, see Note 17 of the Notes to Consolidated Financial Statements on page 72 of our 2015 Annual Report, which is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

For information regarding environmental-related matters and other legal proceedings, see pages 29 and 31 of our 2015 Annual Report under the captions “Environmental-Related Liabilities” and “Litigation” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 , 8 , 9 and 13 of the Notes to Consolidated Financial Statements on pages 48 , 60 through 62 , 62 through 65 and 68 , respectively, of our 2015 Annual Report, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is the name, age and present position of each of our executive officers at February 17, 2016 , as well as all prior positions held by each during the last five years and the date when each was first elected or appointed as an executive officer. Executive officers are generally elected annually by the Board of Directors and hold office until their successors are elected and qualified or until their earlier death, resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Date When First Elected or Appointed</u>
Christopher M. Connor	59	Executive Chairman, Director	1994
John G. Morikis	52	President and Chief Executive Officer, Director	1999
Sean P. Hennessy	58	Senior Vice President – Finance and Chief Financial Officer	2001
Thomas P. Gilligan	55	Senior Vice President – Human Resources	2016
Catherine M. Kilbane	52	Senior Vice President, General Counsel and Secretary	2013
Timothy A. Knight	51	Senior Vice President – Corporate Planning, Development and Administration	2015
Allen J. Mistysyn	47	Senior Vice President – Corporate Controller	2010
Robert J. Wells	58	Senior Vice President – Corporate Communications and Public Affairs	2006
Joel D. Baxter	55	President & General Manager, Global Supply Chain Division, Consumer Group	2016
Robert J. Davisson	55	President, The Americas Group	2010
David B. Sewell	47	President, Global Finishes Group	2014

Mr. Connor has served as Executive Chairman since January 2016. Mr. Conner served as Chairman from April 2000 to January 2016 and Chief Executive Officer from October 1999 to January 2016. Mr. Connor has served as a Director since October 1999 and has been employed with the Company since January 1983.

Mr. Morikis has served as President and Chief Executive Officer since January 2016. Mr. Morikis served as President and Chief Operating Officer from October 2006 to January 2016. Mr. Morikis has served as a Director since October 2015 and has been employed with the Company since December 1984.

Mr. Hennessy has served as Senior Vice President – Finance and Chief Financial Officer since August 2001. Mr. Hennessy has been employed with the Company since September 1984.

Mr. Gilligan has served as Senior Vice President – Human Resources since January 2016. Mr. Gilligan served as Senior Vice President, Human Resources, The Americas Group from August 2014 to January 2016 and Senior Vice President, Human Resources, Paint Stores Group from July 2000 to August 2014. Mr. Gilligan has been employed with the Company since October 1983.

Ms. Kilbane has served as Senior Vice President, General Counsel and Secretary since January 2013. Prior to joining the Company, Ms. Kilbane was Senior Vice President, General Counsel and Secretary of American Greetings Corporation from October 2003 to December 2012. Ms. Kilbane has been employed with the Company since January 2013.

Mr. Knight has served as Senior Vice President – Corporate Planning, Development and Administration since October 2015. Mr. Knight served as Senior Vice President – Administration from August 2014 to October 2015 and President, Latin America Coatings Group from November 2010 to August 2014. Mr. Knight has been employed with the Company since December 1994.

Mr. Mistysyn has served as Senior Vice President – Corporate Controller since October 2014. Mr. Mistysyn served as Vice President – Corporate Controller from May 2010 to October 2014. Mr. Mistysyn has been employed with the Company since June 1990.

Mr. Wells has served as Senior Vice President – Corporate Communications and Public Affairs since February 2009. Mr. Wells has been employed with the Company since May 1998.

Mr. Baxter has served as President & General Manager, Global Supply Chain Division, Consumer Group since September 2008. Mr. Baxter has been employed with the Company since September 1990.

Mr. Davisson has served as President, The Americas Group since August 2014. Mr. Davisson served as President, Paint Stores Group from November 2010 to August 2014. Mr. Davisson has been employed with the Company since April 1986.

Mr. Sewell has served as President, Global Finishes Group since August 2014. Mr. Sewell served as President & General Manager, Product Finishes Division, Global Finishes Group from July 2012 to August 2014, Senior Vice President, North American Sales, Automotive Division, Global Finishes Group from September 2011 to July 2012, and Vice President, Sales, Automotive Division, Global Finishes Group from October 2009 to September 2011. Mr. Sewell has been employed with the Company since February 2007.

PART II

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

Our common stock is listed on the New York Stock Exchange and traded under the symbol SHW. The number of shareholders of record at January 31, 2016 was 6,987.

Information regarding market prices and dividend information with respect to our common stock is set forth on page 77 of our 2015 Annual Report, which is incorporated herein by reference. The performance graph set forth on page 18 of our 2015 Annual Report is incorporated herein by reference. The information with respect to securities authorized for issuance under the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in our Proxy Statement, which is incorporated herein by reference.

Issuer Purchases of Equity Securities

The following table sets forth a summary of the Company's purchases of common stock during the fourth quarter of 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
October 1 – October 31				
Share repurchase program (a)				12,650,000
Employee transactions (b)	638	\$239.10		–
November 1 – November 30				
Share repurchase program (a)	1,000,000	269.20	1,000,000	11,650,000
Employee transactions (b)	1,114	268.69		–
December 1 – December 31				
Share repurchase program (a)				11,650,000
Total				
Share repurchase program (a)	1,000,000	\$269.20	1,000,000	11,650,000
Employee transactions (b)	1,752	\$257.91		–

- (a) All shares were purchased through the Company's publicly announced share repurchase program. On October 20, 2011, the Board of Directors of the Company authorized the Company to purchase an additional 20,000,000 shares of its common stock. At a meeting held on October 21, 2015, the Board of Directors authorized the Company to purchase an additional 10,000,000 shares of the Company's stock for Treasury purposes. The Company had remaining authorization at December 31, 2015 to purchase 11,650,000 shares. There is no expiration date specified for the program. The Company intends to repurchase stock under the program in the future.
- (b) All shares were delivered to satisfy the exercise price and/or tax withholding obligations by employees who exercised stock options.

ITEM 6. SELECTED FINANCIAL DATA

(millions of dollars, except per common share data)

	2015	2014	2013	2012	2011
Operations					
Net sales	\$ 11,339	\$ 11,130	\$ 10,186	\$ 9,534	\$ 8,766
Net income	1,054	866	753	631	442
Financial Position					
Total assets	\$ 5,792	\$ 5,706	\$ 6,383	\$ 6,235	\$ 5,229
Long-term debt	1,920	1,123	1,122	1,632	639
Ratio of earnings to fixed charges (a)	9.1x	7.7x	7.4x	7.2x	6.3x
Per Common Share Data					
Net income — basic	\$ 11.38	\$ 8.95	\$ 7.41	\$ 6.15	\$ 4.22
Net income — diluted	11.16	8.78	7.26	6.02	4.14
Cash dividends	2.68	2.20	2.00	1.56	1.46

(a) For purposes of calculating the ratio of earnings to fixed charges, earnings represent income before income taxes plus fixed charges. Fixed charges consist of interest expense, net, including amortization of discount and financing costs and the portion of operating rental expense which management believes is representative of the interest component of rent expense. The following schedule includes the figures used to calculate the ratios:

	2015	2014	2013	2012	2011
Income before income taxes	\$ 1,549	\$ 1,258	\$ 1,086	\$ 907	\$ 742
Fixed charges:					
Interest expense, net	62	64	63	43	42
Interest component of rent expense	130	125	108	103	97
Total fixed charges	192	189	171	146	139
Earnings	\$ 1,741	\$ 1,447	\$ 1,257	\$ 1,053	\$ 881

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

The information required by this item is set forth on pages 21 through 37 of our 2015 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with interest rates, foreign currency and commodity fluctuations. We occasionally utilize derivative instruments as part of our overall financial risk management policy, but do not use derivative instruments for speculative or trading purposes. The Company entered into foreign currency option and forward currency exchange contracts during 2015 to hedge against value changes in foreign currency. There were no material contracts outstanding at December 31, 2015. Foreign currency option and forward contracts are described in Note 13 of the Notes to Consolidated Financial Statements on page 69 of our 2015 Annual Report. We believe we may experience continuing losses from foreign currency fluctuations. However, we do not expect currency translation, transaction or hedging contract losses to have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is set forth on pages 40 through 75 of our 2015 Annual Report under the captions "Report of Management on the Consolidated Financial Statements," "Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements," "Statements of Consolidated Income and Comprehensive Income," "Consolidated Balance Sheets," "Statements of Consolidated Cash Flows," "Statements of Consolidated Shareholders' Equity," and "Notes to Consolidated Financial Statements," which is incorporated herein by reference. Unaudited quarterly data is set forth in Note 16 of the Notes to Consolidated Financial Statements on page 71 of our 2015 Annual Report, which is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based upon that evaluation, our President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and accumulated and communicated to our management, including our President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The “Report of Management on Internal Control over Financial Reporting” is set forth on page 38 of our 2015 Annual Report, which is incorporated herein by reference.

The “Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting” is set forth on page 39 of our 2015 Annual Report, which is incorporated herein by reference.

There were no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The information regarding our directors is set forth under the captions “Proposal 1 – Election of Directors” and “Experiences, Qualifications, Attributes and Skills of Director Nominees” in our Proxy Statement, which is incorporated herein by reference.

There were no material changes to the procedures by which security holders may recommend nominees to our Board of Directors during 2015. Please refer to the information set forth under the caption “Board Meetings and Committees” in our Proxy Statement, which is incorporated herein by reference.

Executive Officers

The information regarding our executive officers is set forth under the caption “Executive Officers of the Registrant” in Part I of this report, which is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

The information regarding compliance with Section 16 of the Securities Exchange Act of 1934 is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement, which is incorporated herein by reference.

Audit Committee

The information regarding the Audit Committee of our Board of Directors and the information regarding audit committee financial experts are set forth under the caption “Board Meetings and Committees” in our Proxy Statement, which is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Conduct, which applies to all directors, officers and employees of Sherwin-Williams and our subsidiaries wherever located. Our Code of Conduct contains the general guidelines and principles for conducting Sherwin-Williams' business consistent with the highest standards of business ethics. Under our Code of Ethics for Senior Financial Management, our chief executive officer, chief financial officer and senior financial management are responsible for creating and maintaining a culture of high ethical standards and of commitment to compliance throughout our company to ensure the fair and timely reporting of Sherwin-Williams' financial results and condition. Senior financial management includes the controller, the treasurer, the principal financial/accounting personnel in our operating groups and divisions, and all other financial/accounting personnel within our corporate departments and operating groups and divisions with staff supervision responsibilities. Please refer to the information set forth under the caption “Corporate Governance – Code of Conduct” in our Proxy Statement, which is incorporated herein by reference. Our Code of Conduct and Code of Ethics for Senior Financial Management are available in the “Corporate Governance” section on the “Investor Relations” page of our website at www.sherwin.com.

We intend to disclose on our website any amendment to, or waiver from, a provision of our Code of Conduct or Code of Ethics for Senior Financial Management that applies to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, and that is required to be publicly disclosed pursuant to the rules of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the captions “Compensation Committee Report,” “Compensation Risk Assessment,” “2015 Director Compensation Table” and “Director Compensation Program” in our Proxy Statement, and under the Executive Compensation section of our Proxy Statement commencing with the information under the caption “Compensation Discussion and Analysis (CD&A)” and continuing through the information under the caption “Estimated Payments upon Termination or Change in Control Table,” which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management is set forth under the captions “Security Ownership of Management” and “Security Ownership of Certain Beneficial Owners” in our Proxy Statement, which is incorporated herein by reference.

The information regarding securities authorized for issuance under the Company’s equity compensation plans is set forth under the caption “Equity Compensation Plan Information” in our Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth under the captions “Certain Relationships and Transactions with Related Persons,” and “Independence of Directors” in our Proxy Statement, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is set forth under the caption “Matters Relating to the Independent Registered Public Accounting Firm” in our Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of the Company included in our 2015 Annual Report are incorporated by reference in Item 8.

- (i) Report of Management on the Consolidated Financial Statements (page 40 of our 2015 Annual Report);
- (ii) Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements (page 41 of our 2015 Annual Report);
- (iii) Statements of Consolidated Income and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013 (page 42 of our 2015 Annual Report);
- (iv) Consolidated Balance Sheets at December 31, 2015, 2014 and 2013 (page 43 of our 2015 Annual Report);
- (v) Statements of Consolidated Cash Flows for the years ended December 31, 2015, 2014 and 2013 (page 44 of our 2015 Annual Report);
- (vi) Statements of Consolidated Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013 (page 45 of our 2015 Annual Report); and
- (vii) Notes to Consolidated Financial Statements for the years ended December 31, 2015, 2014 and 2013 (pages 46 through 75 of our 2015 Annual Report).

(2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2015, 2014 and 2013 is set forth below. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Valuation and Qualifying Accounts and Reserves (Schedule II)

Changes in the allowance for doubtful accounts were as follows:

(thousands of dollars)	2015	2014	2013
Beginning balance	\$ 53,770	\$ 54,460	\$ 47,667
Amount acquired through acquisitions			896
Bad debt expense	30,393	34,810	31,192
Uncollectible accounts written off, net of recoveries	(34,743)	(35,500)	(25,295)
Ending balance	<u>\$ 49,420</u>	<u>\$ 53,770</u>	<u>\$ 54,460</u>

(3) Exhibits

See the Exhibit Index on pages 23 through 26 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 2016 .

THE SHERWIN-WILLIAMS COMPANY

By: / S / C A THERINE M. K ILBANE
Catherine M. Kilbane, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 24, 2016 .

* J OHN G. M ORIKIS	President and Chief Executive Officer, Director (Principal Executive Officer)
John G. Morikis	
* C HRISTOPHER M. C ONNOR	Executive Chairman, Director
Christopher M. Connor	
* S EAN P. H ENNESSY	Senior Vice President – Finance and Chief Financial Officer (Principal Financial Officer)
Sean P. Hennessy	
* A LLEN J. M ISTYSYN	Senior Vice President – Corporate Controller (Principal Accounting Officer)
Allen J. Mistysyn	
* A RTHUR F. A NTON	Director
Arthur F. Anton	
* D AVID F. H ODNIK	Director
David F. Hodnik	
* T HOMAS G. K ADIEN	Director
Thomas G. Kadien	
* R ICHARD J. K RAMER	Director
Richard J. Kramer	
* S USAN J. K ROPF	Director
Susan J. Kropf	
* C HRISTINE A. P OON	Director
Christine A. Poon	
* R ICHARD K. S MUCKER	Director
Richard K. Smucker	
* J OHN M. S TROPKI	Director
John M. Stropki	
* M ATTHEW T HORNTON III	Director
Matthew Thornton III	
* S TEVEN H. W UNNING	Director
Steven H. Wunning	

* The undersigned, by signing her name hereto, does sign this report on behalf of the designated officers and directors of the Company pursuant to powers of attorney executed on behalf of each such officer and director and filed as an exhibit to this report.

By: / S / C A THERINE M. K ILBANE
Catherine M. Kilbane, Attorney-in-fact

February 24, 2016

EXHIBIT INDEX

3. (a) Amended and Restated Articles of Incorporation of the Company, as amended through February 18, 2015, filed as Exhibit 3 to the Company's Current Report on Form 8-K dated February 18, 2015, and incorporated herein by reference.
- (b) Regulations of the Company, as amended and restated April 20, 2011, filed as Exhibit 3 to the Company's Current Report on Form 8-K dated April 20, 2011, and incorporated herein by reference.
4. (a) Indenture between the Company and The Bank of New York Mellon (as successor to Chemical Bank), as trustee, dated as of February 1, 1996, filed as Exhibit 4(a) to Form S-3 Registration Statement Number 333-01093 dated February 20, 1996, and incorporated herein by reference.
- (b) First Supplemental Indenture between the Company and The Bank of New York Mellon, as trustee (including Form of Note), dated as of December 21, 2009, filed as Exhibit 4(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
- (c) Second Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee (including Form of Note), dated as of December 7, 2012, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.
- (d) Third Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee (including Form of Note), dated as of December 7, 2012, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.
- (e) Indenture between Sherwin-Williams Development Corporation, as issuer, the Company, as guarantor, and Harris Trust and Savings Bank, as trustee, dated June 15, 1986, filed as Exhibit 4(b) to Form S-3 Registration Statement Number 33-6626 dated June 20, 1986, and incorporated herein by reference.
- (f) Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.
- (g) First Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, (including Form of Note), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.
- (h) Second Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, (including Form of Note), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.
- (i) Credit Agreement, dated as of July 16, 2015, by and among the Company, Sherwin-Williams Canada Inc., Sherwin-Williams Luxembourg S.à r.l. and Sherwin-Williams UK Holding Limited, as borrowers, the lenders party thereto, Bank of America, N.A., as domestic administrative agent, Bank of America, National Association, as Canadian administrative agent, JPMorgan Chase Bank, N.A., Citibank, N.A. and U.S. Bank National Association, as co-documentation agents, and Wells Fargo Bank, National Association, as syndication agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 15, 2015, and incorporated herein by reference.
- (j) Five Year Credit Agreement, dated as of January 30, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders from time to time party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 30, 2012, and incorporated herein by reference.
- (k) Agreement for Letter of Credit, dated as of January 30, 2012, by and between the Company and Citibank, N.A. filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 30, 2012, and incorporated herein by reference.
- (l) Five Year Credit Agreement Amendment No. 1, dated as of February 6, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders from time to time party thereto, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated February 6, 2012, and incorporated herein by reference.
- (m) Five Year Credit Agreement Amendment No. 2, dated as of February 13, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders from time to time party thereto, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated February 13, 2012, and incorporated herein by reference.

- (n) Five Year Credit Agreement Amendment No. 3, dated as of February 27, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders from time to time party thereto, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated February 27, 2012, and incorporated herein by reference.
- (o) Five Year Credit Agreement, dated as of April 23, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 23, 2012, and incorporated herein by reference.
- (p) Agreement for Letter of Credit, dated as of April 23, 2012, by and between the Company and Citibank, N.A. filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 23, 2012, and incorporated herein by reference.
- (q) Five Year Credit Agreement Amendment No. 1, dated as of April 25, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated April 25, 2012, and incorporated herein by reference.
- (r) Five Year Credit Agreement Amendment No. 2, dated as of May 7, 2012, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated May 7, 2012, and incorporated herein by reference.

- 10.
- *(a) Summary of Compensation Payable to Non-Employee Directors (filed herewith).
 - *(b) Summary of Base Salary and Annual Incentive Compensation Payable to Named Executive Officers (filed herewith).
 - *(c) Forms of Amended and Restated Severance Agreements filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and incorporated herein by reference.
 - *(d) Schedule of Executive Officers who are Parties to the Amended and Restated Severance Agreements in the forms referred to in Exhibit 10(c) above (filed herewith).
 - *(e) The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan (Amended and Restated Effective as of January 1, 2016) (filed herewith).
 - *(f) The Sherwin-Williams Company 2005 Key Management Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2016) (filed herewith).
 - *(g) The Sherwin-Williams Company Director Deferred Fee Plan (1997 Amendment and Restatement) filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997, and incorporated herein by reference.
 - *(h) 2004-1 Amendment to The Sherwin-Williams Company Director Deferred Fee Plan (1997 Amendment and Restatement) filed as Exhibit 10(d) to the Company's Current Report on Form 8-K dated July 20, 2005, and incorporated herein by reference.
 - *(i) The Sherwin-Williams Company 2005 Director Deferred Fee Plan (Amended and Restated Effective as of January 1, 2016) (filed herewith).
 - *(j) The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.
 - *(k) Amendment Number One to The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
 - *(l) Summary of The Sherwin-Williams Company Revised Executive Disability Plan filed as Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and incorporated herein by reference.
 - *(m) The Sherwin-Williams Company 2008 Amended and Restated Executive Life Insurance Plan filed as Exhibit 10(m) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
 - *(n) The Sherwin-Williams Company 2003 Stock Plan filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002, and incorporated herein by reference.
 - *(o) Form of Stock Option Grant under The Sherwin-Williams Company 2003 Stock Plan filed as Exhibit 10(b) to the Company's Current Report on Form 8-K dated February 2, 2005, and incorporated herein by reference.

- *(p) The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(b) to the Company's Current Report on Form 8-K dated April 19, 2006, and incorporated herein by reference.
- *(q) Form of Nonqualified Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(y) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and incorporated herein by reference.
- *(r) Form of Incentive Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and incorporated herein by reference.
- *(s) The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and incorporated herein by reference.
- *(t) First Amendment to The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- *(u) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(b) to the Company's Current Report on Form 8-K dated April 20, 2010, and incorporated herein by reference.
- *(v) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and incorporated herein by reference.
- *(w) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- *(x) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015) (filed herewith).
- *(y) Form of Restricted Stock Grant under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10 to the Company's Current Report on Form 8-K dated February 14, 2012, and incorporated herein by reference.
- *(z) Form of Restricted Stock Grant under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and incorporated herein by reference.
- *(aa) The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015) filed as Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- *(bb) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015) filed as Exhibit 10(ee) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- *(cc) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015) (filed herewith).
- *(dd) The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors filed as Exhibit 10(c) to the Company's Current Report on Form 8-K dated April 19, 2006, and incorporated herein by reference.
- *(ee) Form of Restricted Stock Grant under The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors filed as Exhibit 10(d) to the Company's Current Report on Form 8-K dated April 20, 2010, and incorporated herein by reference.
- *(ff) The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors (Amended and Restated as of February 17, 2015) filed as Exhibit 10(hh) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.
- *(gg) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors (Amended and Restated as of February 17, 2015) filed as Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.

*(hh) The Sherwin-Williams Company 2007 Executive Performance Bonus Plan (As Amended and Restated Effective January 1, 2012) filed as Exhibit 10(a) to the Company's Current Report on Form 8-K dated April 18, 2012, and incorporated herein by reference.

- 13. Our 2015 Annual Report, portions of which are incorporated herein by reference (filed herewith). With the exception of those portions of our 2015 Annual Report that are specifically incorporated by reference in this report, our 2015 Annual Report shall not be deemed "filed" as part of this report.
- 21. Subsidiaries (filed herewith).
- 23. Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (filed herewith).
- 24. (a) Powers of Attorney (filed herewith).
(b) Certified Resolution Authorizing Signature by Power of Attorney (filed herewith).
- 31. (a) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).
(b) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).
- 32. (a) Section 1350 Certification of Chief Executive Officer (furnished herewith).
(b) Section 1350 Certification of Chief Financial Officer (furnished herewith).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

* Management contract or compensatory plan or arrangement.

**SUMMARY OF COMPENSATION
PAYABLE TO NON-EMPLOYEE DIRECTORS**

Director Fees. The cash compensation payable to Sherwin-Williams' non-employee directors is as follows:

- An annual cash retainer of \$110,000;
- An additional annual cash retainer of \$25,000 for the Lead Director;
- An additional annual cash retainer of \$21,000 for the chair of the Audit Committee;
- An additional annual cash retainer of \$21,000 for the chair of the Compensation and Management Development Committee;
- An additional annual cash retainer of \$15,000 for the chair of the Nominating and Corporate Governance Committee; and
- A meeting fee of \$1,750 for each Board or Committee meeting attended in excess of twelve meetings during a calendar year. For purposes of calculating the number of meetings during a calendar year, any Board and Committee meetings held within 24 hours shall constitute one meeting.

All retainer amounts are payable in quarterly installments in advance. All meeting fees are payable on the date of the meeting.

In addition, non-employee directors receive an annual grant of restricted stock units of approximately \$125,000, valued over a prior 30-day period, under The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors.

Other Benefits . All directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board and of committees of the Board.

Sherwin-Williams provides liability insurance and business travel accident insurance for all directors, including \$300,000 accidental death and dismemberment coverage and \$300,000 permanent total disability coverage, while the directors are traveling on Sherwin-Williams' business.

Directors may also receive the same discounts as Sherwin-Williams' employees on the purchase of products at Sherwin-Williams' stores and are eligible to participate in Sherwin-Williams' matching gifts and grants for volunteers program on the same basis as employees.

Deferral of Director Fees. In accordance with the Director Deferred Fee Plan, directors may elect to defer all or a part of their retainer and meeting fees. Deferred fees may be credited in a common stock account, a shadow stock account or an interest bearing cash account. Amounts deferred may be distributed either in annual installments over a period up to ten years or in a lump sum pursuant to a director's payment election. Amounts credited to a shadow stock account are distributed in cash.

**SUMMARY OF BASE SALARY AND ANNUAL INCENTIVE
COMPENSATION PAYABLE TO NAMED EXECUTIVE OFFICERS**

2016 Base Salary . The Compensation and Management Development Committee (the “Compensation Committee”) of the Board of Directors of The Sherwin-Williams Company (“Sherwin-Williams”) set the 2016 base salaries of the executive officers who are expected to be named in the Summary Compensation Table of Sherwin-Williams’ 2016 Proxy Statement (the “Named Executive Officers”). The base salaries of the Named Executive Officers for 2016 are as follows: Christopher M. Connor, Executive Chairman (\$1,221,987); John G. Morikis, President and Chief Executive Officer (\$1,100,000); Sean P. Hennessy, Senior Vice President - Finance and Chief Financial Officer (\$684,658); and Robert J. Davisson, President, The Americas Group (\$614,692). Steven J. Oberfeld, formerly Senior Vice President - Corporate Planning and Development, retired at the close of business on December 31, 2015.

Annual Incentive Compensation to Be Earned in 2016 . The Compensation Committee also approved the following minimum, target and maximum cash bonus award levels, as a percent of salary, for the Named Executive Officers for 2016 under The Sherwin-Williams Company 2007 Executive Performance Bonus Plan.

Named Executive Officer	Incentive Award as a Percentage of Base Salary		
	Minimum	Target	Maximum
Christopher M. Connor	0	135	270
John G. Morikis	0	135	270
Sean P. Hennessy	0	80	160
Robert J. Davisson	0	80	160
Steven J. Oberfeld	N/A	N/A	N/A

Schedule of Executive Officers who are Parties
to the Amended and Restated Severance Agreements in the Forms Filed as
Exhibit 10(e) to the Company's Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2015

Form A of Severance Agreement

Christopher M. Connor
John G. Morikis
Sean P. Hennessy

Form B of Severance Agreement

Joel D. Baxter
Robert J. Davisson
Timothy A. Knight
Robert J. Wells

Form C of Severance Pay Agreement

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**THE SHERWIN-WILLIAMS COMPANY 2005
DEFERRED COMPENSATION SAVINGS AND PENSION EQUALIZATION PLAN
(Amended and Restated Effective as of January 1, 2016)**

The Sherwin-Williams Company, an Ohio corporation (the "Company"), established this 2005 Deferred Compensation Savings and Pension Equalization Plan (the "Plan"), effective January 1, 2005, for the purpose of attracting high quality executives and promoting in its key executives increased efficiency and an interest in the successful operation of the Company. This Plan is intended to supplement benefits provided under the Company's qualified plans for a select group of management or highly compensated employees by accepting contributions which may not be placed in the qualified plans because of limitations imposed by one or more limitations on contributions or benefits in the Internal Revenue Code. The terms of the Plan, amended and restated as set forth herein, apply to amounts that are deferred under the Plan after December 31, 2015. Notwithstanding anything to the contrary contained herein, amounts deferred under the Plan on or before December 31, 2015 shall be governed by the terms of the Plan effective at the time of deferral, provided that, all amounts that were deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code shall continue to be subject solely to the terms of the separate Plan in effect on October 3, 2004.

ARTICLE 1

Definitions

- 1.1 *Account* shall mean the account or accounts established for a particular Participant pursuant to Article 3 of the Plan.
 - 1.2 *Administration Committee* shall have the meaning given to such term under the Qualified SPP, or shall refer to such person or persons to whom the Administrative Committee has delegated any responsibility or power pursuant to Article XIX of the Qualified SPP.
 - 1.3 *Affiliated Group* shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Treasury Regulation § 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.
 - 1.4 *Base Salary* shall mean the Participant's annual base salary excluding incentive and discretionary bonuses and other non-regular forms of compensation, determined before reductions for contributions to or deferrals under any pension, deferred compensation or other benefit plans sponsored by the Company.
 - 1.5 *Beneficiary* shall mean the person(s) or entity designated as such in accordance with Article 10 of the Plan.
 - 1.6 *Bonus* shall mean amounts paid to the Participant by the Company annually in the form of a discretionary or incentive compensation or any other bonus designated by the Administration Committee, determined before reductions for contributions to or deferrals under any pension, deferred compensation or other benefit plans sponsored by the Company.
 - 1.7 *Code* shall mean the Internal Revenue Code of 1986, as amended.
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- 1.8 *Company* shall mean The Sherwin-Williams Company.
- 1.9 *Company Match Contributions* shall mean contributions credited by the Company to a Participant's Account pursuant to Section 2.2 of the Plan.
- 1.10 *Company Makeup Contributions* shall mean makeup contributions credited by the Company to a Participant's Account pursuant to Section 2.3 of the Plan.
- 1.11 *Crediting Rate* shall mean the notional gains and losses credited on the Participant's Account balance which are based on the Participant's choice among the investment alternatives made available by the Administration Committee pursuant to Article 3 of the Plan.
- 1.12 *Designated Participant* shall mean a Participant designated on Exhibit A attached hereto as eligible to receive benefits pursuant to Section 2.4 of this Plan.
- 1.13 *Disability* shall mean the condition whereby a Participant (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) is, by reason of 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, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company.
- 1.14 *Eligible Compensation* shall mean, with respect to any Plan Year, the portion of a Participant's Base Salary and Bonus payable to the Participant during such Plan Year that exceeds the limit in effect for such Plan Year under Section 401(a)(17) of the Code.
- 1.15 *Eligible Executive* shall mean any management employee of the Company, its subsidiaries or affiliates as may be designated by the Administration Committee to be eligible to participate in the Plan.
- 1.16 *ERISA* shall mean the Employee Retirement Income Security Act of 1974, as amended.
- 1.17 *Financial Hardship* shall mean a severe financial hardship resulting from the Participant's or the Participant's dependent's (as defined in Section 152(a) of the Code) sudden and unexpected illness or accident, the Participant's sudden and unexpected property casualty loss, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, which is not covered by insurance and may not be relieved by cessation of Plan deferrals or by the liquidation of the Participant's assets provided that such liquidation would not cause a severe Financial Hardship, and which is determined to qualify as a Financial Hardship by the Administration Committee. Cash needs arising from foreseeable events such as the purchase of a residence or education expenses for children shall not, alone, be considered a Financial Hardship.
- 1.18 *Participant* shall mean an Eligible Executive who has been credited with a Company Match Contribution, Company Makeup Contribution or other benefit pursuant to Article 2 of the Plan.
- 1.19 *Participant Election Form* shall mean the agreement, in a form acceptable to the Administration Committee, to make an election regarding the time or form of payment of a Participant's benefits, submitted by the Participant to the Administration Committee on a timely basis pursuant to Articles 2 and 4 of the Plan. The Participant Election Form may be submitted in an electronic form according to procedures established by the Administration Committee.
- 1.20 *Plan Year* shall mean the calendar year.
- 1.21 *Qualified Plans* shall mean the Qualified PIP, Qualified SEPIP and the Qualified SPP.
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- 1.22 *Qualified PIP* shall mean The Sherwin-Williams Company Salaried Employees' Revised Pension Investment Plan, as it may be amended from time to time.
- 1.23 *Qualified SEPIP* shall mean The Sherwin-Williams Company Salaried Employees' Pension Investment Plan, as it may be amended from time to time.
- 1.24 *Qualified SPP* shall mean The Sherwin-Williams Company Employee Stock Purchase and Savings Plan, as it may be amended from time to time.
- 1.25 *Retirement* shall mean Termination of Employment on or after the Retirement Eligibility Date, other than as a result of the Participant's death.
- 1.26 *Retirement Eligibility Date* shall mean the date on which the Participant attains age fifty-five (55).
- 1.27 *Settlement Date* shall mean the date by which a lump sum payment shall be made or the date by which installment payments shall commence. The Settlement Date shall be on or about the first of the month that is at least ninety (90) days following the occurrence of the event triggering the payout; provided, however, that if the event triggering the payout is the Participant's Retirement, the Settlement Date shall be on or about the last day of January of the Plan Year following the year in which the Participant's Retirement occurs. Notwithstanding the foregoing, with respect to any Participant who is a Specified Employee, to the extent required by Section 409A of the Code, the Settlement Date shall be on or about the first business day following the first of the month which is no less than six (6) months from the Participant's Termination of Employment.
- 1.28 *Specified Employee* shall mean a Participant who is a "Key Employee" as determined by the Company pursuant to Section 416 of the Code and Treasury Regulation § 1.409A-1(i).
- 1.29 *Statutory Limitations* shall mean any statutory or regulatory limitations imposed by one or more of Sections 401(a)(17), 401(k), 401(m), 402(g), 403(b), 408(k) or 415 or any other limitation on contributions or benefits in the Code. The impact of such limits on the Participant for purposes of this Plan shall be determined by the Administration Committee based upon reasonable estimates and shall be final and binding as of the date the Company Makeup Contribution is credited to the Participant's Account. No subsequent adjustments shall be made to increase a Company Makeup Contribution under this Plan as a result of any adjustments ultimately required under the Qualified Plans due to actual employee contributions or other factors.
- 1.30 *Termination of Employment* shall mean the date of the Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h)) with the Affiliated Group for any reason whatsoever, whether voluntary or involuntary, including as a result of the Participant's Retirement or death. Upon a sale or other disposition of the assets of the Company or any other member of the Affiliated Group to an unrelated purchaser, the Company reserves the right, to the extent permitted by Section 409A of the Code, to determine whether Participants providing services to the purchaser after and in connection with such transaction have experienced a Termination of Employment.
- 1.31 *Valuation Date* shall mean the date through which earnings are credited and shall, if a business day, be the date on which the payout or other event triggering the valuation occurs; or if not a business day, the next succeeding business day.

ARTICLE 2

Participation

- 2.1 Elective Deferral. Effective beginning with Plan Year 2010, no Participant may elect to defer any Base Salary or Bonus under the Plan for such Plan Year or any subsequent Plan Year. Any Base Salary and Bonus
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deferred by a Participant for Plan Years prior to 2010 and credited to a Participant's Retirement Account shall be paid in accordance with the terms of the Plan and the form of payment (lump sum or installments over a specified period of not more than fifteen (15) years) selected by the Participant on a Participant Election Form filed prior to January 1, 2009; provided that such a Participant may change the timing or form of distribution of the Participant's Account by filing a new Participant Election Form at least twelve (12) months prior to the intended effective date of such change, and the change in the distribution date must, to the extent required by Section 409A of the Code, defer payment for at least an additional five (5) years after the date that payment would otherwise be made or commence.

2.2 Company Match Contributions.

- (i) The Company shall credit a Company Match Contribution to this Plan on behalf of each Participant with respect to each Plan Year. The amount of the Company Match Contribution shall equal one hundred percent (100%) of the first six percent (6%) of any amount that would have been deferred under the Qualified SPP had the amount deferred not been limited by the applicable annual dollar limitations as set forth under Internal Revenue Code Sections 401(a)(17), 402(g)(1) and 415(c).
- (ii) In addition to the Company Match Contribution amount determined in accordance with Section 2.2(i), the Company may make an additional discretionary Company Match Contribution on behalf of a Participant with respect to any Plan Year, provided that the maximum amount of the additional discretionary Company Match Contribution that the Company may credit to a Participant's Account under this Section 2.2(ii) for any Plan Year is (a) minus (b), where (a) and (b) are as follows:
 - (a) One hundred percent (100%) of the first six percent (6%) of the Participant's Eligible Compensation for the Plan Year.
 - (b) The total amount of the Company Match Contribution credited to the Participant's Account for the Plan Year pursuant to Section 2.2(i).

2.3 Qualified PIP or Qualified SEPIP Makeup Contribution. The Company shall credit a Company Makeup Contribution under this Plan to the Account of each Participant for each Plan Year. The Qualified PIP or Qualified SEPIP Makeup Contribution shall equal the total Company contributions that would have been made to Qualified PIP or Qualified SEPIP, as applicable, on behalf of the Participant absent any Statutory Limitations. The Qualified PIP or Qualified SEPIP Makeup Contribution shall be reduced by the amount of Company contributions actually credited to the Participant under Qualified PIP or Qualified SEPIP for such Plan Year.

2.4 Crediting of Accrued Benefit. To the extent a Designated Participant accrues a benefit pursuant to the final average pay formula applicable to certain participants covered by Appendix B of the Qualified SEPIP, such Designated Participant shall be entitled to a benefit hereunder equal to the total accrued benefit the Designated Participant would have been entitled to receive based upon such formula absent any Statutory Limitations, reduced by the amount of benefits actually payable from the Qualified SEPIP pursuant to the formula specified in Appendix B thereof.

ARTICLE 3

Accounts

3.1 Participant Accounts. Solely for recordkeeping purposes an Account shall be maintained for each Participant and shall be credited with the Participant's Company Match Contributions and Company Makeup Contributions on or before March 15 of the Plan Year following the Plan Year to which the Company Match Contributions and Company Makeup Contributions relate, provided that the Participant is continuously

employed by the Company, a subsidiary or an affiliate through the last day of the Plan Year to which the Company Match Contributions and Company Makeup Contributions relate. In addition, a Participant's elective deferrals with respect to Plan Years prior to 2010 shall have been credited to the Participant's Account at the time such amounts would otherwise have been paid to the Participant. Accounts shall be deemed to be credited with notional gains or losses as provided in Section 3.2 from the date amounts are credited to the Account through the Valuation Date. Amounts credited to a Participant's Account shall be fully vested at all times.

- 3.2 **Crediting Rate.** The Crediting Rate on amounts in a Participant's Account shall be based on the Participant's choice among the investment alternatives made available from time to time by the Administration Committee. The Administration Committee shall establish a procedure by which a Participant may elect to have the Crediting Rate based on one or more investment alternatives and by which the Participant may change investment elections at least quarterly. The Administration Committee may provide only one investment option for a particular class of contributions and may establish a separate subaccount for such contributions which shall be paid out at the same time and under the same circumstances as the Participant's Account. The Participant's Account balance shall reflect the investments selected by the Participant. If an investment selected by a Participant sustains a loss, the Participant's Account shall be reduced to reflect such loss. The Participant's choice among investments shall be solely for purposes of calculation of the Crediting Rate. If the Participant fails to elect an investment alternative the Crediting Rate shall be based on the investment alternative selected for this purpose by the Administration Committee. The Company shall have no obligation to set aside or invest funds as directed by the Participant and, if the Company elects to invest funds as directed by the Participant, the Participant shall have no more right to such investments than any other unsecured general creditor of the Company. During payout, the Participant's Account shall continue to be credited at the Crediting Rate selected by the Participant from among the investment alternatives or rates made available by the Administration Committee for such purpose.
- 3.3 **Statement of Accounts.** The Administration Committee shall provide each Participant with statements at least annually setting forth the Participant's Account balance as of the end of each Plan Year.

ARTICLE 4

Benefits

- 4.1 **Retirement Benefits Attributable to Account.** In the event of the Participant's Retirement, the Participant shall be entitled to receive an amount equal to the total balance of the Participant's Account credited with notional earnings as provided in Article 3 through the Valuation Date. The benefits shall be paid in a single lump sum on the Settlement Date following Retirement unless the Participant makes a timely election pursuant to the provisions of this Article 4 and other applicable provisions of the Plan to have the benefits paid in substantially level annual installments over a specified period of not more than fifteen (15) years. Except as otherwise provided herein, payments shall be made or commence on the Settlement Date following Retirement. Notwithstanding the foregoing, a Participant may elect, at any time at least twelve (12) months prior to the intended effective date of such change, to change the time form of payment of benefits to installments over a specified period of not more than fifteen (15) years, provided that any such change must, to the extent required by Section 409A of the Code, defer payment, or the commencement of payment, for at least an additional five (5) years after the date payment would otherwise be made or commence pursuant to this Section 4.1. If benefits are payable in the form of annual installments pursuant to this Section 4.1, annual payments will be made commencing on the Settlement Date following Retirement (or the applicable anniversary thereof) and shall continue on each anniversary thereof until the number of annual installments specified in the Participant's timely election has been paid. The amount of each such installment payment for a Plan Year shall be determined by dividing the Participant's Account balance, determined on or about the first day of the calendar quarter preceding the first installment payment date of that Plan Year, by the number of installment payments remaining, without regard to anticipated earnings.
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- 4.2 Retirement Benefits Attributable to Accrued Benefit. Notwithstanding anything herein to the contrary, a Designated Participant or his Beneficiary shall receive a distribution of his accrued benefit credited pursuant to Section 2.4 hereof in the form of a single life annuity, with annual annuity payments commencing on the Settlement Date following the later of Termination of Employment or the Participant's Retirement Eligibility Date. Notwithstanding the foregoing, a Designated Participant may elect, at any time prior to the Settlement Date, to receive his accrued benefit credited pursuant to Section 2.4 hereof in the form of any other actuarially equivalent (within the meaning of Treasury Regulation § 1.409A-2(b)(2)(ii)) form of annuity permitted under the Qualified SEIP.
- 4.3 Termination Benefit. Upon Termination of Employment other than by reason of Retirement or death, the Company shall pay to the Participant a termination benefit equal to the balance on Termination of Employment of the Participant's Account credited with notional earnings as provided in Article 3 through the Valuation Date. The termination benefits shall be paid in a single lump sum on the Settlement Date following Termination of Employment.
- 4.4 Cash-Out Limit. Notwithstanding the foregoing, in the event the sum of all benefits payable to the Participant under the Plan and any other plan or arrangement that is aggregated with the Plan (or, as applicable, aggregated with a portion of the Plan) pursuant to Treasury Regulation § 1.409A-1(c) is less than or equal to the applicable dollar amount then in effect under section 402(g)(1)(B) of the Code, the Company may, in its sole discretion, elect to pay such benefits in a single lump sum as provided in Treasury Regulation § 1.409A-3(j)(4)(v).

ARTICLE 5

Death Benefits

- 5.1 Death Benefit. In the event of Termination of Employment as a result of the Participant's death, the Company shall pay to the Participant's Beneficiary a death benefit equal to the total balance of the Participant's Account as of the date of the Participant's death credited with notional earnings as provided in Article 3 through the Valuation Date and any accrued benefit credited to such Participant pursuant to Section 2.4 hereof. The death benefit shall be paid in the same form as the Participant's Retirement benefit would have been paid under Article 4 and such payment shall be made or commence on the Settlement Date following the Participant's death, without regard to any 5-year deferral that may have been applicable to benefits that would have been paid under Article 4.
- 5.2 Cash-Out Limit. Notwithstanding the foregoing, in the event the sum of all benefits payable to a Beneficiary under the Plan and any other plan or arrangement that is aggregated with the Plan (or, as applicable, aggregated with a portion of the Plan) pursuant to Treasury Regulation § 1.409A-1(c) is less than or equal to the applicable dollar amount then in effect under section 402(g)(1)(B) of the Code, the Company may, in its sole discretion, elect to pay such benefits in a single lump sum as provided in Treasury Regulation § 1.409A-3(j)(4)(v).

ARTICLE 6

Disability

In the event of a Participant's Disability, deferral elections shall cease and the Company shall pay to the Participant a Disability benefit equal to the balance of the Participant's Account credited with notional earnings as provided in Article 3 through the Valuation Date and any accrued benefit credited to such Participant pursuant to Section 2.4 hereof. The Disability benefit shall be paid in the same form as the Participant's Retirement benefit would have been paid under Article 4 and such payment shall be made or commence on the Settlement Date following the Participant's Disability, without regard to any 5-year deferral that may have been applicable to benefits that would have been paid under Article 4.

ARTICLE 7

Financial Hardship Distribution

Upon a finding that the Participant (or, after the Participant's death, a Beneficiary) has suffered a Financial Hardship, the Administration Committee may in its sole discretion, accelerate distributions of benefits, in whole or in part, or approve reduction or cessation of current deferrals under the Plan in the amount reasonably necessary to alleviate such Financial Hardship. Notwithstanding the foregoing, in no event shall any amounts, or the present value thereof, accrued pursuant to Section 2.4 hereof, be available for accelerated distribution under this Article 7.

ARTICLE 8

Amendment and Termination of Plan

- 8.1 Amendment and Termination in General. The Company may, at any time, amend or terminate the Plan, except that (i) no such amendment or termination may reduce a Participant's Account balance or benefit credited under Section 2.4 of the Plan, and (ii) no such amendment or termination may result in the acceleration of payment of any benefits to any Participant, Beneficiary or other person, except as may be permitted under Section 409A of the Code.
- 8.2 Payment of Benefits Following Termination. In the event that the Plan is terminated, a Participant's benefits shall be distributed to the Participant or Beneficiary on the dates on which the Participant or Beneficiary would otherwise receive benefits hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and to the extent permitted under Section 409A of the Code, the Company, by action taken by its Board of Directors or its designee, may terminate the Plan and accelerate the payment of Participants' benefits subject to the following conditions:
- (i) Company's Discretion. The termination does not occur "proximate to a downturn in the financial health" of the Company (within the meaning of Treasury Regulation §1.409A-3(j)(4)(ix)), and all other arrangements required to be aggregated with the Plan (or any portion thereof) under Section 409A of the Code are also terminated and liquidated. In such event, the entire benefits of all Participants shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no earlier than twelve (12) months, and no later than twenty-four (24) months, after the date the Board of Directors or its designee irrevocably approves the termination of the Plan. Notwithstanding the foregoing, any payment that would otherwise be paid pursuant to the terms of the Plan prior to the twelve (12) month anniversary of the date that the Board of Directors or its designee irrevocably approves the termination of the Plan shall continue to be paid in accordance with the terms of the Plan. If the Plan is terminated pursuant to this Section 8.2(i), the Company shall be prohibited from adopting a new plan or arrangement that would be aggregated with this Plan (or any portion thereof) under Section 409A of the Code within three (3) years following the date that the Board of Directors or its designee irrevocably approves the termination and liquidation of the Plan.
 - (ii) Change of Control. The termination occurs pursuant to an irrevocable action of the Board of Directors or its designee that is taken within the thirty (30) days preceding or the twelve (12) months following a Change of Control (as defined in Article 11), and all other plans sponsored by the Company (determined immediately after the Change of Control) that are required to be aggregated with this Plan under Section 409A of the Code are also terminated with respect to each participant therein who experienced the Change of Control (each a "Change of Control Participant"). In such event, the entire benefits of each Participant under the Plan and each Change in Control Participant under all aggregated plans shall be paid at the time and pursuant to the schedule specified by the Company, so
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long as all payments are required to be made no later than twelve (12) months after the date that the Board of Directors or its designee irrevocably approves the termination.

- (iii) Dissolution; Bankruptcy Court Order. The termination occurs within twelve (12) months after a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the entire benefits of each Participant shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made by the latest of: (A) the end of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
- (iv) Other Events. The termination occurs upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Notwithstanding anything contained in this Section 8.2 to the contrary, in no event may a payment be accelerated following a Specified Employee's Termination of Employment to a date that is prior to the first business day which is no less than six (6) months following the Specified Employee's Termination of Employment (or if earlier, upon the Specified Employee's death).

The provisions of paragraphs (i), (ii), (iii) and (iv) of this Section 8.2 are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j)(4)(ix) and shall be interpreted and administered accordingly. The term "Company" as used in paragraphs (i) and (ii) of this Section 8.2 shall include the Company and any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code.

ARTICLE 9

Beneficiaries

- 9.1 Beneficiary Designation. The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to and acknowledged by the Administration Committee during the Participant's lifetime on a form prescribed by the Administration Committee.
 - 9.2 Revision of Designation. The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage (other than a common law marriage) of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary.
 - 9.3 Successor Beneficiary. If the primary Beneficiary dies prior to complete distribution of the benefits provided in Article 5, the remaining Account balance shall be paid to the contingent Beneficiary elected by the Participant.
 - 9.4 Absence of Valid Designation. If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administration Committee shall direct the distribution of such benefits to the relevant estate.
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ARTICLE 10

Administration/Claims Procedures

- 10.1 Administration. The Plan shall be administered by the Administration Committee, which shall have the exclusive right and full discretion (i) to interpret the Plan, (ii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions), (iii) to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan and (iv) to make all other determinations necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations of the Administration Committee shall be final, conclusive and binding on all persons affected thereby. No member of the Administration Committee shall be liable for any determination, decision, or action made in good faith with respect to the Plan. The Company will indemnify and hold harmless the members of the Administration Committee from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act, or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons.
- 10.2 Claims Procedure. Any Participant, former Participant or Beneficiary may file a written claim with the Administration Committee setting forth the nature of the benefit claimed, the amount thereof, and the basis for claiming entitlement to such benefit. The Administration Committee shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the need for such additional information within forty-five (45) days after the date of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim, and (iv) an explanation of the procedure for further reviewing the denial of the claim.
- 10.3 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review shall be undertaken by the Administration Committee and shall be a full and fair review. The claimant shall have the right to review all pertinent documents. The Administration Committee shall issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based.

ARTICLE 11

Change of Control

In the event of a Change of Control, the amounts to which Participants are entitled under this Plan shall be immediately distributed in a lump sum cash payment to Participants within ninety (90) days following the date of such Change of Control; provided, however, that with respect to any Participant who is a Specified Employee and who Terminated Employment prior to the Change of Control, to the extent required by Section 409A of the Code, such payment shall be made on the first business day which is no less than six (6) months from the Participant's Termination of Employment. For purposes of this Plan, a Change of Control shall be deemed to occur on the date of any of the following events:

- (i) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.
 - (ii) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.
 - (iii) A majority of the Company's Board of Directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by at least two-thirds (2/3) of the members of the Board of Directors prior to the date of such appointment or election.
 - (iv) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a Change of Control if such transfer is to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (b) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (c) a person or group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in clause (c) of this sentence.
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Notwithstanding the foregoing, an acquisition of stock of the Company described in (i) or (ii) above shall not be deemed to be a Change of Control by virtue of any of the following situations: (a) an acquisition by the Company; (b) an acquisition by any of the Company's subsidiaries in which a majority of the voting power of the equity securities or equity interests of such subsidiary is owned, directly or indirectly, by the Company; or (c) any employee benefit or stock ownership plan of the Company or any trustee or fiduciary with respect to such a plan acting in such capacity.

ARTICLE 12

Conditions Related to Benefits

- 12.1 Nonassignability. No amount payable to a Participant or Beneficiary under the Plan will be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge or any other legal or equitable process by a Participant or Beneficiary, and any attempt to do so will be void; nor will any benefit be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto. However, (i) the withholding of taxes from Plan benefit payments, or (ii) the direct deposit of benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation.
- 12.2 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder and the Plan constitutes a mere promise by the Company to make benefit payments in the future.
- 12.3 Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administration Committee in order to facilitate the payment of benefits hereunder, and taking such other actions as may be requested by the Administration Committee. If the Participant refuses to so cooperate, the Company shall have no further obligation to the Participant under the Plan.
- 12.4 Section 16b Eligible Executives. In the event any Eligible Executive subject to Rule 16b issued under the Securities Exchange Act of 1934 (or any successor rule to the same effect) has, at any time, a Crediting Rate based upon an investment alternative consisting of or the value of which is determined based upon the value of the Company's common stock or any security into which such common stock may be changed by reason of: (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company; (b) any merger, consolidation, separation, reorganization or partial or complete liquidation; or (c) any other corporate transaction or event having an effect similar to the foregoing,, unless the transaction is otherwise exempt under Rule 16b-3, no transaction with respect to the portion of the Participant's Account attributable to such investment alternative shall be permitted pursuant to this Plan until a date which is not less than six (6) months and one (1) day from the date on which the investment alternative was selected or transferred within the Participant's Account.
- 12.5 Withholding. The Participant shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security, Medicare or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required, including, without limitation, by the reduction of other amounts payable to the Participant.
- 12.6 Assumptions and Methodology. The Administration Committee shall establish the actuarial assumptions and method of calculation used in determining the present or future value of benefits, earnings, payments, fees, expenses or any other amounts required to be calculated under the terms of the Plan. Such
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assumptions and methodology shall be outlined in detail in procedures established by the Administration Committee and made available to Participants and may be changed from time to time by the Administration Committee.

- 12.7 Trust. The Company shall be responsible for the payment of all benefits under the Plan. At its discretion, the Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan; provided, however, that no such trust shall be funded if the funding thereof would result in taxable income to a Participant (i) due to the assets of such a trust being located or transferred outside of the United States; (ii) due to the assets of such a trust being restricted to the provision of benefits under the Plan in connection with a change in the employer's financial health; (iii) due to the assets being set aside, reserved or transferred to such a trust during any restricted period (as defined in Section 409A(b)(3)(B) of the Code); or (iv) as otherwise provided pursuant to Section 409A(b) of the Code. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust or trusts shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan. Neither the establishment of the Plan or trust or any modification thereof, or the creation of any fund or account, or the payment of any benefits shall be construed as giving to any Participant or other person any legal or equitable right against the Company or any officer or employee thereof, except as provided by law or by any Plan provision. The amounts in the Accounts shall remain the sole property of the Company unless and until required to be distributed in accordance with the provisions of the Plan, and shall not constitute a trust or be deemed to be held in trust for the benefit of any Participant or Beneficiary hereunder or their personal representative. The Company does not in any way guarantee the trust or any Participant's benefit from loss or depreciation. In no event shall the Company's employees, officers, directors or stockholders be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, the trust(s) or any contribution thereto or distribution therefrom.

ARTICLE 13

Miscellaneous

- 13.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.
- 13.2 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 13.3 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 13.4 Captions. The captions of the articles, paragraphs and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 13.5 Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 13.6 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan shall not operate or be construed as a waiver of any subsequent breach by that Participant or any other Participant.
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- 13.7 Notice. Any notice or filing required or permitted to be given to the Company or the Participant under this Agreement shall be sufficient if in writing and hand-delivered, or sent by first class mail, in the case of the Company, to the principal office of the Company, directed to the attention of the Administration Committee, and in the case of the Participant, to the last known address of the Participant indicated on the employment records of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Company may be permitted by electronic communication according to specifications established by the Administration Committee.
- 13.8 Errors in Benefit Statement or Distributions. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered.
- 13.9 ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.
- 13.10 Applicable Law. In the event any provision of, or legal issue relating to, this Plan is not fully preempted by ERISA, such issue or provision shall be governed by the laws of the State of Ohio.
- 13.11 Effect of Legislative or Regulatory Changes. Notwithstanding anything in this Plan to the contrary, in the event of the enactment of any legislation or regulations which, in the sole discretion of the Company, have an unfavorable impact on the Company and/or Participants, the Company shall have the unilateral right to amend the Plan in whatever manner it deems appropriate to mitigate the effects of such legislation or regulations, without the necessity of obtaining further Board approval.
- 13.12 Section 409A of the Code.
- (i) In General. It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. The Plan shall be construed, administered and governed in a manner that effects such intent.
 - (ii) Discretionary Acceleration of Payments. To the extent permitted by Section 409A of the Code, the Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j) and shall be interpreted and administered accordingly.
 - (a) *Domestic Relations Orders*. The Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
 - (b) *Conflicts of Interest*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any federal officer or employee in the executive branch to comply with an ethics agreement with the federal government. Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is
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reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).

- (c) *Employment Taxes.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a), and 3121(v) (2) of the Code, or the Railroad Retirement Act (RRTA) tax imposed under Sections 3201, 3211, 3231(e)(1), and 3231(e)(8) of the Code, where applicable, on compensation deferred under the Plan (the FICA or RRTA amount). Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment, to pay the income tax at source on wages imposed under Section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA or RRTA amount, and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the FICA or RRTA amount, and the income tax withholding related to such FICA or RRTA amount.
 - (d) *Cash-Out Limit.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Sections 4.4 and 5.2 hereof.
 - (e) *Payment Upon Income Inclusion Under Section 409A.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Section 409A of the Code. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.
 - (f) *Certain Payments to Avoid a Nonallocation Year under Section 409(p).* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to prevent the occurrence of a nonallocation year (within the meaning of Section 409(p)(3) of the Code) in the plan year of an employee stock ownership plan next following the plan year in which such payment is made, provided that the amount paid may not exceed 125 percent of the minimum amount of payment necessary to avoid the occurrence of a nonallocation year.
 - (g) *Payment of State, Local, or Foreign Taxes.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the participant. Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the income tax at source on wages imposed under Section 3401 of the Code as a result of such payment and to pay the additional income tax at source on wages imposed under Section 3401 of the Code attributable to such additional wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the state, local, and foreign tax amount, and the income tax withholding related to such state, local, and foreign tax amount.
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- (h) *Certain Offsets.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as satisfaction of a debt of the Participant to the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code), where such debt is incurred in the ordinary course of the service relationship between the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) and the Participant, the entire amount of reduction in any of the taxable years of the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.
- (i) *Bona Fide Disputes as to a Right to a Payment.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payment occurs as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.
- (j) *Plan Terminations and Liquidations.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 8.2 hereof.
- (k) *Other Events and Conditions.* A payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Notwithstanding anything contained in this Section 13.12(ii) to the contrary, in no event may a payment be accelerated under Sections 13.12(ii) (d), (e), (f), (g), (h), (i) or (j) following a Specified Employee's Termination of Employment to a date that is prior to the first business day which is no less than six (6) months following the Specified Employee's Termination of Employment (or if earlier, upon the Specified Employee's death). Except as otherwise specifically provided in this Plan, including but not limited to Section 4.4, Section 5.2, Article 6, Article 7, Section 8.2 and this Section 13.12(ii) hereof, the Administration Committee may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Section 409A of the Code.

- (iii) Delay of Payments. To the extent permitted under Section 409A of the Code, the Administration Committee may, in its sole discretion, delay payment under any of the following circumstances, provided that the Administration Committee treats all payments to similarly situated Participants on a reasonably consistent basis:
 - (a) *Federal Securities Laws or Other Applicable Law .* A payment may be delayed where the Administration Committee reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Administration Committee reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.
 - (b) *Payments Subject to Section 162(m) of the Code .* A payment may be delayed to the extent that the Administration Committee reasonably anticipates that if the payment were made as scheduled, the Company's deduction with respect to such payment would not be permitted due
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(c) *Other Events and Conditions*. A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

THE SHERWIN-WILLIAMS COMPANY

By: /s/
Catherine M. Kilbane, Senior Vice President,
General Counsel and Secretary

EXHIBIT A
DESIGNATED PARTICIPANTS
ELIGIBLE TO RECEIVE BENEFITS UNDER SECTION 2.4

- Tom Coy
- Tom Seitz
- Mark R. Henderson

**THE SHERWIN-WILLIAMS COMPANY 2005
KEY MANAGEMENT DEFERRED COMPENSATION PLAN
(Amended and Restated Effective as of January 1, 2016)**

The Sherwin-Williams Company, an Ohio corporation (the "Company"), established this 2005 Key Management Deferred Compensation Plan (the "Plan"), effective as of January 1, 2005, for the purpose of attracting high quality executives and promoting in its key executives increased efficiency and an interest in the successful operation of the Company. The Plan is intended to offer a select group of management or highly compensated employees the ability to defer compensation in excess of compensation available to be deferred under other qualified and nonqualified plans sponsored by the Company. The terms of the Plan, amended and restated as set forth herein, apply to amounts that are deferred under the Plan after December 31, 2015. Notwithstanding anything to the contrary contained herein, amounts deferred under the Plan on or before December 31, 2015 shall be governed by the terms of the Plan effective at the time of deferral, provided that, all amounts that were deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code shall continue to be subject solely to the terms of the separate Plan in effect on October 3, 2004.

ARTICLE 1

Definitions

1.1 *Account* shall mean the account or accounts established for a particular Participant pursuant to Article 3 of the Plan.

1.2 *Administration Committee* shall have the meaning given to such term under the Qualified Plan, or shall refer to such person or persons to whom the Administrative Committee has delegated any responsibility pursuant to Article XIX of the Qualified Plan.

1.3 *Affiliated Group* shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Treasury Regulation § 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.

1.4 *Base Salary* shall mean the Participant's annual base salary excluding incentive and discretionary bonuses and other non-regular forms of compensation, after reductions for Social Security and Medicare taxes and contributions to or deferrals under any pension, deferred compensation or other benefit plans sponsored by the Company.

1.5 *Beneficiary* shall mean the person(s) or entity designated as such in accordance with Article 11 of the Plan.

1.6 *Bonus* shall mean amounts paid to the Participant by the Company annually in the form of a discretionary or incentive compensation or any other bonus designated by the Administration Committee after reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company.

1.7 *Code* shall mean the Internal Revenue Code of 1986, as amended.

1.8 *Company* shall mean The Sherwin-Williams Company.

1.9 *Crediting Rate* shall mean the notional gains and losses credited on the Participant's Account balance which are based on the Participant's choice among the investment alternatives made available by the Administration Committee pursuant to Article 3 of the Plan.

1.10 *Disability* shall mean the condition whereby a Participant (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) is, by reason of 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, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company.

1.11 *Eligible Executive* shall mean an employee of the Company, its subsidiaries or affiliates eligible to participate in The Sherwin-Williams Company Management Incentive Plan, or such other management employee, as may be designated by the Administration Committee to be eligible to participate in the Plan.

1.12 *ERISA* shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.13 *Financial Hardship* shall mean a severe financial hardship resulting from the Participant's or the Participant's dependent's (as defined in Section 152(a) of the Code) sudden and unexpected illness or accident, the Participant's sudden and unexpected property casualty loss, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, which is not covered by insurance and may not be relieved by cessation of Plan deferrals or by the liquidation of the Participant's assets provided that such liquidation would not cause a severe Financial Hardship, and which is determined to qualify as a Financial Hardship by the Administration Committee. Cash needs arising from foreseeable events such as the purchase of a residence or education expenses for children shall not, alone, be considered a Financial Hardship.

1.14 *Participant* shall mean an Eligible Executive who has elected to participate and has completed a Participant Election Form pursuant to Article 2 of the Plan.

1.15 *Participant Election Form* shall mean the agreement in a form acceptable to the Administration Committee, to make a deferral submitted by the Participant to the Administration Committee on a timely basis pursuant to Article 2 of the Plan. The Participant Election Form may be submitted in an electronic form according to procedures established by the Administration Committee.

1.16 *Plan Year* shall mean the calendar year.

1.17 *Qualified Plan* shall mean The Sherwin-Williams Company Employee Stock Purchase and Savings Plan, as amended from time to time, or any successor plan.

1.18 *Retirement* shall mean Termination of Employment on or after the Retirement Eligibility Date, other than as a result of the Participant's death.

1.19 *Retirement Eligibility Date* shall mean the date on which the Participant attains age fifty-five (55).

1.20 *Scheduled Withdrawal* shall mean the distribution elected by the Participant pursuant to Article 7 of the Plan.

1.21 *Settlement Date* shall mean the date by which a lump sum payment shall be made or the date by which installment payments shall commence. The Settlement Date shall be no later than ninety (90) days following the occurrence of the event triggering the payout; provided, however, that if the event triggering the payout is the Participant's Retirement, the Settlement Date shall be on or about the last day of January of the Plan Year following the year in which the Participant's Retirement occurs. Notwithstanding the foregoing, with respect to any Participant who is a Specified Employee, to the extent required by Section 409A of the Code, the Settlement Date shall be on or about the first business day following the first of the month which is no less than six (6) months from the Participant's Termination of Employment.

1.22 *Specified Employee* shall mean a Participant who is a "Key Employee" as determined by the Company pursuant to Section 416 of the Code and Treasury Regulation § 1.409A-1(i).

1.23 *Termination of Employment* shall mean the date of the Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h)) with the Affiliated Group for any reason whatsoever, whether voluntary or involuntary, including as a result of the Participant's Retirement or death. Upon a sale or other disposition of the assets of the Company or any other member of the Affiliated Group to an unrelated purchaser, the Company reserves the right, to the extent permitted by Section 409A of the Code, to determine whether Participants providing services to the purchaser after and in connection with such transaction have experienced a Termination of Employment.

1.24 *Valuation Date* shall mean the date through which earnings are credited and shall, if a business day, be the date on which the payout or other event triggering the valuation occurs; or if not a business day, the next succeeding business day.

ARTICLE 2

Participation

2.1 Elective Deferral. An Eligible Executive may elect, in accordance with Section 2.2 below, to defer any whole percentage up to one hundred percent (100%) of Base Salary and/or Bonus earned by the Eligible Executive during any Plan Year. Pursuant to such rules as the Administration Committee may establish at the beginning of any enrollment period described in Section 2.2 below, the Administration Committee may further limit the minimum or maximum amount deferred by any Participant or group of Participants, or waive the foregoing limits for any Participant or group of Participants, for any Plan Year. If a Participant is an Eligible Executive on the first day of a Plan Year and ceases to be an Eligible Executive during such Plan Year, the Participant may continue to make elective deferrals through the end of the Plan Year.

2.2 Participant Election Form. In order to make a deferral, an Eligible Executive must submit a Participant Election Form to the Administration Committee during the enrollment period established by the Administration Committee ending prior to the Plan Year in which the Base Salary or Bonus will be earned, except that, for employees who become eligible for the Plan after January 1 but before June 30 of a Plan Year, with respect to elections for the deferral of Bonuses which the Administration Committee determines constitute "performance-based compensation" within the meaning of Treasury Regulation § 1.409A-1(e), the Administration Committee may permit Participants to submit Participant Election Forms during an enrollment period ending no later than six (6) months prior to the end of the period in which the Bonus will be earned. Other than the Bonus deferrals specified in the previous sentence, no deferral elections shall be submitted outside of the established annual enrollment period that takes place prior to each Plan Year. Any deferral election shall be irrevocable as of the last day of the applicable enrollment period, or upon such earlier date as may be specified by the Administration Committee. A Participant's initial Participant Election Form shall specify the form of payment of the Participant's Retirement Account (lump sum or installments over a specified period of not more than fifteen (15) years), and in the event that a Participant fails to make such a specification on the initial Participant Election Form, the form of payment of the Participant's Retirement Account shall be single lump sum. The Participant

shall be required to submit a new Participant Election Form each year in order to make additional deferrals in such subsequent Plan Years. An Election Form to change deferral elections shall be considered timely if submitted during a period prescribed by the Administration Committee and, in the case of a change to the timing or form of distribution, such Election Form must be submitted at least twelve (12) months prior to the intended effective date of such change, and the change in the distribution date must, to the extent required by Section 409A of the Code, defer payment for at least an additional five (5) years.

ARTICLE 3

Accounts

3.1 Participant Accounts. Solely for recordkeeping purposes, separate Accounts shall be maintained for each Participant. One Retirement Account and Scheduled Withdrawal Accounts, in a number appropriate to the Participant's elections to make Scheduled Withdrawals, shall be maintained for the Participant and credited with the Participant's deferrals directed by the Participant to each Account at the time such amounts would otherwise have been paid to the Participant. Accounts shall be deemed to be credited with notional gains or losses as provided in Section 3.2 from the date amounts are credited to the Account through the Valuation Date. Amounts credited to a Participant's Account shall be fully vested at all times.

3.2 Crediting Rate. The Crediting Rate on amounts in a Participant's Account shall be based on the Participant's choice among the investment alternatives made available from time to time by the Administration Committee. The Administration Committee shall establish a procedure by which a Participant may elect to have the Crediting Rate based on one or more investment alternatives and by which the Participant may change investment elections at least quarterly. The Participant's Account balance shall reflect the investments selected by the Participant. If an investment selected by a Participant sustains a loss, the Participant's Account shall be reduced to reflect such loss. The Participant's choice among investments shall be solely for purposes of calculation of the Crediting Rate. If the Participant fails to elect an investment alternative the Crediting Rate shall be based on the investment alternative selected for this purpose by the Administration Committee. The Company shall have no obligation to set aside or invest funds as directed by the Participant and, if the Company elects to invest funds as directed by the Participant, the Participant shall have no more right to such investments than any other unsecured general creditor of the Company. During payout, the Participant's Account shall continue to be credited at the Crediting Rate selected by the Participant from among the investment alternatives or rates made available by the Administration Committee for such purpose.

3.3 Statement of Accounts. The Administration Committee shall provide each Participant with statements at least annually setting forth the Participant's Account balance as of the end of each Plan Year.

ARTICLE 4

Benefits

4.1 Retirement Benefits. In the event of the Participant's Retirement, the Participant shall be entitled to receive an amount equal to the total balance of the Participant's Accounts credited with notional earnings as provided in Article 3 through the Valuation Date. The benefits shall be paid in a single lump sum on the Settlement Date following Retirement unless the Participant makes a timely election to have the benefits paid in substantially level annual installments over a specified period of not more than fifteen (15) years. Except as otherwise provided herein, payment shall be made or commence on the Settlement Date following Retirement. If benefits are payable in the form of annual installments pursuant to this Section 4.1, annual payments will be made commencing on the Settlement Date following Retirement and shall continue on each anniversary thereof until the number of annual installments specified in the Participant's timely election has been paid. The amount of each such installment payment for a Plan Year shall be determined by dividing the Participant's Account balance,

determined on or about the first day of the calendar quarter preceding the first installment payment date of the Plan Year, by the number of installment payments remaining, without regard to anticipated earnings. An Election Form to change the form of benefit payout shall be considered timely if submitted during a period prescribed by the Administration Committee, which period cannot be less than twelve (12) months prior to the intended effective date of such change. Any change in the distribution date must defer payment, or commencement of payment, for at least an additional five (5) years.

4.2 Termination Benefit. Upon Termination of Employment other than by reason of Retirement or death, the Company shall pay to the Participant a termination benefit equal to the balance on Termination of Employment of the Participant's Accounts credited with notional earnings as provided in Article 3 through the Valuation Date. The termination benefits shall be paid in a single lump sum on the Settlement Date following Termination of Employment.

4.3 Cash-Out Limit. Notwithstanding the foregoing, in the event the sum of all benefits payable to the Participant under the Plan and any other plan or arrangement that is aggregated with the Plan pursuant to Treasury Regulation § 1.409A-1(c) is less than or equal to the applicable dollar amount then in effect under section 402(g)(1)(B) of the Code, the Company may, in its sole discretion, elect to pay such benefits in a single lump sum as provided in Treasury Regulation § 1.409A-3(j)(4)(v).

ARTICLE 5

Death Benefits

5.1 Death Benefit. In the event of Termination of Employment as a result of the Participant's death, the Company shall pay to the Participant's Beneficiary a death benefit equal to the total balance of the Participant's Accounts as of the date of the Participant's death credited with notional earnings as provided in Article 3 through the Valuation Date. The death benefit shall be paid in the same form (lump sum or installments) as the Participant's Retirement benefit would have been paid under Section 4.1 and such payment shall be made or commence on the Settlement Date following the Participant's death, without regard to any 5-year deferral that may have been applicable to benefits that would have been paid under Section 4.1.

5.2 Cash-Out Limit. Notwithstanding the foregoing, in the event the sum of all benefits payable to a Beneficiary under the Plan and any other plan or arrangement that is aggregated with the Plan pursuant to Treasury Regulation § 1.409A-1(c) is less than or equal to the applicable dollar amount then in effect under section 402(g)(1)(B) of the Code, the Company may, in its sole discretion, elect to pay such benefits in a single lump sum as provided in Treasury Regulation § 1.409A-3(j)(4)(v).

ARTICLE 6

Disability

In the event of a Participant's Disability, deferral elections shall cease and the Company shall pay to the Participant a Disability benefit equal to the balance of the Participant's Accounts credited with notional earnings as provided in Article 3 through the Valuation Date. The Disability benefit shall be paid in the same form (lump sum or installments) as the Participant's Retirement benefit would have been paid under Section 4.1 and such payment shall be made or commence on the Settlement Date following the Participant's Disability, without regard to any 5-year deferral that may have been applicable to benefits that would have been paid under Section 4.1.

ARTICLE 7

Scheduled Withdrawal

7.1 Election. The Participant may make an irrevocable election on the Participant Election Form at the time of making a deferral to take a Scheduled Withdrawal from the Account established by the Participant for such purpose, including any earnings credited thereon. The Scheduled Withdrawal election shall apply only to amounts covered by the deferral elections on the applicable annual Participant Election Form. The Participant may make Scheduled Withdrawal elections for amounts deferred with respect to subsequent Plan Years when completing the applicable Participant Election Forms for those Plan Years. The Participant may elect to receive the Scheduled Withdrawal in any Plan Year on or after the fourth Plan Year following the enrollment period in which such Scheduled Withdrawal is elected. The Participant may irrevocably elect to make additional deferrals into such Scheduled Withdrawal Account in subsequent Participant Election Forms but may not elect another Scheduled Withdrawal date for such Account until all of the amounts in the original Scheduled Withdrawal Account have been paid out.

7.2 Scheduled Withdrawal Amount. The Participant shall be entitled to elect a Scheduled Withdrawal only in the amount of one hundred percent (100%) of the amount of the relevant annual deferral credited with notional interest as provided in Article 3 through the Valuation Date.

7.3 Timing of Scheduled Withdrawal. The Scheduled Withdrawal shall be paid by the Company to the Participant in a single lump sum during the month of January of the Plan Year elected by the Participant in the Participant Election Form unless preceded by Termination of Employment or Disability. In the event of Termination of Employment prior to January 1 of the Plan Year elected for the Scheduled Withdrawal, the Scheduled Withdrawal shall be paid in the form provided in Article 4 or Article 5 of the Plan, as applicable. In the event of the Participant's Disability prior to January 1 of the Plan Year elected for the Scheduled Withdrawal, the Scheduled Withdrawal shall be paid as provided in Article 6 of the Plan .

ARTICLE 8

Financial Hardship Distribution

Upon a finding that the Participant (or, after the Participant's death, a Beneficiary) has suffered a Financial Hardship, the Administration Committee may in its sole discretion, accelerate distributions of benefits, in whole or in part, or approve reduction or cessation of current deferrals under the Plan in the amount reasonably necessary to alleviate such Financial Hardship.

ARTICLE 9

Amendment and Termination of Plan

9.1 Amendment and Termination in General. The Company may, at any time, amend or terminate the Plan, except that (i) no such amendment or termination may reduce a Participant's Account balance, and (ii) no such amendment or termination may result in the acceleration of payment of any benefits to any Participant, Beneficiary or other person, except as may be permitted under Section 409A of the Code.

9.2 Payment of Accounts Following Termination. In the event that the Plan is terminated, a Participant's Accounts shall be distributed to the Participant or Beneficiary on the dates on which the Participant or Beneficiary would otherwise receive benefits hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and to the extent permitted under Section 409A of the Code, the

Company, by action taken by its Board of Directors or its designee, may terminate the Plan and accelerate the payment of Participants' Accounts subject to the following conditions:

(i) Company's Discretion. The termination does not occur "proximate to a downturn in the financial health" of the Company (within the meaning of Treasury Regulation §1.409A-3(j)(4)(ix)), and all other arrangements required to be aggregated with the Plan under Section 409A of the Code are also terminated and liquidated. In such event, the entire Accounts of all Participants shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no earlier than twelve (12) months, and no later than twenty-four (24) months, after the date the Board of Directors or its designee irrevocably approves the termination of the Plan. Notwithstanding the foregoing, any payment that would otherwise be paid pursuant to the terms of the Plan prior to the twelve (12) month anniversary of the date that the Board of Directors or its designee irrevocably approves the termination of the Plan shall continue to be paid in accordance with the terms of the Plan. If the Plan is terminated pursuant to this Section 9.2(i), the Company shall be prohibited from adopting a new plan or arrangement that would be aggregated with this Plan under Section 409A of the Code within three (3) years following the date that the Board of Directors or its designee irrevocably approves the termination and liquidation of the Plan.

(ii) Change of Control. The termination occurs pursuant to an irrevocable action of the Board of Directors or its designee that is taken within the thirty (30) days preceding or the twelve (12) months following a Change of Control (as defined in Article 12), and all other plans sponsored by the Company (determined immediately after the Change of Control) that are required to be aggregated with this Plan under Section 409A of the Code are also terminated with respect to each participant therein who experienced the Change of Control (each a "Change of Control Participant"). In such event, the entire Accounts of each Participant under the Plan and each Change in Control Participant under all aggregated plans shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no later than twelve (12) months after the date that the Board of Directors or its designee irrevocably approves the termination.

(iii) Dissolution; Bankruptcy Court Order. The termination occurs within twelve (12) months after a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the entire Accounts of each Participant shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made by the latest of: (A) the end of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

(iv) Other Events. The termination occurs upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Notwithstanding anything contained in this Section 9.2 to the contrary, in no event may a payment be accelerated following a Specified Employee's Termination of Employment to a date that is prior to the first Business Day which is no less than six (6) months following the Specified Employee's Termination of Employment (or if earlier, upon the Specified Employee's death).

The provisions of paragraphs (i), (ii), (iii) and (iv) of this Section 9.2 are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j)(4)(ix) and shall be interpreted and administered accordingly. The term "Company" as used in paragraphs (i) and (ii) of this Section 9.2 shall include the Company and any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code.

ARTICLE 10

Beneficiaries

10.1 Beneficiary Designation. The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to and acknowledged by the Administration Committee during the Participant's lifetime on a form prescribed by the Administration Committee.

10.2 Revision of Designation. The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage (other than a common law marriage) of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary.

10.3 Successor Beneficiary. If the primary Beneficiary dies prior to complete distribution of the benefits provided in Article 5, the remaining Account balance shall be paid to the contingent Beneficiary elected by the Participant.

10.4 Absence of Valid Designation. If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administration Committee shall direct the distribution of such benefits to the relevant estate.

ARTICLE 11

Administration/Claims Procedures

11.1 Administration. The Plan shall be administered by the Administration Committee, which shall have the exclusive right and full discretion (i) to interpret the Plan, (ii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions), (iii) to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan and (iv) to make all other determinations necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations of the Administration Committee with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby. No member of the Administration Committee shall be liable for any determination, decision, or action made in good faith with respect to the Plan. The Company will indemnify and hold harmless the members of the Administration Committee from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act, or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons.

11.2 Claims Procedure. Any Participant, former Participant or Beneficiary may file a written claim with the Administration Committee setting forth the nature of the benefit claimed, the amount thereof, and the basis for claiming entitlement to such benefit. The Administration Committee shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the

need for such additional information within forty-five (45) days after the date of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim, and (iv) an explanation of the procedure for further reviewing the denial of the claim.

11.3 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review shall be undertaken by the Administration Committee and shall be a full and fair review. The claimant shall have the right to review all pertinent documents. The Administration Committee shall issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based.

ARTICLE 12

Change of Control

In the event of a Change of Control, the amounts to which Participants are entitled under this Plan shall be immediately distributed in a lump sum cash payment to Participants within ninety (90) days following the date of such Change of Control; provided, however, that with respect to any Participant who is a Specified Employee and who Terminated Employment prior to the Change of Control, to the extent required by Section 409A of the Code, such payment shall be made on the first business day which is no less than six (6) months from the Participant's Termination of Employment. For purposes of this Plan, a Change of Control shall be deemed to occur on the date of any of the following events:

(i) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.

(ii) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of

additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.

(iii) A majority of the Company's Board of Directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by at least two-thirds (2/3) of the members of the Board of Directors prior to the date of such appointment or election.

(iv) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a Change of Control if such transfer is to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (b) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (c) a person or group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in clause (c) of this sentence.

Notwithstanding the foregoing, an acquisition of stock of the Company described in (i) or (ii) above shall not be deemed to be a Change of Control by virtue of any of the following situations: (a) an acquisition by the Company; (b) an acquisition by any of the Company's subsidiaries in which a majority of the voting power of the equity securities or equity interests of such subsidiary is owned, directly or indirectly, by the Company; or (c) any employee benefit or stock ownership plan of the Company or any trustee or fiduciary with respect to such a plan acting in such capacity.

ARTICLE 13

Conditions Related to Benefits

13.1 Nonassignability. No amount payable to a Participant or Beneficiary under the Plan will be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge or any other legal or equitable process by a Participant or Beneficiary, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto. However, (i) the withholding of taxes from Plan benefit payments, or (ii) the direct deposit of benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation.

13.2 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder and the Plan constitutes a mere promise by the Company to make benefit payments in the future.

13.3 Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administration Committee, in order to facilitate the payment of benefits hereunder, and taking such other actions as may be requested by the Administration Committee. If the Participant refuses to so cooperate, the Company shall have no further obligation to the Participant under the Plan.

13.4 Section 16b Eligible Executives. In the event any Eligible Executive subject to Rule 16b issued under the Securities Exchange Act of 1934 (or any successor rule to the same effect) has, at any time, a Crediting Rate based upon an investment alternative consisting of or the value of which is determined based upon the value of the Company's common stock or any security into which such common stock may be changed by reason of: (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company; (b) any merger, consolidation, separation, reorganization or partial or complete liquidation; or (c) any other corporate transaction or event having an effect similar to the foregoing, unless the transaction is otherwise exempt under Rule 16b-3, no transaction with respect to the portion of the Participant's Account attributable to such investment alternative shall be permitted pursuant to this Plan until a date which is not less than six (6) months and one (1) day from the date on which the investment alternative was selected or transferred within the Participant's Account.

13.5 Withholding. The Participant shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security, Medicare or other employee tax requirements applicable to benefits under the Plan. If the Participant elects to defer one hundred percent (100%) of Base Salary, such deferral shall be net of the amount of any Social Security taxes payable by the Participant as a result of compensation received from the Company for such Plan Year. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required, including, without limitation, by the reduction of other amounts payable to the Participant.

13.6 Assumptions and Methodology. The Administration Committee shall establish the actuarial assumptions and method of calculation used in determining the present or future value of benefits, earnings, payments, fees, expenses or any other amounts required to be calculated under the terms of the Plan. Such assumptions and methodology shall be outlined in detail in procedures established by the Administration Committee and made available to Participants and may be changed from time to time by the Administration Committee.

13.7 Trust. The Company shall be responsible for the payment of all benefits under the Plan. At its discretion, the Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan; provided, however, that no such trust shall be funded if the funding thereof would result in taxable income to a Participant (i) due to the assets of such a trust being located or transferred outside of the United States; (ii) due to the assets of such a trust being restricted to the provision of benefits under the Plan in connection with a change in the employer's financial health; (iii) due to the assets being set aside, reserved or transferred to such a trust during any restricted period (as defined in Section 409A(b)(3)(B) of the Code); or (iv) as otherwise provided pursuant to Section 409A(b) of the Code. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust or trusts shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan. Neither the establishment of the Plan or Trust or any modification thereof, or the creation of any fund or account, or the payment of any benefits shall be construed as giving to any Participant or other person any legal or equitable right against the Company or any officer or employee thereof, except as provided by law or by any Plan provision. The amounts in the Accounts shall remain the sole property of the Company unless and until required to be distributed in accordance with the provisions of the Plan, and shall not constitute a trust or be deemed to be held in trust for the benefit of any Participant or Beneficiary hereunder or their personal representative. The Company does not in any way guarantee the trust or any Participant's benefit from loss or depreciation. In no event shall the Company's employees, officers, directors or stockholders be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or

instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, the trust(s) or any contribution thereto or distribution therefrom.

ARTICLE 14

Miscellaneous

14.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

14.2 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

14.3 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

14.4 Captions. The captions of the articles, paragraphs and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

14.5 Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

14.6 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan shall not operate or be construed as a waiver of any subsequent breach by that Participant or any other Participant.

14.7 Notice. Any notice or filing required or permitted to be given to the Company or the Participant under this Agreement shall be sufficient if in writing and hand-delivered, or sent by first class mail, in the case of the Company, to the principal office of the Company, directed to the attention of the Administration Committee, and in the case of the Participant, to the last known address of the Participant indicated on the employment records of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Company may be permitted by electronic communication according to specifications established by the Administration Committee.

14.8 Errors in Benefit Statement. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered.

14.9 ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

14.10 Applicable Law. In the event any provision of, or legal issue relating to, this Plan is not fully preempted by ERISA, such issue or provision shall be governed by the laws of the State of Ohio.

14.11 Effect of Legislative or Regulatory Changes. Notwithstanding anything in this Plan to the contrary, in the event of the enactment of any legislation or regulations which, in the sole discretion of the Company, have an unfavorable impact on the Company and/or Participants, the Company shall have the unilateral

right to amend the Plan in whatever manner it deems appropriate to mitigate the effects of such legislation or regulations, without the necessity of obtaining further Board approval.

14.12 Section 409A of the Code.

(i) In General. It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. The Plan shall be construed, administered and governed in a manner that effects such intent.

(ii) Discretionary Acceleration of Payments. To the extent permitted by Section 409A of the Code, the Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j) and shall be interpreted and administered accordingly.

(a) *Domestic Relations Orders*. The Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(b) *Conflicts of Interest*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any federal officer or employee in the executive branch to comply with an ethics agreement with the federal government. Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).

(c) *Employment Taxes*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a), and 3121(v)(2) of the Code, or the Railroad Retirement Act (RRTA) tax imposed under Sections 3201, 3211, 3231(e)(1), and 3231(e)(8) of the Code, where applicable, on compensation deferred under the Plan (the FICA or RRTA amount). Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment, to pay the income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA or RRTA amount, and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the FICA or RRTA amount, and the income tax withholding related to such FICA or RRTA amount.

(d) *Cash-Out Limit*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Sections 4.3 and 5.2 hereof.

(e) *Payment Upon Income Inclusion Under Section 409A*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Section 409A of the Code. The payment may not

exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.

(f) *Certain Payments to Avoid a Nonallocation Year under Section 409(p)*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to prevent the occurrence of a nonallocation year (within the meaning of Section 409(p)(3) of the Code) in the plan year of an employee stock ownership plan next following the plan year in which such payment is made, provided that the amount paid may not exceed 125 percent of the minimum amount of payment necessary to avoid the occurrence of a nonallocation year.

(g) *Payment of State, Local, or Foreign Taxes*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the participant. Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the income tax at source on wages imposed under Section 3401 of the Code as a result of such payment and to pay the additional income tax at source on wages imposed under Section 3401 of the Code attributable to such additional wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the state, local, and foreign tax amount, and the income tax withholding related to such state, local, and foreign tax amount.

(h) *Certain Offsets*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as satisfaction of a debt of the Participant to the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code), where such debt is incurred in the ordinary course of the service relationship between the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) and the Participant, the entire amount of reduction in any of the taxable years of the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(i) *Bona Fide Disputes as to a Right to a Payment*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payment occurs as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.

(j) *Plan Terminations and Liquidations*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 9.2 hereof.

(k) *Other Events and Conditions*. A payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Notwithstanding anything contained in this Section 14.12(ii) to the contrary, in no event may a payment be accelerated under Sections 14.12(ii)(d), (e), (f), (g), (h), (i) or (j) following a Specified Employee's Termination of Employment to a date that is prior to the first business day which is no less than six (6) months following the Specified Employee's Termination of Employment (or if earlier, upon the Specified Employee's death). Except as

otherwise specifically provided in this Plan, including but not limited to Section 4.3, Section 5.2, Article 6, Article 8, Section 9.2 and this Section 14.12(ii) hereof, the Administration Committee may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Code Section 409A.

(iii) Delay of Payments . To the extent permitted under Section 409A of the Code, the Administration Committee may, in its sole discretion, delay payment under any of the following circumstances, provided that the Administration Committee treats all payments to similarly situated Participants on a reasonably consistent basis:

(a) *Federal Securities Laws or Other Applicable Law* . A payment may be delayed where the Administration Committee reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Administration Committee reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

(b) *Payments Subject to Section 162(m) of the Code* . A payment may be delayed to the extent that the Administration Committee reasonably anticipates that if the payment were made as scheduled, the Company's deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code. If a payment is delayed pursuant to this Section 14.12(iii)(b), then the payment must be made either (i) during the Company's first taxable year in which the Administration Committee reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction of such payment will not be barred by application of Section 162(m) of the Code, or (ii) during the period beginning with the first business day that is at least six (6) months following the Participant's Termination of Employment (the "six-month date") and ending on the later of (x) the last day of the taxable year of the Company in which the Participant's six-month date occurs or (y) the 15th day of the third month following the six-month date. Where any scheduled payment to a specific Participant in the Company's taxable year is delayed in accordance with this paragraph, all scheduled payments to that Participant that could be delayed in accordance with this paragraph must also be delayed. The Administration Committee may not provide the Participant an election with respect to the timing of the payment under this Section 14.12(iii)(b). For purposes of this Section 14.12(iii)(b), the term Company includes any entity which would be considered to be a single employer with the Company under Section 414(b) or Section 414(c) of the Code.

(c) *Other Events and Conditions* . A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

IN WITNESS WHEREOF, the Company has caused this Plan to be amended and restated this 16th day of December, 2015.

THE SHERWIN-WILLIAMS COMPANY

By: /s/

Catherine M. Kilbane, Senior Vice President,
General Counsel and Secretary

**THE SHERWIN-WILLIAMS COMPANY 2005
DIRECTOR DEFERRED FEE PLAN
(Amended and Restated Effective as of January 1, 2016)**

1. **PURPOSE.** The purpose of The Sherwin-Williams Company 2005 Director Deferred Fee Plan (the "Plan") is to provide non-employee Directors of the Company with the opportunity to defer taxation of all or a portion of such Director's Board Retainer and/or Meeting Fees and to help build loyalty to the Company through increased opportunity to invest in Company Common Stock. The terms of the Plan, amended and restated as set forth herein, apply to amounts deferred under the Plan after December 31, 2015. Notwithstanding anything to the contrary contained herein, amounts deferred under the Plan on or before December 31, 2015 shall be governed by the terms of the Plan effective at the time of deferral, provided that, all amounts that were deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code shall continue to be subject solely to the terms of the separate Plan in effect on October 3, 2004.
 2. **DEFINITIONS.** The following terms when used herein with initial capital letters shall have the following respective meanings unless the text clearly indicates otherwise:
 - (a) Administration Committee. "Administration Committee" shall have the meaning given to such term under the Qualified Plan.
 - (b) Board of Directors. "Board of Directors" means the Board of Directors of the Company.
 - (c) Board Retainer. "Board Retainer" means the compensation payable monthly to Directors.
 - (d) Code. "Code" means the Internal Revenue Code of 1986, as amended.
 - (e) Common Stock. "Common Stock" means the common stock of the Company or any security into which such Common Stock may be changed by reason of: (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (ii) any merger, consolidation, separation, reorganization or partial or complete liquidation, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing.
 - (f) Common Stock Account. "Common Stock Account" means the bookkeeping account established and maintained under this Plan which is credited with Common Stock in accordance with Section 5(b).
 - (g) Company. "Company" means The Sherwin-Williams Company, an Ohio corporation or its successor(s) in interest.
 - (h) Deferred Cash Account. "Deferred Cash Account" means the bookkeeping account established and maintained under this Plan which is valued in accordance with Section 5(a).
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- (i) Deferred Compensation. "Deferred Compensation" means the amount of the Board Retainer and/or Meeting Fee of the Participant deferred pursuant to this Plan.
 - (j) Director. "Director" means a member of the Board of Directors.
 - (k) Eligible Director. "Eligible Director" means a Director who is not an employee of the Company or a Subsidiary.
 - (l) Fair Market Value. "Fair Market Value" of Common Stock means the average between the highest and the lowest quoted selling price of the Company's Common Stock on the New York Stock Exchange or any successor exchange.
 - (m) Fees. "Fees" means the compensation payable to Directors for their services as a director, including the Board Retainer and Meeting Fee.
 - (n) Meeting Fee. "Meeting Fee" means the compensation payable at the time of a meeting to a Director for each meeting of the Board of Directors or committee of the Board of Directors that such Director attends and/or chairs.
 - (o) Participant. "Participant" means an Eligible Director who has elected to participate in the Plan.
 - (p) Payment Date. "Payment Date" means (i) with respect to the payment of a Board Retainer, the first business day of each calendar month or (ii) with respect to the payment of a Meeting Fee, the date on which a meeting of the Board of Directors or a committee of the Board of Directors was held.
 - (q) Plan. "Plan" means the plan set forth in this instrument, and known as "The Sherwin-Williams Company 2005 Director Deferred Fee Plan", amended and restated effective as of January 1, 2016.
 - (r) Plan Year. "Plan Year" means a calendar year.
 - (s) Qualified Plan. "Qualified Plan" means The Sherwin-Williams Company Employee Stock Purchase and Savings Plan, as amended from time to time, or any successor plan.
 - (t) Shadow Stock. "Shadow Stock" means a unit of interest equivalent to a share of Common Stock.
 - (u) Shadow Stock Account. "Shadow Stock Account" means the bookkeeping account established and maintained under this Plan credited with Shadow Stock in accordance with Section 5(c).
 - (v) Subsidiary. Any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if, at the time of the time of investment in the Common Stock, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
 - (w) Trust. "Trust" means one or more trust funds established for the purpose of (i) providing a source from which to pay benefits under the Plan and (ii) purchasing and holding assets, including shares of Common Stock. Any such trust funds shall be subject to the claims of the Company's creditors in the event of the Company's
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insolvency, though such trust funds may not necessarily hold sufficient assets to satisfy all of the benefits to be provided under the Plan.

- (x) Unforeseeable Emergency. "Unforeseeable Emergency" means a severe financial hardship arising from (i) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has incurred an Unforeseeable Emergency shall be made by the Administration Committee, in its sole discretion, in accordance with Section 409A of the Code and Treasury Regulations thereunder.
3. ELIGIBILITY. An Eligible Director shall become a Participant upon satisfaction of the following: (i) the later of the effective date of the Plan or the date such Director becomes an Eligible Director; and (ii) completion of an Election (as defined in Section 4).
4. ELECTION PROCEDURE. An Eligible Director wishing to participate in the Plan must file a written notice on the Notice of Election form electing to defer payment for a Plan Year of all or a portion of his Fees as a Director ("Election"). Any such Election shall be effective only with respect to Fees earned after the effective date of the Election. Any such Election will continue in effect until the Director modifies or terminates such Election effective as of the beginning of a subsequent Plan Year. An effective Election may be terminated or modified for any subsequent Plan Year by filing either a new Notice of Election form to effect modifications, or a Notice of Termination form to effect terminations, on or before the December 31st immediately preceding the Plan Year for which such modification or termination is to become effective. An Election shall not be effective until receipt of the fully and properly completed Notice of Election form by the Secretary of the Company. A fully and properly completed Notice of Election form must indicate: (i) the percentage of Fees to be deferred; (ii) manner of payment upon distribution; (iii) payment commencement date; and (iv) deemed investment election. Once effective for a Plan Year, an Election is irrevocable and may not be changed for that Plan Year. No subsequent election may change the manner of payment, the payment commencement date or the deemed investment of the Fees previously deferred. An Election shall apply to Fees payable with respect to each subsequent Plan Year, unless terminated or modified as described herein. A person for whom an effective Election is terminated may thereafter file a new Notice of Election form, in the manner described above, for future Plan Years for which he is eligible to participate in the Plan.
5. INVESTMENT ACCOUNTS. The amount of a Participant's Deferred Compensation pursuant to an Election shall be deemed credited to the investment options specified in this Section 5 in the manner elected by the Participant. A Participant's election as to the investment options in which his Deferred Compensation for a Plan Year shall be deemed to be invested shall be irrevocable with respect to Deferred Compensation and deemed earnings
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thereon, and Deferred Compensation and deemed earnings thereon cannot be transferred between investment accounts. A Participant may elect to credit no less than twenty-five percent (25%) of his Deferred Compensation for a Plan Year (the "Minimum Election") to any particular investment option. Any amounts in excess of the Minimum Election shall be made in five percent (5%) increments. If a Participant fails to direct the investment of any Deferred Compensation, all such Deferred Compensation will be credited to the Participant's Deferred Cash Account. A Participant may elect to have his Deferred Compensation deemed to be invested in one of the following investment accounts:

- (a) DEFERRED CASH ACCOUNT. Each Participant's Deferred Cash Account shall accrue interest computed using the Fidelity Government Money Market Fund. The interest shall be computed on the actual balance in each Participant's Deferred Cash Account during the previous calendar quarter.
 - (b) COMMON STOCK ACCOUNT. The Participant's Common Stock Account shall be credited with that quantity of Common Stock equal to the number of full and fractional shares (to the nearest thousandths) which could have been purchased by the Trust with the portion of Deferred Compensation a Participant has elected to allocate to the Common Stock Account based on the Fair Market Value of such Common Stock on each Payment Date. There will be credited to each Participant's Common Stock Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Common Stock Account which the Participant would have received had he been a record owner of shares of Common Stock equal to the amount of Common Stock in his Common Stock Account at the time of payment of such cash dividends or other distributions. The Participant's Common Stock Account shall be credited with a quantity of shares of Common Stock and fractions thereof (to the nearest thousandths) that could have been purchased with the dividends or other distributions based on the Fair Market Value of Common Stock on the date of payment of such dividends or other distributions.
 - (c) SHADOW STOCK ACCOUNT. The Participant's Shadow Stock Account shall be credited with a quantity of Shadow Stock units and fractions thereof (to the nearest thousandths) equal to the value of Common Stock that could have been purchased with the portion of the Deferred Compensation credited to the Shadow Stock Account on each Payment Date based on the Fair Market Value of Common Stock on such Payment Date. There will be credited to each Participant's Shadow Stock Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Shadow Stock Account which the Participant would have received had he been a record owner of a number of shares of Common Stock equal to the amount of Shadow Stock in his Shadow Stock Account at the time of payment of such cash dividends or other distributions. The Participant's Shadow Stock Account shall be credited with a quantity of Shadow Stock units and fractions thereof (to the nearest thousandths) that could have been purchased with the dividends or other distributions based on the Fair
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Market Value of Common Stock on the date of payment of such dividends or other distributions.

6. DEPOSITS TO THE TRUST. The Company shall transfer to the Trust, within sixty (60) days of the date Fees would otherwise be paid, amounts which a Participant has directed to be deferred in accordance with the Plan. In addition, as of the first day of each calendar quarter, the Company shall deposit into the Trust the following cash amounts accrued during the immediately preceding calendar quarter: (i) all accrued interest on Participants' Deferred Cash Accounts; (ii) an amount equal to cash dividends and other distributions paid on shares of Common Stock represented by units of Shadow Stock and shares of Common Stock credited to Participants' Shadow Stock Accounts and Common Stock Accounts; (iii) an amount equal to the appreciation in the value of a unit of Shadow Stock multiplied times the number of units of Shadow Stock credit to Participants' Shadow Stock Accounts; and (iv) an amount equal to the appreciation in the value of a share of Common Stock multiplied by the number of shares of Common Stock credited to Participants' Common Stock Accounts. Notwithstanding the foregoing, the Trust shall not be funded if the funding thereof would result in taxable income to a Participant (i) due to the assets of the Trust being located or transferred outside of the United States; (ii) due to the assets of the Trust being restricted to the provision of benefits under the Plan in connection with a change in the employer's financial health; (iii) due to the assets being set aside, reserved or transferred to the Trust during any restricted period (as defined in Section 409A(b)(3)(B) of the Code); or (iv) as otherwise provided pursuant to Section 409A(b) of the Code.
7. PAYMENT OF DEFERRED COMPENSATION.
- (a) Amount of Payment. The benefit that a Participant will receive from the Company in accordance with the Plan shall be: (i) the number of full shares of Common Stock credited to the Participant's Common Stock Account; and (ii) cash equal to the sum of (I) the amount credited to the Participant's Deferred Cash Account; (II) the Fair Market Value of the fractional shares (to the nearest thousandths) of Common Stock on the date such fractional shares were credited to the Participant's Common Stock Account; and (III) the value of the Shadow Stock units and fractions thereof (to the nearest thousandths) credited to the Participant's Shadow Stock Account. The value of a Participant's Deferred Cash Account, fractional shares of Common Stock and Shadow Stock Account shall be determined by the Company as of the end of the calendar quarter immediately preceding the calendar quarter in which a Participant is entitled to a distribution hereunder in accordance with Section 7(c) below. Notwithstanding the preceding sentence to the contrary, in the event of a Change of Control or termination and liquidation of the Plan as provided in Sections 9 and 13, respectively, the value of a Participant's Deferred Cash Account, Shadow Stock Account and Common Stock Account shall be determined by the Company immediately following such an event.
- (b) Manner of Payment. A Participant's Deferred Compensation for a Plan Year, as adjusted for deemed earnings or losses thereon, will be paid by the Company to him
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or, in the event of his death, to the Participant's beneficiary, in kind, in a lump sum, unless the Participant makes a timely election in accordance with Section 4, to have the benefits paid in substantially equal annual cash installments over a period not exceeding ten (10) years. To the extent that benefits are payable in the form of annual installments pursuant to this Section 7(b), annual payments will be made commencing on the payment commencement date determined pursuant to Section 7(c) and shall continue on each anniversary thereof until the number of annual installments specified in the Participant's timely election has been paid. The amount of each such installment payment for a Plan Year shall be determined by dividing the sum of the balances of the Participant's Deferred Cash Account and Shadow Stock Account, determined on or about the first day of the calendar quarter preceding the first installment payment date of that Plan Year, by the number of installment payments remaining, without regard to anticipated earnings. Notwithstanding the foregoing, a Participant's Deferred Compensation invested in the Common Stock Account shall only be distributed to the Participant in kind in a lump sum. Amounts credited to a Participant's Deferred Cash Account held pending distribution pursuant to this Section 7(b) shall continue to be credited with interest in accordance with the provisions of Section 5(a) above.

- (c) Payment Commencement Date. Payments of Deferred Compensation and earnings thereon shall commence within two (2) business days following the first business day of the first calendar quarter beginning after the earlier of the date the Participant elected to receive payment in accordance with Section 4 or the date the Participant ceases to be a Director. Notwithstanding a Participant's manner of payment election hereunder, if a Participant ceases to be a Director as a result of the Participant's death, the Company shall pay to the Participant's beneficiary or beneficiaries a lump sum on the first business day of the first calendar quarter beginning after the Participant's death.
- (d) Unforeseeable Emergency. In the event a Participant has elected to receive distribution from the plan in the form of installment payments, the Administration Committee may, nonetheless, upon request of the Participant, in its sole discretion, accelerate payment of all or any portion of the Participant's remaining account under the Plan, if the Administration Committee determines that the Participant has experienced an Unforeseeable Emergency. The amount of any such accelerated payment shall be limited to the amount necessary to alleviate the Unforeseeable Emergency.

8. BENEFICIARIES. A Participant may, by executing and delivering to the Secretary of the Company prior to the Participant's death a Beneficiary Election form, designate a beneficiary or beneficiaries to whom distribution of his interest under this Plan shall be made in the event of his death prior to the full receipt of his interest under this Plan, and he may designate the portions to be distributed to each such designated beneficiary if there is more than one. Any such designation may be revoked or changed by the Participant at any time and from time to time by filing, prior to the Participant's death, with the Secretary of the Company an
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executed Beneficiary Election form. If there is no such designated beneficiary living upon the death of the Participant, or if all such designated beneficiaries die prior to the full distribution of the Participant's interest, then any remaining unpaid amounts shall be paid to the estate of the Participant or Participant's beneficiaries.

9. CHANGE OF CONTROL. In the event of a Change of Control, the amounts to which Participants are entitled under this Plan shall be immediately distributed in a lump sum cash payment to Participants within ninety (90) days following the date of such Change of Control. For purposes of this Plan, a Change of Control shall be deemed to occur on the date of any of the following events:

- (a) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.
 - (b) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a Change of Control. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change of Control would occur as a result of such an acquisition by the Company (if not for the operation of
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this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change of Control shall then occur.

- (c) A majority of the Company's Board of Directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by at least two-thirds (2/3) of the members of the Board of Directors prior to the date of such appointment or election.
- (d) Any one person or more than one person acting as a group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a Change of Control if such transfer is to (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a person or group (within the meaning of the Treasury Regulation § 1.409A-3(i)(5)(v)(B)) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in clause (iii) of this sentence.

Notwithstanding the foregoing, an acquisition of stock of the Company described in (a) or (b) above shall not be deemed to be a Change of Control by virtue of any of the following situations: (i) an acquisition by the Company; (ii) an acquisition by any of the Company's subsidiaries in which a majority of the voting power of the equity securities or equity interests of such subsidiary is owned, directly or indirectly, by the Company; or (iii) any employee benefit or stock ownership plan of the Company or any trustee or fiduciary with respect to such a plan acting in such capacity.

- 10. NON-ASSIGNABILITY. Neither a Participant nor any beneficiary designated by him shall have any right to, directly or indirectly, alienate, assign or encumber any amount that is or may be payable hereunder.
 - 11. ADMINISTRATION OF PLAN. Full discretionary power and authority to construe, interpret and administer the Plan shall be vested in the Administration Committee. The Administration Committee shall have the power and authority to allocate among themselves and to delegate any responsibility or power reserved to it hereunder to any person or persons or any committee of the Board of Directors, as it may, in its sole discretion, deem
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appropriate. Decisions of the Administration Committee or its designee shall be final, conclusive and binding upon all persons affected thereby.

12. GOVERNING LAW. To the extent not preempted by federal law, the provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Ohio.
13. AMENDMENT/TERMINATION.
- (a) Amendment and Termination in General. The Board of Directors may amend, suspend or terminate this Plan at any time; provided that no such amendment, suspension or termination shall adversely effect the amounts in any then-existing account. Further, no amendment, suspension or termination of the Plan may result in the acceleration of payment of any benefits to any Participant, beneficiary or other person, except as may be permitted under Section 409A of the Code.
 - (b) Payment of Benefits Following Termination. In the event that the Plan is terminated, a Participant's benefits shall be distributed to the Participant or beneficiary on the dates on which the Participant or beneficiary would otherwise receive benefits hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and to the extent permitted under Section 409A of the Code, the Board of Directors may terminate the Plan and accelerate the payment of Participants' benefits subject to the following conditions:
 - (i) Company's Discretion. The termination does not occur "proximate to a downturn in the financial health" of the Company (within the meaning of Treasury Regulation §1.409A-3(j)(4)(ix)), and all other arrangements required to be aggregated with the Plan under Section 409A of the Code are also terminated and liquidated. In such event, the entire benefits of all Participants shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no earlier than twelve (12) months, and no later than twenty-four (24) months, after the date the Board of Directors irrevocably approves the termination of the Plan. Notwithstanding the foregoing, any payment that would otherwise be paid pursuant to the terms of the Plan prior to the twelve (12) month anniversary of the date that the Board of Directors irrevocably approves the termination of the Plan shall continue to be paid in accordance with the terms of the Plan. If the Plan is terminated pursuant to this Section 13(b)(i), the Company shall be prohibited from adopting a new plan or arrangement that would be aggregated with this Plan under Section 409A of the Code within three (3) years following the date that the Board of Directors irrevocably approves the termination and liquidation of the Plan.
 - (ii) Change of Control. The termination occurs pursuant to an irrevocable action of the Board of Directors that is taken within the thirty (30) days
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preceding or the twelve (12) months following a Change of Control (as defined in Section 9), and all other plans sponsored by the Company (determined immediately after the Change of Control) that are required to be aggregated with this Plan under Section 409A of the Code are also terminated with respect to each participant therein who experienced the Change of Control (each a "Change of Control Participant"). In such event, the entire benefits of each Participant under the Plan and each Change in Control Participant under all aggregated plans shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no later than twelve (12) months after the date that the Board of Directors irrevocably approves the termination.

- (iii) Dissolution; Bankruptcy Court Order. The termination occurs within twelve (12) months after a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the entire benefits of each Participant shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made by the latest of: (A) the end of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
- (iv) Other Events. The termination occurs upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

The provisions of subsections (i), (ii), (iii) and (iv) of this Section 13(b) are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j)(4)(ix) and shall be interpreted and administered accordingly. The term "Company" as used in subsections (i) and (ii) of this Section 13(b) shall include the Company and any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code.

14. SECTION 409A OF THE CODE.

- (a) It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or beneficiaries. The Plan shall be construed, administered and governed in a manner that effects such intent. In furtherance of that intent, to the extent necessary to comply with Section 409A of the Code: (i) a Participant will be deemed to cease to be a Director on the
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date of the Participant's "separation from service" (within the meaning of Section 409A of the Code); and (ii) notwithstanding any other provision of the Plan to the contrary other than Sections 14(b)(i) and 14(b)(ii), in the event that a Participant is a "specified employee" (within the meaning of Section 409A of the Code), any payment that would otherwise be made or commence as a result of such separation from service shall be paid or commence on the first business day which is no less than six (6) months after the Participant's separation from service.

- (b) Discretionary Acceleration of Payments. To the extent permitted by Section 409A of the Code, the Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j) and shall be interpreted and administered accordingly.
- (i) *Domestic Relations Orders*. The Administration Committee may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
 - (ii) *Conflicts of Interest*. The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any federal officer or employee in the executive branch to comply with an ethics agreement with the federal government. Additionally, the Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).
 - (iii) *Limited Cash-Outs*. The Administration Committee may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under the Plan that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, provided that the payment results in the termination and liquidation of the entirety of the Participant's interest under the Plan, including all agreements, methods, programs or other arrangements that are aggregated with the Plan pursuant to Treasury Regulation § 1.409A-1(c).
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- (iv) *Payment Upon Income Inclusion Under Section 409A.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Section 409A of the Code. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.
 - (v) *Cancellation of Deferral Election Due to Unforeseeable Emergency .* The Administration Committee may, in its sole discretion, cancel a Participant's deferral election due an Unforeseeable Emergency.
 - (vi) *Certain Payments to Avoid a Nonallocation Year under Section 409(p).* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to prevent the occurrence of a nonallocation year (within the meaning of Section 409(p)(3) of the Code) in the plan year of an employee stock ownership plan next following the plan year in which such payment is made, provided that the amount paid may not exceed 125 percent of the minimum amount of payment necessary to avoid the occurrence of a nonallocation year.
 - (vii) *Payment of State, Local, or Foreign Taxes.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the Participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the Participant.
 - (viii) *Cancellation of Deferral Election Due to Disability .* The Administration Committee may, in its sole discretion, cancel a Participant's deferral election in the event that a Participant incurs a disability, provided that such cancellation occurs by the later of the end of the calendar year in which the Participant incurs a disability or the 15th day of the third month following the dated the Participant incurs a disability. For purposes of this Section 14(b)(viii), a disability refers to any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months.
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- (ix) *Certain Offsets.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as satisfaction of a debt of the Participant to the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code), where such debt is incurred in the ordinary course of the service relationship between the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) and the Participant, the entire amount of reduction in any of the taxable years of the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.
- (x) *Bona Fide Disputes as to a Right to a Payment.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payment occurs as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.
- (xi) *Plan Terminations and Liquidations.* The Administration Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 13(b) hereof.
- (xii) *Other Events and Conditions.* A payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Except as otherwise specifically provided in this Plan, including but not limited to Section 7(d), Section 13(b) and this Section 14(b) hereof, the Administration Committee may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Code Section 409A.

- (c) Delay of Payments. To the extent permitted under Section 409A of the Code, the Administration Committee may, in its sole discretion, delay payment under any of the following circumstances, provided that the Administration Committee treats all payments to similarly situated Participants on a reasonably consistent basis:
 - (i) *Federal Securities Laws or Other Applicable Law.* A payment may be delayed where the Administration Committee reasonably anticipates that the making of the payment will violate federal securities laws or other applicable
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law; provided that the delayed payment is made at the earliest date at which the Administration Committee reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

- (ii) *Other Events and Conditions* . A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AS AMENDED AND RESTATED FEBRUARY 17, 2015)

Nonqualified Stock Option Award - Additional Terms and Conditions

1. **Grant of Option.** The Board of Directors (the “Board”) of The Sherwin-Williams Company (the “Company”) has granted an option to you pursuant to a Notice of Award that has been delivered to you. Each option entitles you to purchase from the Company one share of Common Stock of the Company at the Option Price per share in accordance with the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015, the “Plan”), the related Prospectus, the Notice of Award, these Additional Terms and Conditions, and such other rules and procedures as may be adopted by the Company. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. **Vesting of Option .** (A) The option (unless terminated as hereinafter provided) shall be exercisable only to the extent of one-third of the shares after you shall have been in the continuous employ of the Company or any Subsidiary for one full year from the Date of Grant and to the extent of an additional one-third of such shares after each of the next two successive full years thereafter during which you shall have been in the continuous employ of the Company or any Subsidiary.

(B) Notwithstanding Section 2(A) above, the option shall become immediately exercisable in full if you should die while in the employ of the Company or any Subsidiary.

(C) Notwithstanding Section 2(A) above, if you should “Retire” while in the employ of the Company or any Subsidiary, you shall be treated as being in the continuous employ with the Company or any Subsidiary during your “Retirement” for purposes of this Section 2 and, as a result, the option shall continue to vest and become exercisable on the dates set forth in Section 2(A) above notwithstanding your Retirement. The terms “Retire” or “Retirement” as used in these Additional Terms and Conditions means your cessation of employment with the Company or any Subsidiary after: (1) the attainment of age 65; (2) the attainment of age 55-59 with at least twenty (20) years of service with the Company or any Subsidiary; or (3) the attainment of age 60 or older and your combination of age and years of service with the Company or any Subsidiary equals at least 75.

(D) Notwithstanding Section 2(A) above, in the event of a “Change of Control” of the Company, as defined in Section 2(f) of the Plan, any unvested number of options shall vest and become exercisable in accordance with Section 12 of the Plan.

3. **Exercisability of Option** . Notwithstanding anything herein to the contrary:

(A) Except as otherwise provided in Section 3(B) below, the option shall terminate and cease to be exercisable to the extent vested on the earliest of the following dates:

- (i) The date on which you cease to be an employee of the Company or a Subsidiary, unless you cease to be such employee by reason of (a) death, (b) disability or (c) Retirement;
- (ii) Three years after the date of your death if (a) you die while an employee of the Company or a Subsidiary or (b) you die following your Retirement;
- (iii) Three years after the date you are terminated by the Company or a Subsidiary as a result of expiration of available disability leave of absence pursuant to applicable Company policy due to sickness or bodily injury;
- (iv) Ten years from the Date of Grant; or
- (v) The date on which you knowingly or willfully engage in misconduct, which is materially harmful to the interests of the Company or a Subsidiary as determined by the Board.

(B) Notwithstanding anything in these Additional Terms and Conditions to the contrary, but subject to applicable law, if and only if, at 4:15 p.m. ET on the date on which the option would otherwise terminate pursuant to Section 3(A)(iv) above (the "Option Expiration Date"), (i) the closing sales price of one share of Common Stock on the principal stock exchange on which the Common Stock is then listed as of the Option Expiration Date (or, if there are no sales of Common Stock on such Option Expiration Date, on the next preceding trading day during which a sale of Common Stock occurred) exceeds the Option Price per share, (ii) to the extent the option is exercisable and you have not exercised the option, and (iii) to the extent the option has not otherwise expired, terminated, or been cancelled or forfeited, then the Company will deem such remaining exercisable portion of the option to have been exercised by you on the Option Expiration Date (and prior to the option's termination) at such time ("Automatic Exercise"). Further to such Automatic Exercise, payment of the aggregate Option Price for such Automatic Exercise and any applicable withholding taxes in connection with such Automatic Exercise will be deemed to have been made by the Company withholding a number of shares of Common Stock otherwise issuable in connection with such Automatic Exercise that are equal in value to the amount necessary to satisfy such aggregate Option Price payment and minimum required withholding taxes. To clarify, upon Automatic Exercise, the Company will deliver to you the number of whole shares of Common Stock resulting from such Automatic Exercise less a number of shares of Common Stock equal in value to (x) the aggregate Option Price plus (y) any minimum required withholding taxes;

provided, however, that any fractional share otherwise deliverable to you will be settled in cash.

4. **Exercise and Payment of Option** . To the extent exercisable, the option may be exercised in whole or in part from time to time by giving appropriate notice (in any form prescribed by the Company). The Option Price shall be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company by you of nonforfeitable, unrestricted shares of Common Stock of the Company owned by you and having an aggregate fair market value at the time of exercise of the option equal to the total Option Price of the shares of Common Stock which are the subject of such exercise, (iii) through a special sale and remittance procedure pursuant to which you shall concurrently provide irrevocable instructions (A) to a brokerage firm (with such brokerage firm reasonably satisfactory to the Company for purposes of administering such procedure in compliance with any applicable pre-clearance or pre-notification requirements) to effect the immediate sale of the purchased shares of Common Stock of the Company and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares of Common Stock of the Company plus all applicable taxes required to be withheld by the Company by reason of such exercise and (B) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm on the settlement date in order to complete the sale, (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Board.

5. **Transferability, Binding Effect** . The option is not transferable by you otherwise than by will or the laws of descent and distribution, and in no event shall this award be transferred for value. Except as otherwise determined by the Board, this option is exercisable, during your lifetime, only by you or, in the case of your legal incapacity, only by your guardian or legal representative. These Additional Terms and Conditions bind you and your guardians, legal representatives and heirs.

6. **Compliance with Law** . The option shall not be exercisable if such exercise would involve a violation of any law.

7. **Withholding; Taxes** . If the Company shall be required to withhold any federal, state, local or foreign tax in connection with exercise of the option, it shall be a condition to such exercise that you pay or make provision satisfactory to the Company for payment of all such taxes. Notwithstanding any other provision of this option award or the Plan, the Company shall not be obligated to guarantee any particular tax result for you with respect to any award and/or payment provided to you hereunder, and you shall be responsible for any taxes imposed on you with respect to such award and/or payment.

8. **No Right to Future Awards or Employment** . The option award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. The option award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon you any right with respect to continuance of employment or other service with the

Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate your employment or other service at any time.

9. **Severability** . If any provision of these Additional Terms and Conditions or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of these Additional Terms and Conditions and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

10. **Governing Law**. These Additional Terms and Conditions shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

11. **Application of The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy** . You acknowledge and agree that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in these Additional Terms and Conditions by reference. To the extent the Policy is applicable to you, it creates additional rights for the Company with respect to your option award. In addition, and notwithstanding any other provision in these Additional Terms and Conditions, you further acknowledge and agree that any options subject to recovery under any law, governmental regulation, stock exchange listing requirement or other Company policy shall be subject to such deductions, recoupment and/or claw-back as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or other policy which may operate to create additional rights for the Company with respect to your option award.

12. **Electronic Delivery** . The Company may, in its sole discretion, deliver any documents relating to your options and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

13. **Construction** . Your option award is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and these Additional Terms and Conditions, the terms of the Plan shall control.

14. **Compliance with Laws and Regulations; No Shareholder Rights** . The issuance of shares of Common Stock pursuant to your exercise of your option shall be subject to compliance by you with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Company's Common Stock may be listed for trading at the time of such issuance. Neither you, nor any person entitled to exercise your rights in the event of your death, shall have any of the rights and/or privileges of a

shareholder with respect to shares of the Company's Common Stock subject to the option, until certificates for such shares have been issued upon the exercise of the option.

15. **Binding Effect; No Third Party Beneficiaries** . These Additional Terms and Conditions shall be binding upon and inure to the benefit of the Company and you and each of our respective heirs, representatives, successors and permitted assigns. These Additional Terms and Conditions shall not confer any rights or remedies upon any person other than the Company and you and each of our respective heirs, representatives, successor and permitted assigns.

16. **Notice** . Any notice required to be given or delivered to the Company under the terms of these Additional Terms and Conditions shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to you shall be in writing and addressed to you at your most recent address set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

17. **Section 409A** . The option is intended to be excepted from coverage under Section 409A of the Code ("Section 409A") and shall be administered, interpreted and construed accordingly. The Company may, in its sole discretion and without your consent, modify or amend these Additional Terms and Conditions, impose conditions on the timing and effectiveness of the exercise of the option by you, or take any other action it deems necessary or advisable, to cause the option to be excepted from Section 409A (or to comply therewith to the extent the Company determines it is not excepted). Notwithstanding the foregoing, you recognize and acknowledge that Section 409A may impose upon you certain taxes or interest charges for which you are and shall remain solely responsible.

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AS AMENDED AND RESTATED FEBRUARY 17, 2015)

Incentive Stock Option Award - Additional Terms and Conditions

1. **Grant and Nature of Option.** The Board of Directors (the “Board”) of The Sherwin-Williams Company (the “Company”) has granted an option to you pursuant to a Notice of Award that has been delivered to you. The option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Each option entitles you to purchase from the Company one share of Common Stock of the Company at the Option Price per share in accordance with the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015, the “Plan”), the related Prospectus, the Notice of Award, these Additional Terms and Conditions, and such other rules and procedures as may be adopted by the Company. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. **Vesting of Option .** (A) The option (unless terminated as hereinafter provided) shall be exercisable only to the extent of one-third of the shares after you shall have been in the continuous employ of the Company or any Subsidiary for one full year from the Date of Grant and to the extent of an additional one-third of such shares after each of the next two successive full years thereafter during which you shall have been in the continuous employ of the Company or any Subsidiary.

(B) Notwithstanding Section 2(A) above, the option shall become immediately exercisable in full if you should die while in the employ of the Company or any Subsidiary.

(C) Notwithstanding Section 2(A) above, if you should “Retire” while in the employ of the Company or any Subsidiary, you shall be treated as being in the continuous employ with the Company or any Subsidiary during your “Retirement” for purposes of this Section 2 and, as a result, the option shall continue to vest and become exercisable on the dates set forth in Section 2(A) above notwithstanding your Retirement. The terms “Retire” or “Retirement” as used in these Additional Terms and Conditions means your cessation of employment with the Company or any Subsidiary after: (1) the attainment of age 65; (2) the attainment of age 55-59 with at least twenty (20) years of service with the Company or any Subsidiary; or (3) the attainment of age 60 or older and your combination of age and years of service with the Company or any Subsidiary equals at least 75.

(D) Notwithstanding Section 2(A) above, in the event of a “Change of Control” of the Company, as defined in Section 2(f) of the Plan, any unvested number of options shall vest and become exercisable in accordance with Section 12 of the Plan.

3. **Exercisability of Option.** Notwithstanding anything herein to the contrary:

(A) Except as otherwise provided in Section 3(B) below, the option shall terminate and cease to be exercisable to the extent vested on the earliest of the following dates:

- (i) The date on which you cease to be an employee of the Company or a Subsidiary, unless you cease to be such employee by reason of (a) death, (b) disability or (c) Retirement;
- (ii) Three years after the date of your death if (a) you die while an employee of the Company or a Subsidiary or (b) you die following your Retirement;
- (iii) Three years after the date you are terminated by the Company or a Subsidiary as a result of expiration of available disability leave of absence pursuant to applicable Company policy due to sickness or bodily injury;
- (iv) Ten years from the Date of Grant; or
- (v) The date on which you knowingly or willfully engage in misconduct, which is materially harmful to the interests of the Company or a Subsidiary as determined by the Board.

(B) Notwithstanding anything in these Additional Terms and Conditions to the contrary, but subject to applicable law, if and only if, at 4:15 p.m. ET on the date on which the option would otherwise terminate pursuant to Section 3(A)(iv) above (the "Option Expiration Date"), (i) the closing sales price of one share of Common Stock on the principal stock exchange on which the Common Stock is then listed as of the Option Expiration Date (or, if there are no sales of Common Stock on such Option Expiration Date, on the next preceding trading day during which a sale of Common Stock occurred) exceeds the Option Price per share, (ii) to the extent the option is exercisable and you have not exercised the option, and (iii) to the extent the option has not otherwise expired, terminated, or been cancelled or forfeited, then the Company will deem such remaining exercisable portion of the option to have been exercised by you on the Option Expiration Date (and prior to the option's termination) at such time ("Automatic Exercise"). Further to such Automatic Exercise, payment of the aggregate Option Price for such Automatic Exercise and any applicable withholding taxes in connection with such Automatic Exercise will be deemed to have been made by the Company withholding a number of shares of Common Stock otherwise issuable in connection with such Automatic Exercise that are equal in value to the amount necessary to satisfy such aggregate Option Price payment and minimum required withholding taxes. To clarify, upon Automatic Exercise, the Company will deliver to you the number of whole shares of Common Stock resulting from such Automatic Exercise less a number of shares of Common Stock equal in value to (x) the aggregate Option Price plus (y) any minimum required withholding taxes; provided, however, that any fractional share otherwise deliverable to you will be settled in cash.

4. **Exercise and Payment of Option** . To the extent exercisable, the option may be exercised in whole or in part from time to time by giving appropriate notice (in any form prescribed by the Company). The Option Price shall be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company by you of nonforfeitable, unrestricted shares of Common Stock of the Company owned by you and having an aggregate fair market value at the time of exercise of the option equal to the total Option Price of the shares of Common Stock which are the subject of such exercise, (iii) through a special sale and remittance procedure pursuant to which you shall concurrently provide irrevocable instructions (A) to a brokerage firm (with such brokerage firm reasonably satisfactory to the Company for purposes of administering such procedure in compliance with any applicable pre-clearance or pre-notification requirements) to effect the immediate sale of the purchased shares of Common Stock of the Company and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares of Common Stock of the Company plus all applicable taxes required to be withheld by the Company by reason of such exercise and (B) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm on the settlement date in order to complete the sale, (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Board.

5. **Designation as Incentive Stock Option** . The option is designated as an incentive stock option under Section 422 of the Code. Notwithstanding the foregoing: (i) the option shall not qualify as an incentive stock option under the Code if (A) you make a disposition of the Common Stock you receive upon exercise of the option within two years from the date of grant or within one year after the transfer of such Common Stock to you, or (B) you are not an employee of the Company or its Subsidiaries on the day that is three months (or 12 months in the event of your disability (within the meaning of Section 22(e) (3) of the Code)) before the date you exercise the option; and (ii) if the aggregate fair market value of the Common Stock on the Date of Grant with respect to which incentive stock options are exercisable for the first time by you during any calendar year under the Plan or any other stock option plan of the Company or a parent or subsidiary exceeds \$100,000, then the option, as to the excess, shall be treated as a non-qualified stock option that does not meet the requirements of Section 422 of the Code. If and to the extent that the option fails to qualify as an incentive stock option under the Code, the option shall remain outstanding according to its terms as a non-qualified stock option. You acknowledge and agree that (A) favorable incentive stock option tax treatment is available only if the option is exercised while you are an employee of the Company or a parent or subsidiary of the Company or within a period of time specified in the Code after you cease to be an employee, (B) you are responsible for the income tax consequences of the option and, among other tax consequences, you understand that you may be subject to the alternative minimum tax under the Code in the year in which the option is exercised, (C) you will consult with your tax adviser regarding the tax consequences of the option, and (D) you shall immediately notify the Company in writing, and provide the Company with any information requested by it, if you sell or otherwise dispose of any shares of the Company's Common Stock acquired upon the exercise of the option and such sale or other disposition occurs on or before the later of (i) two years after the date of grant or (ii) one year after the exercise of the option.

6. **Transferability, Binding Effect** . The option is not transferable by you otherwise than by will or the laws of descent and distribution, and in no event shall this award be

transferred for value. This option is exercisable, during your lifetime, only by you. These Additional Terms and Conditions bind you and your guardians, legal representatives and heirs.

7. **Compliance with Law** . The option shall not be exercisable if such exercise would involve a violation of any law.

8. **Withholding; Taxes** . If the Company shall be required to withhold any federal, state, local or foreign tax in connection with exercise of the option, it shall be a condition to such exercise that you pay or make provision satisfactory to the Company for payment of all such taxes. Notwithstanding any other provision of this option award or the Plan, the Company shall not be obligated to guarantee any particular tax result for you with respect to any award and/or payment provided to you hereunder, and you shall be responsible for any taxes imposed on you with respect to such award and/or payment.

9. **No Right to Future Awards or Employment** . The option award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. The option award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon you any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate your employment or other service at any time.

10. **Severability** . If any provision of these Additional Terms and Conditions or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of these Additional Terms and Conditions and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

11. **Governing Law**. These Additional Terms and Conditions shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

12. **Application of The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy** . You acknowledge and agree that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in these Additional Terms and Conditions by reference. To the extent the Policy is applicable to you, it creates additional rights for the Company with respect to your option award. In addition, and notwithstanding any other provision in these Additional Terms and Conditions, you further acknowledge and agree that any options subject to recovery under any law, governmental regulation, stock exchange listing requirement or other Company policy shall be subject to such deductions, recoupment and/or claw-back as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement, or other policy which may operate to create additional rights for the Company with respect to your option award.

13. **Electronic Delivery** . The Company may, in its sole discretion, deliver any documents relating to your options and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

14. **Construction** . Your option award is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and these Additional Terms and Conditions, the terms of the Plan shall control.

15. **Compliance with Laws and Regulations; No Shareholder Rights** . The issuance of shares of Common Stock pursuant to your exercise of your option shall be subject to compliance by you with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Company's Common Stock may be listed for trading at the time of such issuance. Neither you, nor any person entitled to exercise your rights in the event of your death, shall have any of the rights and/or privileges of a shareholder with respect to shares of the Company's Common Stock subject to the option, until certificates for such shares have been issued upon the exercise of the option.

16. **Binding Effect; No Third Party Beneficiaries** . These Additional Terms and Conditions shall be binding upon and inure to the benefit of the Company and you and each of our respective heirs, representatives, successors and permitted assigns. These Additional Terms and Conditions shall not confer any rights or remedies upon any person other than the Company and you and each of our respective heirs, representatives, successor and permitted assigns.

17. **Notice** . Any notice required to be given or delivered to the Company under the terms of these Additional Terms and Conditions shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to you shall be in writing and addressed to you at your most recent address set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

18. **Section 409A** . The option is intended to be excepted from coverage under Section 409A of the Code ("Section 409A") and shall be administered, interpreted and construed accordingly. The Company may, in its sole discretion and without your consent, modify or amend these Additional Terms and Conditions, impose conditions on the timing and effectiveness of the exercise of the option by you, or take any other action it deems necessary or advisable, to cause the option to be excepted from Section 409A (or to comply therewith to the extent the Company determines it is not excepted). Notwithstanding the foregoing, you recognize and acknowledge that Section 409A may impose upon you certain taxes or interest charges for which you are and shall remain solely responsible.

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AMENDED AND RESTATED AS OF FEBRUARY 17, 2015)

Restricted Stock Units Award Agreement

Grantee: _____

Date of Grant: _____

Date of Vesting: _____

Target number of Performance-Based EPS RSUs ("Target EPS RSUs"): _____

Target number of Performance-Based RONAE RSUs ("Target RONAE RSUs"): _____

Total number of Performance-Based Restricted Stock Units ("Total RSUs"): _____

1. **Grant of Restricted Stock Units.** The Board of Directors (the "Board") of The Sherwin-Williams Company (the "Company") or its delegate has granted to you ("Grantee") the Restricted Stock Units awards (the "RSUs") set forth above in accordance with the terms of this Restricted Stock Units Award Agreement (this "Agreement") and the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of February 17, 2015) (the "Plan"), the related Prospectus and any Prospectus Supplement, and such other rules and procedures as may be adopted by the Company. The Total RSUs consist of the Target EPS RSUs and Target RONAE RSUs (collectively, the "Target RSUs"), as set forth above. Capitalized terms used herein without definition or other identification shall have the meanings assigned to them in the Plan.

2. **Vesting of RSUs.**

(A) **Vesting of Performance-Based EPS RSUs.** Subject to Section 3 hereof, provided Grantee is continuously employed with the Company or a Subsidiary from the Date of Grant through the Date of Vesting, inclusive (the "Restriction Period"), in Grantee's present position or in such other position that, as the Board may determine, entitles Grantee to retain the rights under this grant (each such position being hereinafter referred to as a "Participating Position"), a percentage ranging from 0% to 200% of the Target EPS RSUs shall become nonforfeitable ("Vested," "Vested RSUs" or similar terms) in accordance with the relative level of achievement of the Management Objective set forth below (the "Vesting Percentage") and shall be settled in accordance with the terms of Section 4 hereof. The determination of the Vesting Percentage shall be made after such time as the Board has obtained the information, made the decisions, and completed the calculations necessary to make such determination. The Vesting Percentage is based upon the Company's Earnings Per Share ("Cumulative EPS") during the three-year period ending on December 31 of the most recently completed fiscal year prior to the Date of Vesting (the "Measurement Period"), as determined in accordance with the following table:

<u>Cumulative EPS</u>	<u>Vesting Percentage</u>
Equal to or greater than	200%
	175%
	150%
	125%
	100%
	88%
	75%
	63%
	50%
	38%
	25%
Less than	0%

When the Cumulative EPS results during the Measurement Period fall between the table values, straight-line mathematical interpolation will be used to determine the Vesting Percentage calculated to the nearest hundredth of a percentage. The manner in which the Board will determine Cumulative EPS during the Measurement Period is set forth on Exhibit A attached hereto.

(B) **Vesting of Performance-Based RONAE RSUs.** Subject to Section 3 hereof, provided Grantee is continuously employed with the Company or a Subsidiary during the Restriction Period, in Grantee's Participating Position, a percentage ranging from 0% to 200% of the Target RONAE RSUs shall become Vested in accordance with the Vesting Percentage (as set forth below) and shall be settled in accordance with the terms of Section 4 hereof. The determination of the Vesting Percentage shall be made after such time as the Board has obtained the information, made the decisions, and completed the calculations necessary to make such determination. The Vesting Percentage is based upon the Company's Return On Net Assets Employed ("Average Annual RONAE") during the Measurement Period, as determined in accordance with the following table:

<u>Average Annual RONAE</u>	<u>Vesting Percentage</u>
Equal to or greater than	200%
	175%
	150%
	125%
	100%
	88%
	75%
	63%
	50%
	38%
	25%
Less than	0%

When the Average Annual RONAE results during the Measurement Period fall between the table values, straight-line mathematical interpolation will be used to determine the Vesting Percentage calculated to the nearest hundredth of a percentage. The manner in which the Board will determine Average Annual RONAE during the Measurement Period is set forth on Exhibit B attached hereto.

3. **Termination of Rights to Total RSUs; Acceleration of Vesting.** Notwithstanding anything herein to the contrary:

(A) On the date Grantee ceases to be continuously employed in any Participating Position(s) at any time during the Restriction Period, the Total RSUs shall be forfeited and Grantee shall forfeit and lose all rights to the Total RSUs that are not Vested as of such date, except as otherwise provided below:

(i) In the event of the death of Grantee during the Restriction Period, the greater of (I) 100% of the Target RSUs or (II) the Vesting Percentage of the Target RSUs based on the actual Cumulative EPS and Average Annual RONAE measured as of the end of the last completed fiscal quarter preceding the date of Grantee's death and the projected forecast of Cumulative EPS and Average Annual RONAE over the remaining Restriction Period, shall immediately be Vested.

(ii) In the event Grantee becomes Disabled, the greater of (I) 100% of the Target RSUs or (II) the Vesting Percentage of the Target RSUs based on the actual Cumulative EPS and Average Annual RONAE measured as of the end of the last completed fiscal quarter preceding the date on which Grantee becomes Disabled and the projected forecast of Cumulative EPS and Average Annual RONAE over the remaining Restriction Period, shall immediately be Vested.

(iii) In the event Grantee's employment terminates as a result of "Retirement," all rights of Grantee under this grant with respect to the Target RSUs shall continue as if Grantee had continued employment in a Participating Position, and the Vesting Percentage of the Target RSUs will be determined as if Grantee had remained employed in a Participating Position throughout the Restriction Period. "Retirement" shall be defined as: (x) the attainment of age 65; (y) the attainment of age 55-59 with at least twenty (20) years of service with the Company or a Subsidiary; or (z) the attainment of age 60 or older and the Grantee's combination of age and service with the Company or any Subsidiary equals at least 75.

(iv) Notwithstanding Section 2 above, in the event of a Change of Control, the Total RSUs shall Vest on fulfillment of the conditions specified in Section 12 of the Plan, and, for clarification in this regard, the phrase "as if 100% of the Management Objectives have been achieved" contained in Section 12 of the Plan, as applied to this Agreement, means as if all Management Objectives have been achieved (i.e., achievement at or above the maximum target levels set forth in this Agreement).

(B) With respect to a Grantee that is a corporate officer and operating management, in the event Grantee is transferred from a Participating Position, the Board shall have the right to cancel Grantee's rights hereunder, continue Grantee's rights hereunder in full, or prorate the number of Total RSUs evidenced hereby for the portion of the Restriction Period completed as of the date of such transfer or as the Board may otherwise deem appropriate. In the event Grantee's rights hereunder continue in full or the number of Total RSUs is prorated, the other requirements for Vesting will continue to apply, including that Grantee remain continuously employed by the Company or a Subsidiary through the Date of Vesting, subject to

earlier Vesting pursuant to Section 3(A). Any such Award will be settled in accordance with Section 4.

(C) In the event that Grantee knowingly or willfully engages in misconduct during the Restriction Period, which is materially harmful to the interests of the Company or a Subsidiary, as determined by the Board, all rights of Grantee to the RSUs shall terminate.

4. Settlement of RSUs.

(A) General. Upon satisfaction of the Vesting requirements set forth in Sections 2 and/or 3 hereof, and as soon as administratively practicable following (but no later than thirty (30) days following) the Date of Vesting, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU.

(B) Other Payment Events for Vested RSUs. Notwithstanding Section 4(A), to the extent that prior to the Date of Vesting there are any Vested RSUs pursuant to Section 3 hereof, such Vested RSUs shall be settled prior to the date set forth under Section 4(A) as follows:

(i) Death. In the event of the death of the Grantee during the Restriction Period, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date of Grantee's death.

(ii) Disability. In the event Grantee becomes "Disabled" during the Restriction Period, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date on which Grantee becomes Disabled. "Disabled" shall mean that Grantee (x) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (y) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.

(iii) Change of Control. In the event of a Change of Control during the Restriction Period, Vested RSUs shall be settled in accordance with Section 12 of the Plan. Notwithstanding any provision of this Agreement or the Plan to the contrary, if Section 409A of the Code applies to the payment and Grantee experiences a termination of employment after the Change of Control resulting in Vested RSUs under Section 12 of the Plan, Grantee is entitled to receive settlement of any Vested RSUs under Section 12 of the Plan on the date that would have otherwise applied pursuant to Sections 4(A), 4(B)(i) or 4(B)(ii) as though such Change of Control had not occurred. Notwithstanding any provision of this Agreement or the Plan to the contrary and to the extent required to comply

with Section 409A, if any Target RSU is Assumed, any outstanding Target RSUs which at the time of the Change of Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be not Assumed and will be payable in accordance with Section 12(b) of the Plan.

5. **Dividend Equivalents; Other Rights.** From and after the Date of Grant and until the earlier of (A) the time when the RSUs Vest and are settled in accordance with Section 4 hereof or (B) the time when Grantee’s rights to the RSUs are forfeited in accordance with Section 3 hereof, on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally, Grantee shall be entitled to a deferred cash payment equal to the value of the product of (x) the dollar amount of the cash dividend paid per share of Common Stock on such date and (y) 200% of the Target RSUs; however, such dividend equivalents (if any) shall be paid in cash, and shall be subject to such other applicable terms and conditions (including payment or forfeitability) as the RSUs based on which the dividend equivalents were credited. The obligations of the Company hereunder will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or cash, as the case may be, in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company hereunder.

6. **No Shareholder/Voting Rights.** Grantee will not be a shareholder of record and shall have no voting rights with respect to shares of Common Stock underlying an RSU prior to the Company’s issuance of such shares following the Date of Vesting or the otherwise applicable settlement date.

7. **Transferability.** During the Restriction Period, Grantee shall not be permitted to sell, transfer, pledge, encumber, assign or dispose of the RSUs.

8. **Withholding; Taxes.** If the Company shall be required to withhold any federal, state, local or foreign tax in connection with the RSUs or the underlying shares of Common Stock, Grantee shall pay or make provision satisfactory to the Company for payment of all such taxes. Notwithstanding any other provision of this Agreement or the Plan, the Company shall not be obligated to guarantee any particular tax result for Grantee with respect to any payment provided to Grantee hereunder, and Grantee shall be responsible for any taxes imposed on Grantee with respect to any such payment.

9. **No Right to Future Awards or Employment.** The grant is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant and any related payments made to Grantee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon Grantee any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate Grantee’s employment or other service at any time.

10. **Nature of Grant.** Grantee acknowledges that (A) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty and (B)

in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the shares received upon settlement including (without limitation) any claim or entitlement resulting from termination of Grantee's active employment by the Company or a Subsidiary (for any reason whatsoever and whether or not in breach of local labor laws) and Grantee hereby releases the Company and its Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the RSUs and this Agreement, Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

11. **Severability.** If any provision of this grant or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this grant and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

12. **Governing Law.** This grant shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction

13. **Recapture/Recoupment Rights and Policies.** Grantee acknowledges and agrees that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in this Agreement by reference. To the extent the Policy is applicable to Grantee, it creates additional rights for the Company with respect to Grantee's RSUs. Notwithstanding any provisions in this Agreement to the contrary, any RSU granted under this Agreement will be subject to mandatory repayment by the Grantee to the Company to the extent the Grantee is, or in the future becomes, subject to (A) any Company clawback or recoupment policy that is adopted to comply with the requirement of any applicable laws, rules or regulations, or otherwise, or (B) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws.

14. **Data Privacy.** Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee's personal data as described in this document by and among, as applicable, Grantee's employer ("Employer") and the Company and its Subsidiaries, for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that Employer and the Company and its Subsidiaries hold (but only process or transfer to the extent required or permitted by local law) the following personal information about Grantee: Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including Fidelity Stock Plan Service LLC, that these recipients may be located in Grantee's country or elsewhere (including countries outside of the European Union or the European Economic Area, such as the

United States of America), and that the recipient's country may have different data privacy laws and protections than those that apply in Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative. Grantee authorizes these recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Grantee may elect to deposit any shares acquired upon vesting or earning of the RSUs. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan and in accordance with local law. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative. Grantee understands, however, that refusing or withdrawing Grantee's consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee hereby understands that Grantee may contact his or her local human resources representative.

15. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. **Compliance with Section 409A of the Code.** The award covered by this Agreement is intended to be excepted from coverage under, or compliant with, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance promulgated thereunder ("Section 409A"). Notwithstanding the foregoing or any other provision of this Agreement or the Plan to the contrary, if the award is subject to the provisions of Section 409A (and not exempted therefrom), the provisions of this Agreement and the Plan shall be administered, interpreted and construed in a manner necessary to comply with Section 409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that the Company may, without the consent of Grantee, modify the Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payment or benefit from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be subject to the imposition of taxes and/or interest thereunder. If, at the time of Grantee's separation from service (within the meaning of Section 409A of the Code), (A) Grantee shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation

(within the meaning of Section 409A of the Code) the settlement of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not settle such amount on the otherwise scheduled settlement date but shall instead settle it, without interest, on the first business day of the month after such six-month period. Notwithstanding the foregoing, the Company makes no representations and/or warranties with respect to compliance with Section 409A, and Grantee recognizes and acknowledges that Section 409A could potentially impose upon Grantee certain taxes and/or interest charges for which Participant is and shall remain solely responsible.

17. **Construction** . This Agreement is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

18. **Compliance with Laws and Regulations** . The issuance of shares of Common Stock pursuant to this Agreement shall be subject to compliance by Grantee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which Company's stock may be listed for trading at the time of such issuance.

19. **Binding Effect; No Third Party Beneficiaries** . This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and Grantee and their respective heirs, representatives, successors and permitted assigns.

20. **Notice** . Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to Grantee shall be in writing and addressed to Grantee at Grantee's most recent address set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage, prepaid and properly addressed to the party to be notified.

Exhibit A

Cumulative Earnings Per Share shall be equal to the sum of the Earnings Per Share (“EPS”) for each fiscal year of the Company during the Measurement Period.

Example :

Year 1 EPS	\$9.00
Year 2 EPS	\$9.40
Year 3 EPS	<u>\$10.00</u>
Cumulative EPS	\$28.40

Cumulative EPS = \$28.40

Exhibit B

Average Annual Return On Net Assets Employed shall be equal to the sum of the Return On Net Assets Employed (“RONAE”) for each fiscal year of the Company during the Measurement Period divided by three.

Example :

Year 1 RONAE	21.00%
Year 2 RONAE	21.50%
Year 3 RONAE	<u>22.00%</u>
Average Annual RONAE	21.50%

Average Annual RONAE = 21.50%



About Us

The Sherwin-Williams Company was founded by Henry Sherwin and Edward Williams in 1866. Today, we are a global leader in the manufacture, development, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers.

The Company manufactures products under well-known brands such as Sherwin-Williams®, Dutch Boy®, Krylon®, Minwax®, Thompson's® Water Seal® and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams® branded products are sold exclusively through more than 4,600 company-operated stores and facilities, while the Company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers and industrial distributors. For more information, visit www.sherwin-williams.com.

The Company is comprised of four reportable segments, which together provide our customers innovative solutions to ensure their success, no matter where they work, or what surfaces they are coating.

Paint Stores Group operates the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the U.S., Canada and the Caribbean.

Latin America Coatings Group manufactures and sells a wide range of architectural paints, industrial coatings and related products throughout Latin America.

Consumer Group sells one of the industry's strongest portfolios of branded and private-label products through retailers primarily in North America and in parts of Europe and Latin America, and also operates a highly efficient and productive global supply chain for paint, coatings and related products.

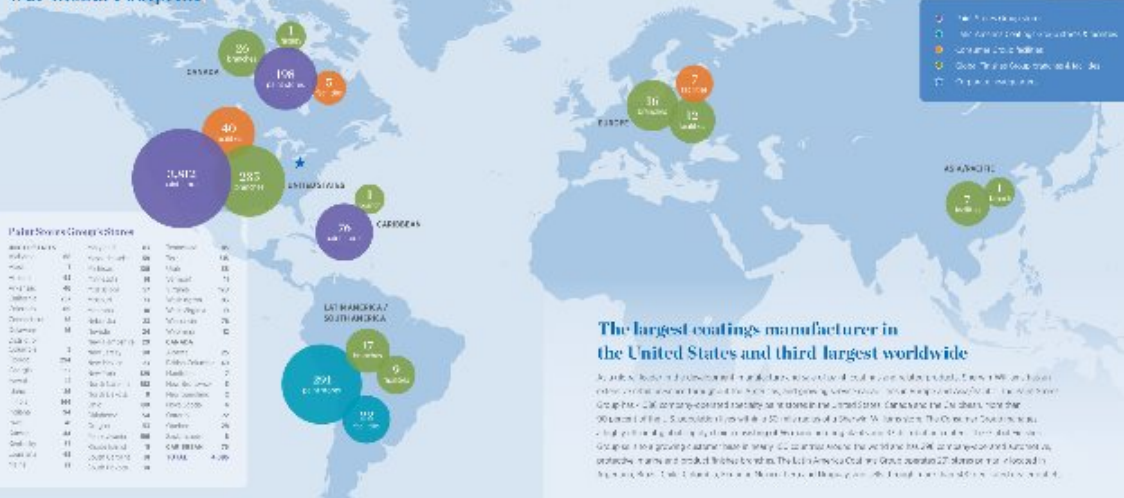
Global Finishes Group manufactures and sells a wide range of OEM product finishes, protective and marine coatings, and automotive finishes to a growing customer base in nearly 100 countries.

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The Sherwin-Williams Company is an equal opportunity employer that recruits, selects and hires on the basis of individual qualifications and prohibits unlawful discrimination based on race, color, religion, sex, national origin, protected veteran status, disability, age, sexual orientation or any other consideration made unlawful by federal, state or local laws.

Our Global Footprint



The largest coatings manufacturer in the United States and third largest worldwide

As the 1990s unfolded, the political and economic landscape in the United States changed. The 1990s saw the end of the Cold War, the Gulf War, and the rise of the Internet. The 1990s also saw the end of the Soviet Union, the fall of the Berlin Wall, and the beginning of the end of apartheid in South Africa. The 1990s were a time of great change and opportunity for the United States and the world.

1001576-2195-04015

Dr. Maria M. T. de Jesus, Jr.
DOCTOR, INTERNATIONAL DOCTORAL DE
DEGREE PROGRAM
Faculty of Science and Technology
University of the Philippines - Diliman
Quezon City, Philippines
1101

FREE-CLINICAL TRIALS

1. *Chrysomelidae*: *Chrysomelidae* (1/2)
 2. *Chrysomelidae*: *Chrysomelidae* (1/2)
 3. *Chrysomelidae*: *Chrysomelidae* (1/2)
 4. *Chrysomelidae*: *Chrysomelidae* (1/2)
 5. *Chrysomelidae*: *Chrysomelidae* (1/2)
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 9. *Chrysomelidae*: *Chrysomelidae* (1/2)
 10. *Chrysomelidae*: *Chrysomelidae* (1/2)

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myObj.foo;`
3. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.baz;`
4. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.foo + myObj.baz;`
5. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.foo + myObj.baz + myObj.foo;`
6. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.foo + myObj.baz + myObj.foo + myObj.baz;`
7. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.foo + myObj.baz + myObj.foo + myObj.baz + myObj.foo;`
8. `var myObj = { foo: 'bar', baz: 'qux' };
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9. `var myObj = { foo: 'bar', baz: 'qux' };
myObj.foo + myObj.baz + myObj.foo + myObj.baz + myObj.foo + myObj.baz + myObj.foo;`
10. `var myObj = { foo: 'bar', baz: 'qux' };
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2. *Journal of the American Academy of Child and Adolescent Psychiatry*
 2000;39:1031-1036.
 3. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 4. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 5. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 6. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 7. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 8. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 9. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.
 10. *Journal of the American Academy of Child and Adolescent Psychiatry*
 1999;38:1031-1036.

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Financial Highlights

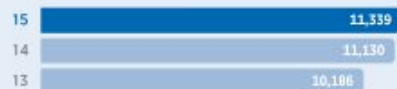
	2015	2014	2013 ⁽¹⁾
Net sales (thousands)	\$11,339,304	\$11,129,533	\$10,185,532
Net income (thousands)	\$ 1,053,849	\$ 865,887	\$ 752,561
Per common share:			
NET INCOME - DILUTED	\$ 11.16	\$ 8.78	\$ 7.26
NET INCOME - BASIC	\$ 11.38	\$ 8.95	\$ 7.41
CASH DIVIDENDS	\$ 2.68	\$ 2.20	\$ 2.00
Average common shares outstanding (thousands)	92,197	96,190	100,898
Return on sales	9.3%	7.8%	7.4%
Return on assets	18.2%	15.2%	11.8%
Return on beginning shareholders' equity	105.8%	48.8%	42.0%
Total debt to capitalization	69.3%	64.4%	49.2%
Interest coverage ⁽²⁾	26.1x	20.6x	18.3x

⁽¹⁾ 2013 Net income and per common share amounts include Brazil tax assessments totaling \$21.9 million, net of tax, or \$.21 per share.

⁽²⁾ Ratio of income before income taxes and interest expense to interest expense.

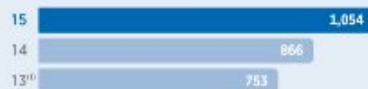
Net Sales

MILLIONS OF DOLLARS

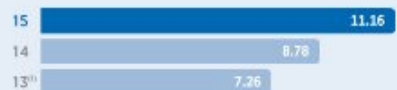


Net Income

MILLIONS OF DOLLARS

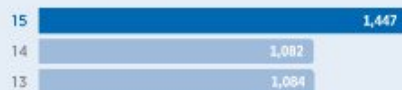


Net Income Per Share - Diluted



Net Operating Cash

MILLIONS OF DOLLARS



Letter to Shareholders

In many ways, 2015 was a successful year for Sherwin-Williams, and a historic one.

It was our fifth consecutive year of record sales and our fourth consecutive year of record earnings. Cash generated from operations surpassed \$1.4 billion – also a record – and we returned nearly \$1.3 billion in cash to shareholders through dividend payments and share repurchases. On the eve of our 150th year in business, our Board of Directors elected John Morikis to serve as the Company's ninth Chief Executive Officer, beginning January 1, 2016.

Consolidated net sales of \$11.34 billion, an increase of 1.9 percent over 2014, set a new record for the Company, but fell well short of our original expectation for high-single-digit percentage growth. One reason for this was stronger foreign currency exchange headwinds than originally anticipated, which reduced full-year sales in U.S. dollars by 3.3 percent. Weaker-than-expected demand in certain industrial coatings categories – particularly those used to maintain oil and gas production and storage assets and mining equipment – and heavy rainfall across much of the country in the second quarter also negatively affected sales volumes.

Slower-than-expected revenue growth for the year did not translate to lower-than-expected profit or cash flow. Our full-year profit before tax, net income, earnings per share and net operating cash all met or exceeded the expectations we set back in January 2015. Profit before taxes grew 23.1 percent to \$1.55 billion, net income increased 21.7 percent to \$1.05 billion and diluted net income per common share increased 27.1 percent to \$11.16 per share, all high-water marks for the Company.

This strong profit performance was partially the result of the progress we made in 2014 to fully integrate the paint stores acquired from Comex and consolidate nonessential Comex manufacturing assets. The result of these efforts, coupled with volume-driven supply chain productivity in North America, good control over selling, general and administrative expenses and lower year-over-year raw material costs, drove our return on sales to new highs in 2015. We expect the incremental benefit to margins of some of these items – most notably the Comex integration – to diminish as we go through 2016.

Net operating cash generated during the year increased 34 percent to \$1.45 billion, thanks in part to strong working capital management by all of our operating segments. Our year-end working capital ratio – accounts receivable plus inventory minus accounts payable, divided by sales – dropped to 8.6 percent of sales from 10.1 percent last year. This improvement was partially due to the transitory impact of accounts payable timing and partially to the progress our Paint Stores Group and Global Supply Chain teams made in integrating the Comex acquisition.

Profit before taxes grew 23.1 percent to \$1.55 billion, net income increased 21.7 percent to \$1.05 billion and diluted net income per common share increased 27.1 percent to \$11.16 per share, all high-water marks for the Company.

The Company acquired 3.575 million shares of its common stock during the year at an average cost of \$278.57 per share and a total investment of just over \$1 billion. At year-end, we had remaining Board authorization to purchase an additional 11.65 million shares. We paid quarterly dividends totaling \$2.68 per share, an increase of 22 percent over 2014, extending our string of dividend increases to 36 consecutive years.

At year-end, our total debt was \$1.96 billion and cash on hand was \$205.7 million, compared with a cash balance of \$40.7 million at the end of 2014.



Christopher M. Connor (right), Executive Chairman, and John G. Morikis (left), President and Chief Executive Officer, on stage at the 2016 Global Sales Meeting

Throughout 2015, we stayed focused on the strategies that we believe will drive our long-term growth in revenues, market share and profitability. They include:

- **Expanding our industry-leading specialty paint stores platform in the U.S., Canada and the Caribbean** with the goal of increasing store density in all markets to improve customer service and product availability.
- **Increasing the penetration of our well-known branded product lines** into independent retail outlets throughout the U.S. and Canada to grow our share of the do-it-yourself paint and coatings market.
- **Broadening and strengthening the retail availability of our products throughout Latin America** by adding dedicated dealer locations in markets where independent dealers are prevalent and opening new company-operated stores in markets where they are not.
- **Growing and differentiating our global product offering in three industrial coatings categories** – OEM product finishes, automotive finishes and protective & marine coatings – with the goal of increasing market share and improving operating scale.

We will continue to make progress in these areas in the years ahead through the efforts of our teams in our four reportable segments.

PAINT STORES GROUP

Our Paint Stores Group is the largest operator of specialty paint stores in North America, servicing the needs of architectural and industrial painting contractors and do-it-yourself homeowners. Net sales for the Group totaled \$7.21 billion for the year, an increase of 5.2 percent over 2014. Comparable-store sales – sales by stores open more than 12 months – increased 4.2 percent during the year. The segment's profit increased 19.3 percent to \$1.43 billion. As a percentage of sales, Paint Stores Group profit increased to a record 19.9 percent, up from the previous record of 17.5 percent set in 2014.

By our estimate, Paint Stores Group grew architectural paint sales volumes at a rate of more than two times the rate of U.S. market growth. These gains were partially offset by lower volumes in protective & marine coatings. Sales to residential repaint contractors grew at a double-digit pace every quarter in 2015, while sales volumes to the new construction and do-it-yourself markets also increased compared with last year.

Our pace of new store openings in 2015 increased our share of total outlets in the dedicated paint store channel. During the year, we opened 83 net new locations, bringing our total store count in the U.S., Canada and the Caribbean at year-end to 4,086 stores. We remain confident that our next

milestone of 5,000 locations in North America is realistic, and we intend to get closer to that goal by opening an additional 90 to 100 stores during 2016. To support this pace of new store growth, we recruited more than 1,200 college graduates into our Management Training Program in 2015.

In October, our Board of Directors elected John G. Morikis to be the Company's Chief Executive Officer, effective January 1, 2016, marking the successful culmination of a multi-year organizational succession plan to identify the absolute best candidate to assume leadership of the Company.

To further enhance our relationships with professional painters, we introduced Sherwin-Williams Pro, an integrated Customer Relationship Management platform that provides painters with access to tools and information to increase their productivity and profitability. Contractors can conveniently manage their accounts via a secured access portal and opt to receive business-enhancing information such as case studies, product specifications, technical literature and promotional information via email, text or print.

For the third consecutive year, the J.D. Power 2015 Paint Satisfaction StudySM ranked Sherwin-Williams "Highest in Customer Satisfaction Among Paint Retailers." This is strong affirmation of our progress in building the most customer-centric retail model in our industry.

LATIN AMERICA COATINGS GROUP

Our Latin America Coatings Group sells a variety of architectural paint, coatings and related products throughout Latin America. Sherwin-Williams[®] and other controlled-brand products are distributed through company-operated specialty paint stores and by a direct sales staff and outside sales representatives to retailers, dealers, licensees and other third-party distributors.

In 2015, unfavorable currency exchange rates in many Latin American countries once again posed a significant challenge to our results in the region. Net sales decreased 18.2 percent to \$631.0 million, despite our efforts to offset currency devaluation through selling price increases. Sales in local currency increased 1.1 percent during the year. Latin America Coatings Group segment profit in U.S. dollars decreased to \$18.5 million from \$40.5 million in 2014. Unfavorable currency translation decreased profit by \$16.0 million in 2015. Segment profit as a percentage of net sales was 2.9 percent in 2015 compared with 5.2 percent in 2014.

As of the end of the year, we had 291 company-operated Sherwin-Williams stores in Latin America, which is a net increase of 15 locations. At the same time, we expanded our dedicated dealer program, adding 13 new stores in Brazil, 14 in Argentina, one in Uruguay, and 58 in Mexico for a total of 575 dedicated dealer locations. The total number of dedicated Sherwin-Williams outlets in Latin America increased to 866 from 765 at the end of 2014.

We debuted two new product lines in 2015 that will be sold in all Latin American countries. Ultra Protección is a new light industrial paint line that delivers the quality, performance and application characteristics consistent with our popular Pro Industrial[™] product line in the U.S. and Canada. Pro Constructor is a new interior flat latex paint that delivers a quality finish with excellent touch-up that withstands the test of time. These two new product lines will better enable us to serve global customers across the Latin America region who demand consistency in product quality, application and performance.

CONSUMER GROUP

The Consumer Group fulfills a dual mission for the Company: supplying branded and private-label products to retailers primarily in North America, and supporting our other businesses around the world with new product research and development, manufacturing, distribution and logistics.

In 2015, Consumer Group sales increased 11.1 percent to \$1.58 billion, aided in large part by sales of the HGTV HOME[®] by Sherwin-Williams product line through Lowe's stores. Segment profit increased 22.1 percent to \$308.8 million, as higher sales and manufacturing volumes drove operating efficiencies across the entire segment. Segment profit margin improved to 19.6 percent of sales from 17.8 percent in 2014.

We launched our HGTV HOME by Sherwin-Williams brand paint program in Lowe's stores nationwide in May 2015. The program features new and improved interior and exterior paint lines available at both Sherwin-Williams company stores and Lowe's stores nationwide, plus exclusive line extensions available only at Lowe's. We view this program as a significant growth opportunity in the years ahead, and we will capitalize on this opportunity by working closely with Lowe's associates in the stores to drive more volume through their paint department.

The Consumer Group leads our worldwide architectural coatings research and development effort, and manages a highly efficient global supply chain consisting of 66 manufacturing plants and 37 distribution centers. During

2015, the Group facilitated the launch of more than 40 new architectural paint products by Paint Stores Group, Latin America Coatings Group and Consumer Group, including Pro Constructor and Ultra Protección, our first Latin America regional product lines, and Paint Shield™, the first EPA-registered microbicial paint.

To date, 29 of our manufacturing and distribution sites have earned the Star certification from the Occupational Safety & Health Administration (OSHA) Voluntary Protection Programs, more than any other paint manufacturer in the U.S. In 2015, our company-operated transport fleet was awarded a Third Place Award for accident prevention from the National Private Truck Council, an impressive feat for a fleet that drove a record 61 million miles last year.

GLOBAL FINISHES GROUP

The Global Finishes Group manufactures and sells industrial coatings, automotive finishes, and protective and marine coatings to a growing customer base in nearly 100 countries around the world. We go to market through independent retailers, jobbers and distributors as well as through our company-operated branches.

Net sales for our Global Finishes Group decreased 7.9 percent to \$1.92 billion in 2015, due primarily to the effect of foreign currency devaluation. Sales in local currency decreased by 0.4 percent. Segment profit was essentially flat at \$201.9 million as a result of good control over selling, general and administrative expenses and lower raw material costs that were mostly offset by unfavorable currency translation that reduced profit by \$26.5 million. Global Finishes Group profit as a percentage of net sales improved to 10.5 percent from 9.7 percent in 2014.

We continue to strengthen and expand our OEM coatings capabilities globally, particularly in our coatings offerings for metal and plastic substrates. Our new Indonesian lab and blending facility, which opened in December 2015, provides technical support and shorter delivery times to customers in this important industrial corridor. We expanded our industrial powder coatings reach and capacity with new manufacturing facilities in Poland and Mexico to support large-volume powder customers in the building products, heavy equipment, electronics, kitchen cabinet, lighting and general finish segments. We were named supplier of the year in 2015 by Power Décor, a leading enterprise in China's forest products industry based in Shanghai.

In Automotive Finishes, we followed up the 2014 launch of our Formula Express® 2.0 global online color formula retrieval system for collision repair and custom paint shops with the 2015 introduction of SkyMatch™, a web-based platform that connects users to thousands of color formulations for aerospace applications.

Chris Connor Assumes Role of Executive Chairman



On January 1, 2016, Chris Connor stepped down as Chief Executive Officer of Sherwin-Williams, a position he has held for the past 16 years. He will remain with the Company in the role of Executive Chairman during this transition period.

Sherwin-Williams is a very different company today than when Chris took over as CEO. Annual sales have more than doubled, from approximately \$5 billion to over \$11 billion, and net income more than tripled to \$1.05 billion from \$304 million. Earnings per share increased to \$11.16 from \$1.80. The Company's market capitalization grew from \$3.5 billion to over \$23 billion. Average annual return to shareholders over Chris's 16-year tenure was approximately 17 percent.

As impressive as these financial results are, the impact Chris has had on the culture of Sherwin-Williams and the spirit of its employees is even more profound and enduring. From the priority he placed on research and development to drive innovation in our industry and create better-performing products, to his unwavering commitment to opening new stores, expanding distribution globally and investing in superior customer service, Chris exemplifies the balance between managing for today and planning for the future. He has fostered teamwork and camaraderie through his daily interactions with employees throughout the Company.

As Executive Chairman, Chris will continue to serve as an ambassador for Sherwin-Williams, strengthening the Company's bond with our employees, customers, suppliers and the communities in which we live and work.

John Morikis Named CEO, Effective January 1, 2016



On January 1, 2016, John Morikis assumed the role of Chief Executive Officer for Sherwin-Williams after being elected to the Company's Board of Directors in October 2015.

John joined Sherwin-Williams in 1984 as a management trainee in the Company's Paint Stores Group. He has held many key leadership positions during his 31-year career with Sherwin-Williams. During his nine-year tenure as President and Chief Operating Officer, which encompassed the most severe housing recession in the U.S. in more than 75 years, the Company grew revenues from \$7.8 billion to \$11.3 billion, and grew earnings per share from \$4.19 to \$11.16. As President of the Paint Stores segment, he led the Group through one of the most aggressive growth phases in Company history. Under his leadership, Paint Stores Group grew from approximately \$3 billion in sales through 2,400 company-operated paint stores to nearly \$5 billion in sales through more than 3,100 stores, bolstering Sherwin-Williams' position as the leading architectural coatings company in North America.

John's appointment as CEO marks the successful culmination of a multi-year organizational succession plan to identify the absolute best candidate to assume leadership of the Company. He has been an important member of our senior leadership team for many years and is one of the key architects of the Company's current organizational structure and strategy. With this transition, John becomes only the ninth CEO in Sherwin-Williams' 150-year history.

Our Protective & Marine coatings business was recognized in 2015 by the Society for Protective Coatings, which selected the Lay Dam project, a hydroelectric power dam near Clanton, Alabama, to receive its outstanding achievement award for the completion of a complex industrial coatings project.

BOARD AND MANAGEMENT CHANGES

In October, our Board of Directors elected John G. Morikis to be the Company's Chief Executive Officer, effective January 1, 2016, as well as a member of the Board. After serving as Chairman and CEO for the past 16 years, I will remain with the Company in the role of Executive Chairman during this transition period.

In July, Steven H. Wunning was elected to our Board of Directors and appointed to serve on the Compensation and Management Development Committee. Mr. Wunning recently retired as Group President of Caterpillar Inc., the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. Steve's extensive operations experience gained during 41 years of service at Caterpillar provides the Board with a valuable, independent perspective. We continue to look forward to the benefits that his breadth of business knowledge and leadership will bring to the Board, our Company and our shareholders during the years to come.

We now have a total of 12 directors on the Board, including 10 independent directors.

Two other key management appointments were announced in 2015. Tim Knight was named Senior Vice President - Corporate Planning, Development and Administration, following the retirement of Steve Oberfeld. Tim joined Sherwin-Williams in 1994 and has held a wide range of leadership roles, most recently Senior Vice President - Administration, with responsibility for a number of corporate functions, including managing our global real estate platform. In addition to his administrative duties, Tim is now responsible for managing and implementing the Company's merger and acquisition strategy and for supervising our strategic and operating planning process.

Tom Gilligan assumed the role of Senior Vice President - Human Resources, replacing Tom Hopkins, who is retiring. Tom Gilligan will be responsible for corporate compensation and benefits, employee relations, organizational development, environmental, health and safety, and employee communications and engagement. For the past 15 years of his 32-year career with Sherwin-Williams, he has served as Senior Vice President - Human Resources for Paint Stores Group. He has been instrumental in shaping our current approaches to talent acquisition and training, diversity and inclusion, and safety, which have resulted in a long-tenured and high-performance workforce.

These executives have proven themselves to be skilled business managers and outstanding leaders over their tenures

with the Company. They bring impressive records of accomplishment to their new roles. On behalf of all Sherwin-Williams employees and shareholders, I would like to thank Steve Oberfeld and Tom Hopkins for their 31 and 34 years, respectively, of exemplary service.

The positive impact that these two talented executives had on our Company over the years cannot be overstated.

OUTLOOK FOR 2016

In many respects, the world looks different today than it did just a few short months ago when the Federal Reserve Bank took its first step toward interest rate normalization. In most advanced economies, a modest, choppy recovery is expected to continue. The picture for emerging markets and developing economies varies, but in most cases remains challenging. Risks to the global outlook continue to revolve around a generalized slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from the decade-long extraordinarily accommodative monetary policy in the United States. If these key challenges are not successfully managed, global growth could be derailed.

Despite these risks to the global economy, paint and coatings demand in most domestic markets remains strong. Eighty percent of homeowners who have set their spending budgets for 2016 plan to spend as much or more on home improvement projects compared with 2015. New residential construction, both single-family and multi-family, and existing home turnover gained momentum throughout the year, which bodes well for 2016. Contracts for new non-residential projects decreased modestly in square footage terms compared with 2014, but remained healthy from a historical perspective.

Outside the U.S., it appears likely that sluggish market conditions and currency devaluation in many Latin American countries and Europe will remain a challenge.

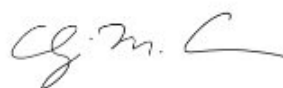
From a profitability standpoint, we should also continue to benefit from domestic paint volume growth, prudent expense control and lower year-over-year raw material costs. Raw materials represent roughly 85 percent of the cost of goods sold for most paint products, and we believe we are likely to see another year of declining commodity costs. Continued weakness in the price of crude oil and downstream derivatives such as propylene and ethylene will have a deflationary effect on petrochemical-based materials such as latex and solvents. Soft global demand and excess inventories of high-grade chloride titanium dioxide suggest pricing

should remain stable for the foreseeable future. Based on these factors, we expect average year-over-year raw material costs for the paint and coatings industry to be down in the mid-single-digit percentage range in 2016.

Our continued focus on better serving a diverse and increasingly global professional customer base, expanding our distribution domestically and abroad, developing new and innovative products, managing expenses and working capital, generating cash, and continuing to invest in our people will enable us to grow and prosper in the year ahead.

We are well-positioned to benefit from the trends we see in the market. Our continued focus on better serving a diverse and increasingly global professional customer base, expanding our distribution domestically and abroad, developing new and innovative products, managing expenses and working capital, generating cash, and continuing to invest in our people will enable us to grow and prosper in the year ahead. We are equally confident that these same factors will continue to produce superior results and returns for our shareholders over the long term.

To all of the dedicated employees of Sherwin-Williams around the world, I offer my heartfelt thanks for your hard work, skills and commitment. It has been an honor and a privilege to serve as your CEO since 1999. We have the best team in the business, and you make the difference in our success. On behalf of all Sherwin-Williams employees, we offer our thanks and appreciation to our shareholders, customers and suppliers for your continued trust and confidence as we celebrate our 150th anniversary in 2016!



Christopher M. Connor
Executive Chairman

2015 At A Glance

63.6%

of total sales



Paint Stores Group

Sherwin-Williams Paint Stores are the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the U.S., Canada and the Caribbean.

5.6%

of total sales



Latin America Coatings Group

Our Latin America Coatings Group manufactures and sells a wide range of architectural paints, industrial coatings and related products throughout Latin America.

13.9%

of total sales



Consumer Group

Our Consumer Group sells one of the industry's strongest portfolios of branded and private-label products through retailers across North America and in parts of Europe and Latin America, and also operates a highly effective global supply chain for paint, coatings and related products.

16.9%

of total sales



Global Finishes Group

The Global Finishes Group manufactures and sells a wide range of OEM product finishes, protective and marine coatings, and automotive finishes to a growing customer base in nearly 100 countries.

PRODUCTS SOLD	MARKETS SERVED	MAJOR BRANDS SOLD	OUTLETS
Paints, stains, coatings, caulks, applicators, wallcoverings, floor coverings, spray equipment and related products	Do-it-yourselfers, professional painting contractors, home builders, property maintenance, healthcare, hospitality, architects, interior designers, industrial, marine, flooring and original equipment manufacturer (OEM) product finishers	Sherwin-Williams®, ProMar®, SuperPaint®, A 100®, Duron®, MAB®, PrepRite®, Duration®, Duration Home®, Harmony®, ProClassic®, Woodscapes®, Cashmere®, HGTV HOME® by Sherwin-Williams, Emerald®, Duracraft®, Solo®, ProIndustrial™, ProPark®, Frazee®, Parker™ Paints, Kwal®, Color Wheel®, General Paint™, Deckscoapes®, ProGreen®	4,086 Paint Stores Group stores in the United States, Canada, Aruba, Jamaica, Puerto Rico, St. Maarten, Trinidad and Tobago and the Virgin Islands
Architectural paints, stains, coatings, varnishes, protective and marine products, wood finishing products, applicators, aerosols, OEM product finishes and related products	Professional painting contractors, independent paint dealers, industrial maintenance, OEM product finishers and do-it-yourselfers	Sherwin-Williams®, Marson®, Metalatex®, Novacor®, Loxon®, Colorgin®, Sumaré®, Condor®, Krylon®, Kern Tone®, Minwax®, Andina®, Napko™, Martin Senour®, Pratt & Lambert®	291 company-owned stores in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay. Distribution through dedicated dealers, home centers, distributors, hardware stores, and through licensees in Argentina, El Salvador, Peru and Venezuela
Branded, private-label and licensed brand paints, stains, varnishes, industrial products, wood finishing products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives, and related products	Do-it-yourselfers, professional painting contractors, industrial maintenance and flooring contractors	Dutch Boy®, Krylon®, Minwax®, Thompson's® WaterSeal®, Pratt & Lambert®, Martin Senour®, H&C®, White Lightning®, Dupli-Color®, Rubbiset®, Purdy®, Best Liebco®, Accurate Dispersions™, Uniflex®, VHT®, Kool Seal®, Snow Roof®, Altac™, Tri-Flow®, Sprayon®, Ronseal®, DuraSeal®, Geocel®, Conco®, Duckback®, Superdeck®, Mason's Select®, HGTV HOME® by Sherwin-Williams	Leading mass merchandisers, home centers, independent paint dealers, hardware stores, craft stores, fine art stores, automotive retailers and industrial distributors in the United States, Canada, Mexico, Poland and United Kingdom
Asset protection products, wood finishes, powder coatings, coatings for plastic and glass, aerosols, high-performance interior and exterior coatings for the automotive, aviation, fleet, heavy truck, material handling, agriculture and construction, and building products markets	Commercial construction, industrial maintenance, OEM applications in military, heavy equipment, electronics, building products, furniture, cabinetry and flooring, automotive jobbers, wholesale distributors, collision repair facilities, dealerships, fleet owners and refinishers, production shops, body builders, manufacturers, and job shops	Sherwin-Williams®, Lazzurli®, Excello®, Baco®, Planet Color®, AWX Performance Plus™, Ultra™, Ultra-Cure®, Martin Senour®, Kem Aqua®, Sher Wood®, Powdura®, Polane®, Euronavy®, Inchem®, Sayerlack®, Firetex®, Macropoxy®, Oece™, Arti™, Acrolon®, Sher-Nar®, PermaClad®, Heat-Flex®, Magnalux™, AIX™, Genesis®, Dimension®, Finish T™, Lanet™, DFL™, Conely™, Envirolastic®, FASTLINE™, AcromaPro®	296 company-operated automotive, industrial and product finishes branches and other operations in the United States, Australia, Belarus, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, India, Ireland, Italy, Lithuania, Malaysia, Mexico, Norway, Peru, Poland, Portugal, Romania, Russia, Singapore, Spain, Sweden, Thailand, Ukraine, United Kingdom and Vietnam. Distribution in 38 other countries through wholly owned subsidiaries, joint ventures, distributors, export options, and licensees of technology, trademarks and trade names

Paint Stores Group

Sherwin-Williams Paint Stores Group is the leading operator of specialty paint stores in North America, with more than 4,000 stores located throughout the U.S., Canada and the Caribbean region. The stores are the exclusive outlets for Sherwin-Williams® branded paints, stains and supplies.

The Paint Stores Group serves a broad customer base including architectural and industrial painting contractors, residential and commercial builders and remodelers, property owners and managers, OEM product finishers and do-it-yourself homeowners. Net sales for the Group increased 5.2 percent to \$7.21 billion in 2015, and segment profit rose 19.3 percent to \$1.43 billion, driven by architectural sales volume growth across every end market segment.

With a focus on developing new technologies to continuously improve product performance, the Paint Stores Group introduced approximately 20 new products during the year, including SuperDeck®, a comprehensive deck care finishing system, featuring premium Duckback® technology, to ensure long-lasting performance, easy cleanup and a beautiful finish. The Group also introduced ProMar® self-priming ceiling paint with a super flat finish, good light reflectivity and efficient spray application for a beautiful finished appearance in less time. In addition, the Sherwin-Williams stores launched Sketch Pad™, a dry erase clear gloss coating that can be easily applied over a previously painted surface to turn any open wall space into an erasable message board.

In October 2015, the Group announced a significant technological breakthrough in the Company's new Paint Shield™ product. Paint Shield is the first EPA-registered microbicidal paint that continuously kills 99.9 percent of certain bacteria, including staph* and E. coli within 2 hours of exposure on painted surfaces. By killing these infectious bacteria, Paint Shield offers customers an important new tool to help combat bacteria that can cause hospital-acquired infections. The effectiveness of Paint Shield lasts for up to four years, as long as the integrity of the surface is maintained. Paint Shield is available in Sherwin-Williams stores in the U.S. as of February 2016.

During 2015, Paint Stores Group also launched ColorSnap®, an integrated color selection system,

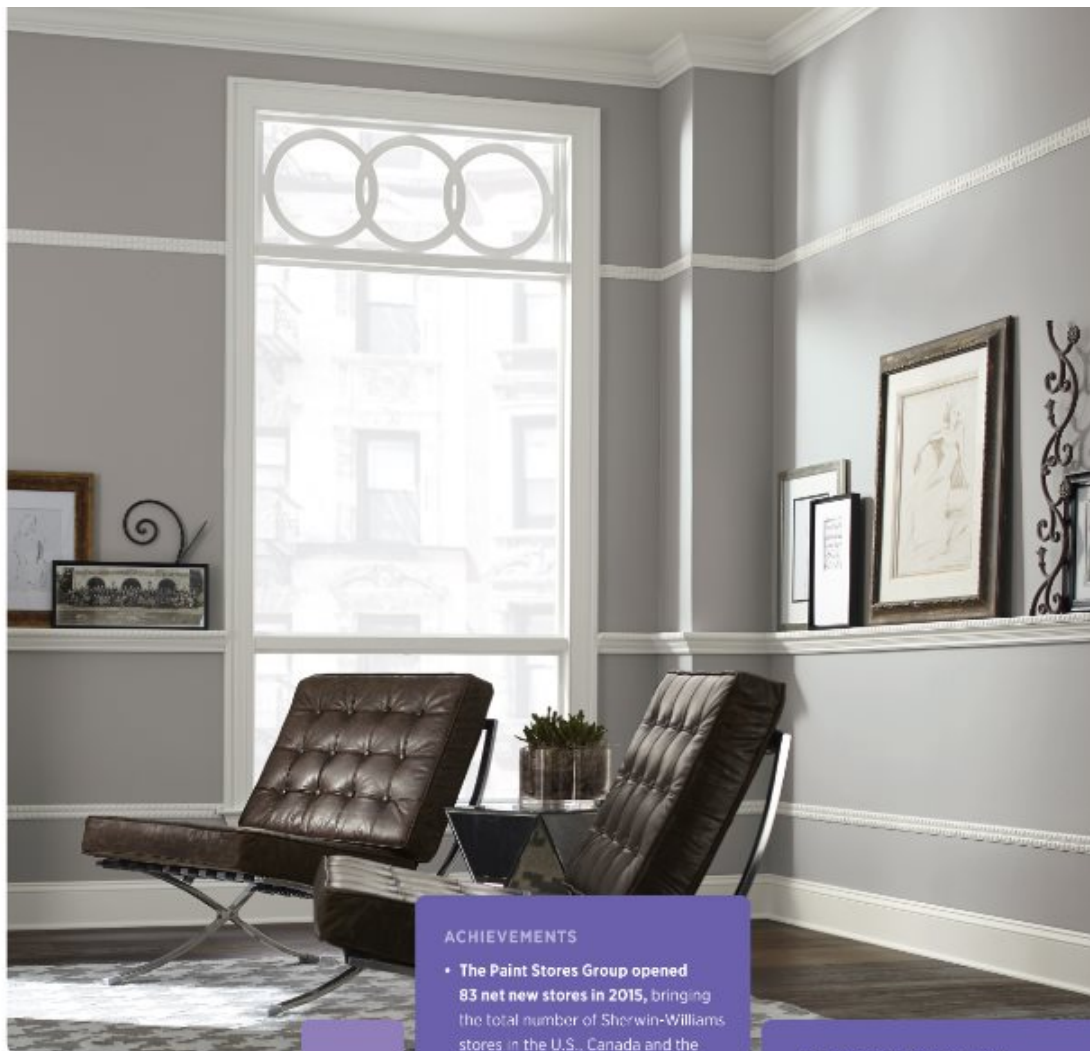
Designed to help consumers and professionals make confident paint color selections in less time, the ColorSnap system includes a mobile app, online color visualizer, designer color tools and in-store display, which combine to provide a completely new way for customers to explore and choose their colors. In addition, the Group's new partnership with Wayfair.com – the largest online retailer of home furnishings in the U.S. – provides paint color recommendations and promotional offers to consumers who are actively involved in the home decorating process.

Paint Stores Group launched the ColorSnap® integrated color selection system (photo at bottom), designed to help consumers and professionals make confident paint color selections.

For painting professionals, the Group introduced Sherwin-Williams Pro – a broad selection of tools and information to help contractors increase their productivity and profitability. Tools include ProBuy+, a mobile app, providing easy access to product savings, store locations, product data sheets and other tools needed to run their business; mys-w.com, where users can check account information and make payments; SMS/text communications; the Pro e-newsletter; Sherwin-Williams' Professional Painting Contractor magazine; and ProDiscounts.



* *Staphylococcus aureus*



ACHIEVEMENTS

- **The Paint Stores Group opened 83 net new stores in 2015**, bringing the total number of Sherwin-Williams stores in the U.S., Canada and the Caribbean to 4,086.
- **Paint Stores Group launched 20 new products**, including SuperDeck® comprehensive deck care finishing system featuring premium Duckback® technology. The ColorSnap® integrated color selection system was also introduced during the year. The Group announced Paint Shield™, the first EPA-registered microbicidal paint, which goes on sale in February 2016.
- **Sherwin-Williams ranked "Highest In Customer Satisfaction Among Paint Retailers"** for the third year in a row in the J.D. Power 2015 Paint Satisfaction Study®.
- **More than 4,600 employees and 2,745 of Sherwin-Williams' stores** participated in community-enhancing projects during National Painting Week.

Sherwin-Williams received the highest numerical scores among paint retailers in the proprietary J.D. Power 2015 - 2015 Paint Satisfaction Study®. J.D. study based on responses from 5,250 customers measuring 7 brands and opinions of customers who purchased paint within the previous 12 months. Proprietary study results are based on experiences and perceptions of consumers surveyed January-February 2015. Your experiences may vary. Visit jdpower.com.

Latin America Coatings Group

The Latin America Coatings Group manufactures and sells a wide range of architectural paints, industrial coatings and related products. Through its company-operated stores, dedicated dealers, home centers, distributors, hardware stores and other retailers, the Group reaches a market of approximately 425 million customers throughout Latin America, including customers in the architectural, protective and marine, product finishes, and automotive markets.

In 2015, Sherwin-Williams continued to expand its presence in Latin America, where the Company is well-known and its brands are highly regarded. For example, Sherwin-Williams is the market leader in architectural paint and wood care in Ecuador. The Company is also the protective and marine products leader in Brazil and Chile through the Company's Sumaré® and Sherwin-Williams® brands, respectively. In the aerosol paint market, the Company's Colorgin brand in Brazil, Marson® brand in Chile and Krylon® brand in Argentina are also market leaders.

The Group debuted two new product lines in 2015 that will be sold in all Latin American countries. The pan-Latin America product offerings streamline ordering and inventory management, and provide global customers with consistent product performance and application. Ultra Protección is a light industrial paint line that delivers the quality, performance and application characteristics consistent with the Company's Pro Industrial™ product line in the U.S. and Canada. Pro Constructor is an interior flat latex paint that delivers a quality finish and excellent durability.



The Latin America Coatings Group opened 15 net new stores in the region in 2015, up from an annual average of three new stores in recent years. As of December 31, 2015, Sherwin-Williams has a total of 291 company-operated stores in Latin America, with 4,545 employees in Argentina, Brazil, Chile,

Sherwin-Williams was selected to supply the paint for a significant portion of new construction on the Olympic Village for the Rio 2016 Summer Olympics (photo at right).

Colombia, Ecuador, Mexico, Peru and Uruguay. Sherwin-Williams also operates 10 manufacturing sites across the region and has subsidiaries in nine countries and licensees with operations in seven countries.

During the year, the Group continued to expand its Dedicated Dealer program in Latin America. Dedicated dealers are independent businesses that predominantly stock Sherwin-Williams branded products supplied by the Latin America Coatings Group. A total of 86 stores joined the program in 2015, including 13 in Brazil, 14 in Argentina, one in Uruguay and 58 in Mexico, generating 17.1 percent growth in sales in gallons. The Latin America Coatings Group now has a total of 866 dedicated Sherwin-Williams outlets in Latin America.

For the year, the Latin America Coatings Group's net sales stated in U.S. dollars decreased 18.2 percent to \$631.0 million, primarily due to unfavorable currency translation rate changes, which decreased sales by 19.3 percent. Segment profit decreased to \$18.5 million compared with \$40.5 million for the prior year, as the impact of foreign currency translation rate changes reduced segment profit by \$16.0 million in 2015.

The Latin America Coatings Group is well-positioned in the region with a competitive advantage due to the strength and popularity of its products and brands. The Group remains focused on growth through dedicated distribution, leveraging technology and best practices, and achieving strong market positions.



ACHIEVEMENTS

- **Latin America Coatings Group opened 15 net new stores** in the region in 2015, up from an annual average of three new stores in recent years.
- **Sales in gallons from the Dedicated Dealer program grew 17.1 percent**, as the program expanded by 86 new stores in 2015. The Group now has a total of 866 dedicated Sherwin-Williams outlets in Latin America.
- **The Group debuted two new product lines in 2015** – Ultra Protección light industrial paint and Pro Constructor interior flat latex paint – which will streamline ordering and inventory management, and provide global customers with consistent product performance and application.

Consumer Group

The Consumer Group offers a strong portfolio of branded and private-label products sold through retailers primarily in North America and in parts of Europe and Latin America. These brands enjoy leading market share positions, with high awareness and preference among do-it-yourself and professional customers. Consumer Group also leads Sherwin-Williams' worldwide architectural coatings research and development effort, and manages a global supply chain consisting of 66 manufacturing plants and 37 distribution centers.

The Consumer Group supplies paint retailers and automotive parts retailers primarily in North America and areas of Europe and Latin America with our well-known branded products, including Thompson's® WaterSeal® exterior waterproofing products, Dutch Boy® and Pratt & Lambert® paint, Minwax® interior wood finishing products, Krylon® aerosol paints, Purdy® paint brushes and rollers, Renseal™ woodcare products, H&C® Concrete decorative stains, Duckback® exterior wood stains, and Dupli-Color™ automotive aerosol paints.

During 2015, the Group launched the HGTV HOME® by Sherwin-Williams brand paint program in 1,760 Lowe's stores in the U.S. This new product line features new and improved interior and exterior paint lines available at Sherwin-Williams company stores and Lowe's stores in the U.S. Consumers can select from 1,100 shades, including 16 designer-inspired color collections, eight of which are exclusive to Lowe's. These color collections are each designed with 20 coordinating colors that work together in any combination, helping homeowners achieve room-to-room harmony in their homes.

Sales of the HGTV HOME by Sherwin-Williams paint product line helped drive an overall 11.1 percent increase in net sales for the Consumer Group in 2015. For the year, net sales were \$1.58 billion, compared with \$1.42 billion in 2014. Segment profit was \$308.8 million in 2015, up from \$252.9 million for the prior year.

Sherwin-Williams' Global Supply Chain supported the launch of more than 40 new products during the year, including the breakthrough Paint Shield™, the first

EPA-registered microbicidal paint; and the Pro Constructor paint line, the Group's first Latin American global product launch. The global supply chain continues to facilitate the sharing of systems, tools, processes and best practices among its 103 manufacturing, distribution and logistics

Sales of the HGTV HOME® by Sherwin-Williams paint product line helped drive an overall 11.1 percent increase in net sales for the Consumer Group in 2015.

locations. To date, 29 of the Company's U.S. sites have earned Star recognition in OSHA's Voluntary Protection Programs, more than any other U.S. paint company. In addition, Sherwin-Williams has 28 facilities globally that are certified to ISO 14001 for environmental management systems and 12 sites globally that are certified to OHSAS 18001 for occupational health and safety management systems. In 2015, the Company formed the Innovation Resource Center to accelerate the sharing of innovative technologies across all Sherwin-Williams business units.





ACHIEVEMENTS

- The Consumer Group launched the HGTV HOME® by Sherwin-Williams brand paint program in 1,760 Lowe's stores in the U.S.
- To date, 29 of the Company's U.S. sites have earned Star recognition in OSHA's Voluntary Protection Programs, more than any other U.S. paint company.
- The Consumer Group participated in the launch of more than 40 new products during the year, including the breakthrough Paint Shield™, the first EPA-registered microbicidal paint; and the Pro-Constructor paint line, the Group's first Latin American global product launch.
- The Company formed the Innovation Resource Center to accelerate the sharing of innovative technologies across all Sherwin-Williams business units.

Global Finishes Group

The Global Finishes Group serves customers across five continents and nearly 100 countries. It operates approximately 300 facilities worldwide, providing a wide range of OEM product finishes, protective and marine coatings, and automotive finishes to a growing global customer base.

Global Finishes Group net sales stated in U.S. dollars decreased 7.9 percent to \$1.92 billion in 2015. Unfavorable currency translation rate changes decreased net sales by 7.5 percent for the year. Segment profit was essentially flat at \$201.9 million compared with \$201.1 million in 2014, as unfavorable foreign currency translation rate changes decreased segment profit by \$26.5 million in 2015. However, segment profit as a percent of sales improved for the year, due to greater operating efficiencies and good expense control.

To meet the needs of a growing OEM customer base, the Group opened several new facilities during 2015, including an Asia headquarters office in Shanghai, a product finishes lab and blending facility in Indonesia, powder plants in Mexico and Poland, a manufacturing facility in Guadalajara, Mexico, and an industrial products lab in Germany. Product introductions for the OEM market included Polane® 8400, a biocompatible and chemically resistant coating for medical devices; Kem Aqua® 8710 water reducible alkyl fast dry enamel system for general industrial markets; Kem Aqua® 5001

and 5002 waterbase fluoropolymer coatings designed for the vinyl window market; and Ultra-Cure® clear and pigmented UV wood coatings for the kitchen cabinet and furniture markets.

Sherwin-Williams continues to lead the protective and marine coatings market in the development of unique and

To meet the needs of a growing customer base, the Global Finishes Group opened an Asia headquarters office in Shanghai, and new facilities in Germany, Indonesia, Mexico and Poland.

differentiated products. The Company is the North American market leader in protective and light industrial coatings. New products introduced during the year included Dura-Plate® 6100, an innovative coating that helps restore crumbling concrete water structures and effectively extend the life of municipalities' water infrastructure assets by many years; and Heat-Flex® 3500, which helps prevent pipe corrosion in refineries and chemical processing plants and provides an extra level of insulation.

In automotive finishes, the Group holds the number-one market share position in vehicle and fleet refinishing in Central and South America. In North America, Sherwin-Williams is among the top three brands in automotive refinishing, and the leader in the production shop segment. During the year, the automotive finishes business introduced new categories of its FASTLINE™ performance- and commercial-grade Associated Products, including safety products, aerosol coatings and automotive detailing products. To serve the aviation industry, Sherwin-Williams expanded its SKYScapes® basecoat-clearcoat paint system, which provides airlines, plane owners and aircraft designers with a broad selection of color options, and enables MRO facilities and their paint shops to offer faster turnaround and adopt lean production techniques. The Group also introduced the SkyMatch™ Color Management System, a web-based platform that connects users to thousands of aerospace color formulations.





ACHIEVEMENTS

- **The Global Finishes Group expanded its OEM capabilities** and reach by opening an Asia headquarters office in Shanghai, and new facilities in Germany, Indonesia, Mexico and Poland.
- **Sherwin-Williams received the 2015 Project-of-the-Year Award** for Weapons Systems and Platforms from the U.S. Department of Defense's Strategic Environmental Research and Development Program (SERDP) for the Company's Chemical Agent Resistant Coatings (CARC) that are solvent-free, emit nearly zero VOCs, can be recycled and are compatible with existing CARC systems.
- **The Society for Protective Coatings** presented Sherwin-Williams Protective & Marine with the prestigious George Campbell Award for the painting of Lay Dam, owned by Alabama Power Company.
- **The Global Finishes Group introduced new categories** of its FASTLINE™ performance- and commercial-grade Associated Products for the automotive finishes market, including safety products, aerosol coatings and automotive detailing products.

Shareholder Returns

COMPARISON OF CUMULATIVE FIVE-YEAR TOTAL RETURN



Peer group of companies comprised of the following: Alcoa Nobel NV, BASF SE, H.B. Fuller Company, Genuine Parts Company, The Home Depot, Inc., Lowe's Companies, Inc., Masco Corporation, Newell Rubbermaid Inc., TPG Industries, Inc., RPM International Inc., Stanley Black & Decker Inc., USG Corporation and The Valspar Corporation.

FIVE-YEAR RETURN

The graph at left compares the cumulative five-year total shareholder return on Sherwin-Williams common stock with the cumulative five-year total return of the companies listed on the Standard & Poor's 500 Stock Index and a peer group of companies selected on a line-of-business basis. The cumulative five-year total return assumes \$100 was invested on December 31, 2010 in Sherwin-Williams common stock, the S&P 500 and the peer group. The cumulative five-year total return, including reinvestment of dividends, represents the cumulative value through December 31, 2015.

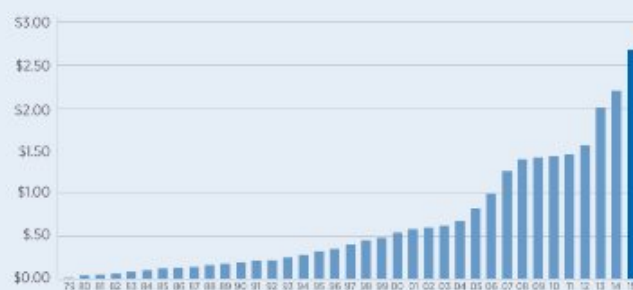
STOCK REPURCHASE (millions of shares)



RETURNING CASH TO SHAREHOLDERS

We have consistently returned a portion of our cash generated from operations to shareholders through cash dividends and share repurchases. In 2015, the Company increased its cash dividend 21.8 percent to \$2.68 per share, marking the 37th consecutive year we increased our dividend. Share repurchases are also an efficient way of returning cash to shareholders in that they return sellers' investment at market value and maximize the value of the remaining shares outstanding. In 2015, we purchased 3.58 million shares on the open market. Over the past 10 years, we have reduced our average diluted common shares outstanding by more than 43 million shares.

DIVIDENDS PER SHARE



FINANCIAL PERFORMANCE



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FINANCIAL SUMMARY

(millions of dollars except as noted and per share data)

	2015	2014	2013	2012	2011
Operations					
Net sales	\$ 11,339	\$ 11,130	\$ 10,186	\$ 9,534	\$ 8,766
Cost of goods sold	5,780	5,965	5,569	5,328	5,021
Selling, general and administrative expenses	3,914	3,823	3,468	3,260	2,961
Impairments and dissolution				4	5
Interest expense	62	64	63	43	42
Income before income taxes	1,549	1,258	1,086	907	742
Net income	1,054	866	753	631	442
Financial Position					
Accounts receivable - net	\$ 1,114	\$ 1,131	\$ 1,098	\$ 1,033	\$ 990
Inventories	1,019	1,034	971	920	927
Working capital - net	517	(114)	630	1,273	99
Property, plant and equipment - net	1,042	1,021	1,021	966	957
Total assets	5,792	5,706	6,383	6,235	5,229
Long-term debt	1,920	1,123	1,122	1,632	639
Total debt	1,963	1,805	1,722	1,705	993
Shareholders' equity	868	996	1,775	1,792	1,517
Per Common Share Information					
Average shares outstanding (thousands)	92,197	96,190	100,898	101,715	103,471
Book value	\$ 9.41	\$ 10.52	\$ 17.72	\$ 17.35	\$ 14.61
Net income - diluted (1)	11.16	8.78	7.26	6.02	4.14
Net income - basic (1)	11.38	8.95	7.41	6.15	4.22
Cash dividends	2.68	2.20	2.00	1.56	1.46
Financial Ratios					
Return on sales	9.3%	7.8 %	7.4%	6.6%	5.0%
Asset turnover	2.0x	2.0x	1.6x	1.5x	1.7x
Return on assets	18.2%	15.2 %	11.8%	10.1%	8.4%
Return on equity (2)	105.8%	48.8 %	42.0%	41.6%	27.5%
Dividend payout ratio (3)	30.5%	30.3 %	33.2%	37.7%	34.7%
Total debt to capitalization	69.3%	64.4 %	49.2%	48.8%	39.6%
Current ratio	1.2	1.0	1.2	1.7	1.0
Interest coverage (4)	26.1x	20.6x	18.3x	22.2x	18.4x
Net working capital to sales	4.6%	(1.0)%	6.2%	13.3%	1.1%
Effective income tax rate (5)	32.0%	31.2 %	30.7%	30.4%	40.4%
General					
Capital expenditures	\$ 234	\$ 201	\$ 167	\$ 157	\$ 154
Total technical expenditures (6)	150	155	144	140	130
Advertising expenditures	338	299	263	247	227
Repairs and maintenance	99	96	87	83	78
Depreciation	170	169	159	152	151
Amortization of intangible assets	28	30	29	27	30
Shareholders of record (total count)	6,987	7,250	7,555	7,954	8,360
Number of employees (total count)	40,706	39,674	37,633	34,154	32,988
Sales per employee (thousands of dollars)	\$ 279	\$ 281	\$ 271	\$ 279	\$ 266
Sales per dollar of assets	1.96	1.95	1.60	1.53	1.68

(1) All earnings per share amounts are presented using the two-class method. See Note 15 .

(2) Based on net income and shareholders' equity at beginning of year.

(3) Based on cash dividends per common share and prior year's diluted net income per common share.

(4) Ratio of income before income taxes and interest expense to interest expense.

(5) Based on income before income taxes.

(6) See Note 1 , page 49 of this report, for a description of technical expenditures.

SUMMARY

The Sherwin-Williams Company, founded in 1866, and its consolidated wholly owned subsidiaries (collectively, the "Company") are engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe and Asia. The Company is structured into four reportable segments – Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group (collectively, the "Reportable Segments") – and an Administrative Segment in the same way it is internally organized for assessing performance and making decisions regarding allocation of resources. See pages 8 through 17 of this report and Note 18, on pages 72 through 75 of this report, for more information concerning the Reportable Segments.

The Company's financial condition, liquidity and cash flow continued to be strong in 2015 as net operating cash topped \$1.000 billion for the third straight year primarily due to improved operating results in our Paint Stores and Consumer Groups. Net working capital increased \$630.9 million at December 31, 2015 compared to 2014 due to a significant decrease in current liabilities and an increase in current assets. Cash and cash equivalents along with cash flow from operations were used primarily to purchase \$1.035 billion in treasury stock. Short-term borrowings decreased \$640.0 million due to strong cash flow and issuance of long-term debt. On July 28, 2015, the Company issued \$400.0 million of 3.45% Senior Notes due 2025 and \$400.0 million of 4.55% Senior Notes due 2045. The proceeds will be used for general corporate purposes, including repayment of a portion of the Company's outstanding short-term borrowings. The Company has been able to arrange sufficient short-term borrowing capacity at reasonable rates, and the Company has sufficient total available borrowing capacity to fund its current operating needs. Net operating cash increased \$365.9 million to \$1.447 billion in 2015 from \$1.082 billion in 2014. Strong net operating cash provided the funds necessary to invest in new stores, manufacturing and distribution facilities, renovate and convert acquired stores, and return cash to shareholders through dividends and treasury stock purchases.

Results of operations for the Company were strong and improved in many areas in 2015, primarily due to an improving domestic architectural paint market. Consolidated net sales increased 1.9 percent in 2015 to \$11.339 billion from \$11.130 billion in 2014 due primarily to higher paint sales volume in the Paint Stores and Consumer Groups. Consolidated gross profit as a percent of consolidated net sales increased to 49.0 percent in 2015 from 46.4 percent in 2014 due primarily to increased paint sales volume and improved operating efficiency. Gross profit in

2014 included a titanium dioxide suppliers antitrust class action lawsuit settlement of \$21.4 million received by the Company in the fourth quarter of 2014 (the "2014 TiO₂ settlement"). Selling, general and administrative expenses (SG&A) increased \$90.6 million in 2015 compared to 2014 and increased as a percent of consolidated net sales to 34.5 percent in 2015 as compared to 34.3 percent in 2014 due primarily due to new stores openings and expenses related to the launch of a new paint program at a national retailer partially offset by foreign currency translation rate fluctuations. Lower average borrowing rates more than offset higher average borrowing levels on total debt throughout 2015 resulting in decreased interest expense of \$2.4 million in 2015. The effective income tax rate was 32.0 percent for 2015 and 31.2 percent for 2014. Diluted net income per common share increased 27.1 percent to \$11.16 per share for 2015 from \$8.78 per share a year ago.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation and fair presentation of the consolidated financial statements, accompanying notes and related financial information included in this report are the responsibility of management. The consolidated financial statements, accompanying notes and related financial information included in this report have been prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements contain certain amounts that were based upon management's best estimates, judgments and assumptions. Management utilized certain outside economic sources of information when developing the bases for their estimates and assumptions. Management used assumptions based on historical results, considering the current economic trends, and other assumptions to form the basis for determining appropriate carrying values of assets and liabilities that were not readily available from other sources. Actual results could differ from those estimates. Also, materially different amounts may result under materially different conditions, materially different economic trends or from using materially different assumptions. However, management believes that any materially different amounts resulting from materially different conditions or material changes in facts or circumstances are unlikely to significantly impact the current valuation of assets and liabilities that were not readily available from other sources.

All of the significant accounting policies that were followed in the preparation of the consolidated financial statements are disclosed in Note 1, on pages 46 through 49, of this report. The following procedures and assumptions utilized by management directly impacted many of the reported amounts in the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Non-Traded Investments

The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities. The Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, and therefore, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the ASC, the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The Company has no ongoing capital commitments, loan requirements or guarantees with the general partners that would require any future cash contributions other than the contractually committed capital contributions that are disclosed in the contractual obligations table on page 29 of this report. See Note 1, on page 46 of this report, for more information on non-traded investments.

Accounts Receivable

Accounts receivable were recorded at the time of credit sales net of provisions for sales returns and allowances. All provisions for allowances for doubtful collection of accounts are included in Selling, general and administrative expenses and were based on management's best judgment and assessment, including an analysis of historical bad debts, a review of the aging of Accounts receivable and a review of the current creditworthiness of customers. Management recorded allowances for such accounts which were believed to be uncollectible, including amounts for the resolution of potential credit and other collection issues such as disputed invoices, customer satisfaction claims and pricing discrepancies. However, depending on how such potential issues are resolved, or if the financial condition of any of the Company's customers were to deteriorate and their ability to make required payments became impaired, increases in these allowances may be required. At December 31, 2015, no individual customer constituted more than 5 percent of Accounts receivable.

Inventories

Inventories were stated at the lower of cost or market with cost determined principally on the last-in, first-out (LIFO) method based on inventory quantities and costs determined during the fourth quarter. Inventory quantities were adjusted during the fourth quarter as a result of annual physical inventory counts taken at all locations. If inventories accounted for on the LIFO method are reduced on a year-over-year basis, then liquidation of certain quantities carried at costs prevailing in prior years occurs. Management recorded the best estimate of net realizable value for obsolete and discontinued inventories based on historical experience and current trends through reductions to inventory cost by recording a provision included in Cost of goods sold. Where management estimated that the reasonable market value was below cost or determined that future demand was lower than current inventory levels, based on historical experience, current and projected market demand, current and projected volume trends and other relevant current and projected factors associated with the current economic conditions, a reduction in inventory cost to estimated net realizable value was made. See Note 3, on page 50 of this report, for more information regarding the impact of the LIFO inventory valuation.

Purchase Accounting, Goodwill and Intangible Assets

In accordance with the Business Combinations Topic of the ASC, the Company used the purchase method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess costs of acquired businesses over the fair values of the assets acquired and liabilities assumed were recognized as Goodwill. The valuations of the acquired assets and liabilities will impact the determination of future operating results. In addition to using management estimates and negotiated amounts, the Company used a variety of information sources to determine the estimated fair values of acquired assets and liabilities including: third-party appraisals for the estimated value and lives of identifiable intangible assets and property, plant and equipment; third-party actuaries for the estimated obligations of defined benefit pension plans and similar benefit obligations; and legal counsel or other experts to assess the obligations associated with legal, environmental and other contingent liabilities. The business and technical judgment of management was used in determining which intangible assets have indefinite lives and in determining the useful lives of finite-lived intangible assets in accordance with the Goodwill and Other Intangibles Topic of the ASC.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performs impairment tests of goodwill and indefinite-lived intangible assets on an annual basis, as well as whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. The qualitative assessment allows companies to skip the annual two-step quantitative test if it is not more likely than not that impairment has occurred based on monitoring key Company financial performance metrics and macroeconomic conditions. The optional qualitative assessment is performed when deemed appropriate.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests goodwill for impairment at the reporting unit level. A reporting unit is an operating segment per the Segment Reporting Topic of the ASC or one level below the operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of an operating segment having similar economic characteristics. At the time of goodwill impairment testing (if performing a quantitative assessment), management determines fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved for each reporting unit. If the calculated fair value is less than the current carrying value, impairment of the reporting unit may exist. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital ("WACC") methodology. The WACC methodology considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Company-specific historical and projected data, develops growth rates, sales projections and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate of all reporting units fair value is reconciled to the total market capitalization of the Company.

The Company had six reporting units with goodwill as of October 1, 2015, the date of the annual impairment test. The fair values of each of the reporting units exceeded their respective carrying values by more than ten percent and no goodwill impairment was recorded in 2015. The Company performed a sensitivity analysis on the discount rate, which is a significant assumption in the calculation of the fair values. With a one percentage point increase in the discount rate, the reporting units would continue to have fair values in excess of their respective carrying values.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests indefinite-lived intangible assets for impairment at the asset level, as determined by appropriate asset valuations at acquisition. Management utilizes the royalty savings method and valuation model to determine the estimated fair value for each indefinite-lived intangible asset or trademark. In this method, management estimates the royalty savings arising from the ownership of the intangible asset. The key assumptions used in estimating the royalty savings for impairment testing include discount rates, royalty rates, growth rates, sales projections and terminal value rates. Discount rates used are similar to the rates developed by the WACC methodology considering any differences in Company-specific risk factors between reporting units and trademarks. Royalty rates are established by management and valuation experts and periodically substantiated by valuation experts. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and sales projections for each significant trademark. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. The royalty savings valuation methodology and calculations used in 2015 impairment testing are consistent with prior years.

The discounted cash flow and royalty savings valuation methodologies require management to make certain assumptions based upon information available at the time the valuations are performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value considering the current economic conditions. See Notes 2 and 4, on pages 50 through 51 of this report, for a discussion of businesses acquired, the estimated fair values of goodwill and identifiable intangible assets recorded at acquisition date and reductions in carrying value of goodwill and indefinite-lived intangible assets recorded as a result of impairment tests in accordance with the Goodwill and Other Intangibles Topic of the ASC.

Property, Plant and Equipment and Impairment of Long-Lived Assets

Property, plant and equipment was stated on the basis of cost and depreciated principally on a straight-line basis using industry standards and historical experience to estimate useful lives. In accordance with the Property, Plant and Equipment Topic of the ASC, if events or changes in circumstances indicated that the carrying value of long-lived assets may not be recoverable or the useful life had changed, impairment tests were performed or the useful life was adjusted. Undiscounted future cash flows were used to calculate the recoverable value of long-lived assets to determine if such assets were impaired. Where impairment was identified, management determined fair values for assets using a discounted cash flow valuation model, incorporating discount rates commensurate with the risks involved for each group of assets. Growth models were developed using both industry and company historical results and forecasts. If the usefulness of an asset was determined to be impaired, then management estimated a new useful life based on the period of time for projected uses of the asset. Such models and changes in useful life required management to make certain assumptions based upon information available at the time the valuation or determination was performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value or useful life considering the current economic conditions. All tested long-lived assets or groups of long-lived assets had undiscounted cash flows that were substantially in excess of their carrying value, except as noted in Note 4. See Notes 4 and 5, on pages 50 through 53 of this report, for a discussion of the reductions in carrying value or useful life of long-lived assets in accordance with the Property, Plant and Equipment Topic of the ASC.

Exit or Disposal Activities

Management is continually re-evaluating the Company's operating facilities against its long-term strategic goals. Liabilities associated with exit or disposal activities are recognized as incurred in accordance with the Exit or Disposal Cost Obligations Topic of the ASC and property, plant and equipment is tested for impairment in accordance with the Property, Plant and Equipment Topic of the ASC. Provisions for qualified exit costs are made at the time a facility is no longer operational, include amounts estimated by management and primarily include post-closure rent expenses or costs to terminate the contract before the end of its term and costs of employee terminations. Adjustments may be made to liabilities accrued for qualified exit costs if information becomes available upon which more accurate amounts can be reasonably estimated. If impairment of property,

plant and equipment exists, then the carrying value is reduced to fair value estimated by management. Additional impairment may be recorded for subsequent revisions in estimated fair value. See Note 5, on pages 51 through 53 of this report, for information concerning impairment of property, plant and equipment and accrued qualified exit costs.

Other Liabilities

The Company retains risk for certain liabilities, primarily worker's compensation claims, employee medical benefits, and automobile, property, general and product liability claims. Estimated amounts were accrued for certain worker's compensation, employee medical and disability benefits, automobile and property claims filed but unsettled and estimated claims incurred but not reported based upon management's estimated aggregate liability for claims incurred using historical experience, actuarial assumptions followed in the insurance industry and actuarially-developed models for estimating certain liabilities. Certain estimated general and product liability claims filed but unsettled were accrued based on management's best estimate of ultimate settlement or actuarial calculations of potential liability using industry experience and actuarial assumptions developed for similar types of claims.

Defined Benefit Pension and Other Postretirement Benefit Plans

To determine the Company's ultimate obligation under its defined benefit pension plans and postretirement benefit plans other than pensions, management must estimate the future cost of benefits and attribute that cost to the time period during which each covered employee works. To determine the obligations of such benefit plans, management uses actuaries to calculate such amounts using key assumptions such as discount rates, inflation, long-term investment returns, mortality, employee turnover, rate of compensation increases and medical and prescription drug costs. Management reviews all of these assumptions on an ongoing basis to ensure that the most current information available is being considered. An increase or decrease in the assumptions or economic events outside management's control could have a direct impact on the Company's results of operations or financial condition.

In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes each plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. Actuarial gains and losses and prior service costs are recognized and recorded in Cumulative other comprehensive loss, a component of Shareholders' equity. The amounts recorded in Cumulative other comprehensive loss will continue to be modified as actuarial assumptions and service

costs change, and all such amounts will be amortized to expense over a period of years through the net pension and net periodic benefit costs.

Effective July 1, 2009, the domestic salaried defined benefit pension plan was revised. Prior to July 1, 2009, the contribution was based on six percent of compensation for certain covered employees. Under the revised plan, such participants are credited with certain contribution credits that range from two percent to seven percent of compensation based on an age and service formula.

A reduction in the over-funded status of the Company's defined benefit pension plans at December 31, 2008 due to the decrease in market value of equity securities held by the plans increased the future amortization of actuarial losses recognized in Cumulative comprehensive loss. This amortization increased net pension costs in 2013, 2014 and 2015. An increase in market value of equity securities held by the plans during 2013 and 2014 will decrease the future amortization of actuarial losses recognized in Cumulative comprehensive loss. The deficit in market value of equity securities held by the plans versus the expected returns in 2015 will increase the future amortization of actuarial losses. The amortization of actuarial losses on plan assets, only partially offset by an increase in discount rates on projected benefit obligations, will increase net pension costs in 2016. See Note 6, on pages 54 through 59 of this report, for information concerning the Company's defined benefit pension plans and postretirement benefit plans other than pensions.

Debt

The fair values of the Company's publicly traded long-term debt were based on quoted market prices. The fair values of the Company's non-traded long-term debt were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. See Note 1, on page 46 of this report, for the carrying amounts and fair values of the Company's long-term debt, and Note 7, on page 60 of this report, for a description of the Company's long-term debt arrangements.

Environmental Matters

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites and at a number of third-party sites. The Company accrues for environmental-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated based on industry standards and professional judgment. All accrued amounts were recorded on an undiscounted basis. Environmental-related expenses included direct costs of investigation and remediation

and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, actuarial, consulting and law firms. Due to uncertainties surrounding environmental investigations and remediation activities, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. See page 29 and Note 8, on pages 60 through 62 of this report, for information concerning the accrual for extended environmental-related activities and a discussion concerning unaccrued future loss contingencies.

Litigation and Other Contingent Liabilities

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims. Management believes that the Company has properly accrued for all known liabilities that existed and those where a loss was deemed probable for which a fair value was available or an amount could be reasonably estimated in accordance with all present U.S. generally accepted accounting principles. However, because litigation is inherently subject to many uncertainties and the ultimate result of any present or future litigation is unpredictable, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the liability may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties involved, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. See Note 9 on pages 62 through 65 of this report for information concerning litigation.

Income Taxes

The Company estimated income taxes in each jurisdiction that it operated. This involved estimating taxable earnings, specific taxable and deductible items, the likelihood of generating sufficient future taxable income to utilize deferred tax assets and possible exposures related to future tax audits. To the extent these estimates change, adjustments to deferred and accrued income taxes will be made in the period in which the changes occur.

See Note 14, on pages 69 and 70 of this report, for information concerning the Company's unrecognized tax benefits, interest and penalties and current and deferred tax expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Stock-Based Compensation

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. The Company follows the "modified prospective" method as described in the Topic whereby compensation cost is recognized for all share-based payments granted after December 31, 2005.

The Company estimates the fair value of option rights using a Black-Scholes-Merton option pricing model which requires management to make estimates for certain assumptions. Management and a consultant continuously review the following significant assumptions: risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock. An increase or decrease in the assumptions or economic events outside management's control could have a direct impact on the Company's results of operations. See Note 12, on pages 67 and 68 of this report, for more information on stock-based compensation.

Revenue Recognition

The Company's revenue was primarily generated from the sale of products. All sales of products were recognized when shipped and title had passed to unaffiliated customers. Collectibility of amounts recorded as revenue is reasonably assured at time of sale. Discounts were recorded as a reduction to sales in the same period as the sale resulting in an appropriate net sales amount for the period. Standard sales terms are final and returns or exchanges are not permitted unless expressly stated. Estimated provisions for returns or exchanges, recorded as a reduction resulting in net sales, were established in cases where the right of return existed. The Company offered a variety of programs, primarily to its retail customers, designed to promote sales of its products. Such programs required periodic payments and allowances based on estimated results of specific programs and were recorded as a reduction resulting in net sales. The Company accrued the estimated total payments and allowances associated with each transaction at the time of sale. Additionally, the Company offered programs directly to consumers to promote the sale of its products. Promotions that reduced the ultimate consumer sale prices were recorded as a reduction resulting in net sales at the time the promotional offer was made, generally using estimated redemption and participation levels. The Company continually assesses the adequacy of accruals for customer and consumer promotional program costs earned but not yet paid. To the extent total program payments differ from estimates, adjustments may be necessary. Historically, these total program payments and adjustments have not been material.

FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW

Overview

The Company's financial condition, liquidity and cash flow continued to be strong in 2015 as net operating cash topped \$1.000 billion for the third straight year primarily due to improved operating results in our Paint Stores and Consumer Groups. Net working capital increased \$630.9 million at December 31, 2015 compared to 2014 due to a significant decrease in current liabilities and an increase in current assets. Cash and cash equivalents along with cash flow from operations were used primarily to purchase \$1.035 billion in treasury stock. Short-term borrowings decreased \$640.0 million due to strong cash flow and issuance of long-term debt. On July 28, 2015, the Company issued \$400.0 million of 3.45% Senior Notes due 2025 and \$400.0 million of 4.55% Senior Notes due 2045. See the section that follows for more information regarding Net Working Capital. Total debt at December 31, 2015 increased \$157.4 million to \$1.963 billion from \$1.805 billion at December 31, 2014 due primarily to the debt issuance on July 28, 2015. Total debt increased as a percentage of total capitalization to 69.3 percent from 64.4 percent at the end of 2014. At December 31, 2015, the Company had remaining borrowing ability of \$2.078 billion.

Net operating cash increased \$365.9 million to \$1.447 billion in 2015 from \$1.082 billion in 2014 due primarily to an increase in net income of \$188.0 million and a reduction in working capital of \$188.9 million due to timing of payments. Net operating cash increased as a percent to sales to 12.8 percent in 2015 compared to 9.7 percent in 2014. Strong Net operating cash provided the funds necessary to invest in new stores, manufacturing and distribution facilities, renovate and convert acquired stores and return cash to shareholders through dividends and treasury stock purchases. In 2015, the Company used Net operating cash and Cash and cash equivalents on hand to purchase \$1.035 billion in treasury stock, spend \$234.3 million in capital additions and improvements and pay \$249.6 million in cash dividends to its shareholders of common stock.

Net Working Capital

Total current assets less Total current liabilities (net working capital) increased \$630.9 million to a surplus of \$517.0 million at December 31, 2015 from a deficit of \$113.9 million at December 31, 2014. The net working capital increase is due to a significant decrease in current liabilities and an increase in current assets. Cash and cash equivalents increased \$165.0 million. Short-term borrowings decreased \$640.0 million. Accounts payable increased \$115.4 million while Accrued taxes decreased \$5.6 million and all other current liabilities, excluding current portion of long-term debt, decreased \$8.5 million. Accounts receivable were

down \$16.3 million, Inventories were down \$15.0 million and Deferred tax net assets were down \$21.2 million while the remaining current assets decreased \$20.4 million. The Company has sufficient total available borrowing capacity to fund its current operating needs. The significant decrease in Short-term borrowings and significant increase in Cash and cash equivalents caused the Company's current ratio to improve to 1.24 at December 31, 2015 from 0.96 at December 31, 2014. Accounts receivable as a percent of Net sales decreased to 9.8 percent in 2015 from 10.2 percent in 2014. Accounts receivable days outstanding decreased to 54 days in 2015 from 55 days in 2014. In 2015, provisions for allowance for doubtful collection of accounts decreased \$4.3 million, or 8.1 percent. Inventories decreased slightly as a percent of Net sales to 9.0 percent in 2015 from 9.3 percent in 2014 due primarily to tighter inventory management. Inventory days outstanding was down at 83 days in 2015 versus 86 days in 2014. Accounts payable increased in 2015 to \$1.158 billion compared to \$1.042 billion last year due primarily to increased purchases to service higher sales levels and timing of payments.

Goodwill and Intangible Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired in purchase business combinations, decreased \$15.0 million in 2015 due primarily to foreign currency translation rate fluctuations.

Intangible assets decreased \$33.8 million in 2015. Decreases from amortization of finite-lived intangible assets of \$28.2 million and foreign currency translation rate fluctuations of \$7.9 million were partially offset by \$2.4 million of capitalized software costs. Acquired finite-lived intangible assets included assets such as covenants not to compete, customer lists and product formulations. Costs related to designing, developing, obtaining and implementing internal use software are capitalized and amortized in accordance with the Goodwill and Other Intangibles Topic of the ASC. See Notes 2 and 4, on pages 50 through 51 of this report, for a description of acquired goodwill, identifiable intangible assets and asset impairments recorded in accordance with the Goodwill and Other Intangibles Topic of the ASC and summaries of the remaining carrying values of goodwill and intangible assets.

Deferred Pension and Other Assets

Deferred pension assets of \$244.9 million at December 31, 2015 represent the excess of the fair value of assets over the actuarially determined projected benefit obligations, primarily of the domestic salaried defined benefit pension plan. The decrease in Deferred pension assets during 2015 of \$5.3 million, from \$250.1 million last year, was due primarily to a decrease in the fair

value of equity securities held by the salaried defined benefit pension plan partially offset by a decrease in the projected benefit obligations resulting from changes in actuarial assumptions. In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the decrease in the value of the Deferred pension assets is offset in Cumulative other comprehensive loss and is amortized as a component of Net pension costs over a defined period of pension service. See Note 6, on pages 54 through 59 of this report, for more information concerning the excess fair value of assets over projected benefit obligations of the salaried defined benefit pension plan and the amortization of actuarial gains or losses relating to changes in the excess assets and other actuarial assumptions.

Other assets increased \$26.9 million to \$447.5 million at December 31, 2015 due primarily to long-term deposits and net increases in other investments.

Property, Plant and Equipment

Net property, plant and equipment increased \$20.8 million to \$1.042 billion at December 31, 2015 due primarily to capital expenditures of \$234.3 million partially offset by depreciation expense of \$170.3 million, sale or disposition of assets with remaining net book value of \$10.5 million and currency translation adjustments of \$32.6 million. Capital expenditures during 2015 in the Paint Stores Group were primarily attributable to the opening of new paint stores, renovation and conversion of acquired stores and improvements in existing stores. In the Consumer Group, capital expenditures during 2015 were primarily attributable to improvements and normal equipment replacements in manufacturing and distribution facilities. Capital expenditures in the Global Finishes Group were primarily attributable to improvements in existing manufacturing and distribution facilities. The Administrative Segment incurred capital expenditures primarily for information systems hardware. In 2016, the Company expects to spend more than 2015 for capital expenditures. The predominant share of the capital expenditures in 2016 is expected to be for various productivity improvement and maintenance projects at existing manufacturing, distribution and research and development facilities, new store openings and new or upgraded information systems hardware. The Company does not anticipate the need for any specific long-term external financing to support these capital expenditures.

Debt

There were no borrowings outstanding under the domestic commercial paper program at December 31, 2015 and 2013, respectively. There were \$625.9 million in borrowings outstanding under this program at December 31, 2014 with a weighted-average interest rate of 0.3 percent. Borrowings outstanding

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

under various foreign programs at December 31, 2015 were \$39.5 million with a weighted-average interest rate of 7.0 percent. At December 31, 2014 and December 31, 2013, foreign borrowings were \$53.6 million and \$96.6 million with weighted-average interest rates of 6.0 percent and 7.8 percent, respectively. Long-term debt, including the current portion, increased \$797.4 million during 2015 resulting primarily from long-term debt issued in 2015. On July 28, 2015, the Company issued \$400.0 million of 3.45% Senior Notes due 2025 and \$400.0 million of 4.55% Senior Notes due 2045. The notes are covered under a shelf registration filed with the Securities and Exchange Commission on July 28, 2015. The proceeds will be used for general corporate purposes, including repayment of a portion of the Company's outstanding short-term borrowings.

On July 16, 2015, the Company and three of its wholly-owned subsidiaries, Sherwin-Williams Canada, Inc. (SW Canada), Sherwin-Williams Luxembourg S.à r.l. (SW Lux) and Sherwin-Williams UK Holding Limited, entered into a new five-year \$1.350 billion credit agreement. The credit agreement is being used for general corporate purposes, including the financing of working capital requirements. The credit agreement replaced the previous credit agreements for each of the Company, SW Canada and SW Lux, dated July 8, 2011, June 29, 2012 and September 19, 2012, as amended, respectively. The credit agreement allows the Company to extend the maturity of the facility with two one-year extension options and to increase the aggregate amount of the facility to \$1.850 billion, both of which are subject to the discretion of each lender. At December 31, 2015, there was \$21.7 million of borrowings outstanding under this credit agreement.

On July 8, 2011, the Company entered into a five-year \$1.050 billion revolving credit agreement, which replaced the existing three-year \$500.0 million credit agreement. The credit agreement allows the Company to extend the maturity of the facility with two one-year extension options and to increase the aggregate amount of the facility to \$1.300 billion, both of which are subject to the discretion of each lender.

See Note 7, on page 60 of this report, for a detailed description of the Company's debt outstanding and other available financing programs.

Defined Benefit Pension and Other Postretirement Benefit Plans

In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the Company's total liability for unfunded or underfunded defined benefit pension plans decreased \$3.6 million to \$50.6 million primarily due to changes in the actuarial assumptions of the Company's foreign plans. Postretirement benefits other than pensions decreased

\$31.8 million to \$263.4 million at December 31, 2015 due primarily to changes in the actuarial assumptions.

Effective July 1, 2009, the domestic salaried defined benefit pension plan was revised. Prior to July 1, 2009, the contribution was based on six percent of compensation for covered employees. Under the revised plan, such participants are credited with certain contribution credits that range from two percent to seven percent of compensation based on an age and service formula. Amounts previously recorded in Cumulative other comprehensive loss in accordance with the provisions of the Retirement Benefits Topic of the ASC were modified in 2009 resulting in a decrease in comprehensive loss due primarily to the change in the domestic salaried defined benefit pension plan and an increase in the excess plan assets over the actuarially calculated projected benefit obligation in the domestic defined benefit pension plans. Partially offsetting this decreased loss were modifications to actuarial assumptions used to calculate projected benefit obligations.

Effective October 1, 2011, the domestic salaried defined benefit pension plan was frozen for new hires, and all newly hired U.S. non-collectively bargained employees are eligible to participate in the Company's domestic defined contribution plan.

The assumed discount rate used to determine the actuarial present value of projected defined benefit pension and other postretirement benefit obligations for domestic plans was increased from 3.95 percent to 4.40 percent at December 31, 2015 due to increased rates of high-quality, long-term investments and foreign defined benefit pension plans had similar discount rate increases for the same reasons. The rate of compensation increases used to determine the projected benefit obligations decreased to 3.1 percent in 2015 from 4.0 percent for domestic pension plans and was slightly higher on most foreign plans. In deciding on the rate of compensation increases, management considered historical Company increases as well as expectations for future increases. The expected long-term rate of return on assets remained at 6.0 percent for 2015 for domestic pension plans and was slightly lower for most foreign plans. In establishing the expected long-term rate of return on plan assets for 2015, management considered the historical rates of return, the nature of investments and an expectation for future investment strategies. The assumed health care cost trend rates used to determine the net periodic benefit cost of postretirement benefits other than pensions for 2015 were 6.5 percent for medical and prescription drug cost increases, both decreasing gradually to 4.5 percent in 2024. The assumed health care cost trend rates used to determine the benefit obligation at December 31, 2015 were between 11.5 percent and 5.0 percent for medical and prescription drug cost increases. In developing the

assumed health care cost trend rates, management considered industry data, historical Company experience and expectations for future health care costs.

For 2016 Net pension cost and Net periodic benefit cost recognition for domestic plans, the Company will use a discount rate of 4.40 percent, an expected long-term rate of return on assets of 6.0 percent, a rate of compensation increase of 3.1 percent and cost trend rates between 5.0 percent and 11.5 percent for health care and prescription drug cost increases. Slightly lower discount rates, rates of compensation increases and expected long-term rates of return on plan assets will be used for most foreign plans. Use of these assumptions and amortization of actuarial gains will result in a domestic Net pension cost in 2016 that is expected to be approximately \$7.2 million higher than in 2015 and a Net periodic benefit cost for postretirement benefits other than pensions that is expected to decrease \$3.5 million in 2016 compared to 2015. See Note 6, on pages 54 through 59 of this report, for more information on the Company's obligations and funded status of its defined benefit pension plans and postretirement benefits other than pensions.

Other Long-Term Liabilities

Other long-term liabilities decreased \$14.9 million during 2015 due primarily to a decrease in long-term commitments related to the affordable housing and historic renovation real estate properties of \$30.1 million, a decrease in non-current deferred tax liabilities of \$5.7 million, and a decrease in long-term pension liabilities of \$4.3 million partially offset by an increase in accruals for extended environmental-related liabilities of \$15.6 million.

Contractual Obligations and Commercial Commitments

The Company has certain obligations and commitments to make future payments under contractual obligations and commercial commitments. The following table summarizes such obligations and commitments as of December 31, 2015:

(thousands of dollars)

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years
Long-term debt	\$ 1,927,688	\$ 3,154	\$ 700,818	\$ 315	\$ 1,223,401
Operating leases	1,420,549	317,843	501,728	318,078	282,900
Short-term borrowings	39,462	39,462			
Interest on Long-term debt	1,147,842	62,828	115,652	106,160	863,202
Purchase obligations ^(a)	52,052	52,052			
Other contractual obligations ^(b)	212,965	93,572	52,072	44,956	22,365
Total contractual cash obligations	\$ 4,800,558	\$ 568,911	\$ 1,370,270	\$ 469,509	\$ 2,391,868

^(a) Relate to open purchase orders for raw materials at December 31, 2015.

^(b) Relate primarily to estimated future capital contributions to investments in the U.S. affordable housing and historic renovation real estate partnerships and various other contractual obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	Amount of Commitment Expiration Per Period				
	Total	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years
Commercial Commitments					
Standby letters of credit	\$ 45,407	\$ 45,407			
Surety bonds	64,470	64,470			
Other commercial commitments	17,747	17,747			
Total commercial commitments	\$ 127,624	\$ 127,624	\$ —	\$ —	\$ —

Warranties

The Company offers product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2015, 2014 and 2013, including customer satisfaction settlements during the year, were as follows:

<i>(thousands of dollars)</i>	2015	2014	2013
Balance at January 1	\$ 27,723	\$ 26,755	\$ 22,710
Charges to expense	43,484	37,879	33,265
Settlements	(39,329)	(36,911)	(29,220)
Balance at December 31	\$ 31,878	\$ 27,723	\$ 26,755

Shareholders' Equity

Shareholders' equity decreased \$128.6 million to \$867.9 million at December 31, 2015 from \$996.5 million last year. The decrease in Shareholders' equity resulted primarily from the purchase of treasury stock for \$1.035 billion, treasury stock received from stock option exercises of \$34.4 million and an increase in Cumulative other comprehensive loss of \$115.1 million partially offset by an increase in retained earnings of \$804.2 million and an increase in Other capital of \$250.8 million, due primarily to stock options exercised. The Company purchased 3.58 million shares of its common stock during 2015 for treasury. The Company acquires its common stock for general corporate purposes and, depending on its cash position and market conditions, it may acquire additional shares in the future. On October 21, 2015, the Board of Directors of the Company authorized the Company to purchase an additional 10.0 million shares of its common stock. The Company had remaining authorization from its Board of Directors at December 31, 2015 to purchase 11.65 million shares of its common stock. The increase of \$115.1 million in Cumulative other comprehensive loss was due primarily to unfavorable foreign currency translation effects of \$128.2 million attributable to the weakening of most foreign

operations' functional currencies against the U.S. dollar partially offset by \$13.8 million in net actuarial gains and prior service costs of defined benefit pension and other postretirement benefit plans net of amortization.

The increase in Other capital of \$250.8 million was due primarily to the recognition of stock-based compensation expense, stock option exercises and related income tax effect. Retained earnings increased \$804.2 million during 2015 due to net income of \$1.054 billion partially offset by \$249.6 million in cash dividends paid. The Company's cash dividend per common share payout target is 30.0 percent of the prior year's diluted net income per common share. The 2015 annual cash dividend of \$2.68 per common share represented 30.5 percent of 2014 diluted net income per common share. The 2015 annual dividend represented the thirty-sixth consecutive year of dividend payments since the dividend was suspended in 1978. At a meeting held on February 17, 2016, the Board of Directors increased the quarterly cash dividend to \$.84 per common share. This quarterly dividend, if approved in each of the remaining quarters of 2016, would result in an annual dividend for 2016 of \$3.36 per common share or a 30.1 percent payout of 2015 diluted net income per common share. See the Statements of Consolidated Shareholders' Equity, on page 45 of this report, and Notes 10, 11 and 12, on pages 65 through 68 of this report, for more information concerning Shareholders' equity.

Cash Flow

Net operating cash increased \$365.9 million to \$1.447 billion in 2015 from \$1.082 billion in 2014 due primarily to an increase in net income of \$188.0 million and a reduction in working capital of \$188.9 million due to timing of payments. Strong Net operating cash provided the funds necessary to invest in new stores, manufacturing and distribution facilities, renovate and convert acquired stores, pay down debt and return cash to shareholders through dividends and treasury stock purchases. Net investing cash improved \$21.4 million to a usage of \$288.6 million in 2015 from a usage of \$310.1 million in 2014 due primarily due to reduced cash used for other investments of \$45.4 million partially offset by increased capital expenditures of \$33.8 million. Net financing cash improved \$486.7 million to a usage of \$980.4 million in 2015 from a usage of \$1.467 billion in 2014 due primarily

to increased net proceeds of long-term debt of \$1.297 billion, decreased treasury stock purchases of \$453.4 million partially offset by net decreases in short-term borrowings of \$1.222 billion and increased payments of cash dividends of \$34.4 million. In 2015, the Company used Net operating cash and Cash and cash equivalents on hand to purchase \$1.035 billion in treasury stock, spend \$234.3 million in capital additions and improvements and pay \$249.6 million in cash dividends to its shareholders of common stock.

Management considers a measurement of cash flow that is not in accordance with U.S. generally accepted accounting principles to be a useful tool in its determination of appropriate uses of the Company's Net operating cash. Management reduces Net operating cash, as shown in the Statements of Consolidated Cash Flows, by the amount reinvested in the business for Capital expenditures and the return of investment to its shareholders by the payments of cash dividends. The resulting value is referred to by management as "Free Cash Flow" which may not be comparable to values considered by other entities using the same terminology. The reader is cautioned that the Free Cash Flow measure should not be compared to other entities unknowingly, and it does not consider certain non-discretionary cash flows, such as mandatory debt and interest payments. The amount shown below should not be considered an alternative to Net operating cash or other cash flow amounts provided in accordance with U.S. generally accepted accounting principles disclosed in the Statements of Consolidated Cash Flows, on page 44 of this report. Free Cash Flow as defined and used by management is determined as follows:

(thousands of dollars)	Year Ended December 31,		
	2015	2014	2013
Net operating cash	\$ 1,447,463	\$ 1,081,528	\$ 1,083,766
Capital expenditures	(234,340)	(200,545)	(166,680)
Cash dividends	(249,647)	(215,263)	(204,978)
Free cash flow	\$ 963,476	\$ 665,720	\$ 712,108

Litigation

DOL leveraged ESOP settlement. On February 20, 2013, the Company reached a settlement with the DOL of the DOL's investigation of transactions related to the Company's ESOP that were implemented on August 1, 2006 and August 27, 2003. The DOL had notified the Company, among others, of potential enforcement claims asserting breaches of fiduciary obligations and sought compensatory and equitable remedies. The Company resolved all ESOP related claims with the DOL by agreeing, in part, to make a one-time payment of \$80.0 million to the ESOP,

resulting in a \$49.2 million after tax charge to earnings in the fourth quarter of 2012. The Company made this required \$80.0 million payment to the ESOP during the first quarter of 2013.

Government tax assessment settlements related to Brazilian operations.

Charges totaling \$28.7 million and \$2.9 million were recorded to Cost of goods sold and SG&A, respectively, during the second and third quarters of 2013. The charges were primarily related to import duty taxes paid to the Brazilian government related to the handling of import duties on products brought into the country for the years 2006 through 2012. The Company elected to pay the taxes through an existing voluntary amnesty program offered by the government to resolve these issues rather than contest them in court. The after-tax charges were \$21.9 million for the full year 2013. The Company's import duty process in Brazil was changed to reach a final resolution of this matter with the Brazilian government.

Titanium dioxide suppliers antitrust class action lawsuit. The Company is a member of the plaintiff class related to Titanium Dioxide Antitrust Litigation that was initiated in 2010 against certain suppliers alleging various theories of relief arising from purchases of titanium dioxide made from 2003 through 2012. The Court approved a settlement less attorney fees and expense, and the Company timely submitted claims to recover its pro-rata portion of the settlement. There was no specified deadline for the claims administrator to complete the review of all claims submitted. In October 2014, the Company was notified that it would receive a disbursement of settlement funds, and the Company received a pro-rata disbursement net of all fees of approximately \$21.4 million. The Company recorded this settlement gain in the fourth quarter of 2014.

See page 25 of this report and Note 9 on pages 62 through 65 for more information concerning litigation.

Market Risk

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. The Company entered into foreign currency option and forward currency exchange contracts with maturity dates of less than twelve months in 2015, 2014 and 2013, primarily to hedge against value changes in foreign currency. There were no material derivative contracts outstanding at December 31, 2015, 2014 and 2013. The Company believes it may be exposed to continuing market risk from foreign currency exchange rate and commodity price fluctuations. However, the Company does not expect that foreign currency exchange rate and commodity price fluctuations or hedging contract losses will have a material adverse effect on

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

the Company's financial condition, results of operations or cash flows. See Notes 1 and 13 on pages 47 and 69 of this report.

Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states the Company's leverage ratio is not to exceed 3.50 to 1.00. The leverage ratio is defined as the ratio of total indebtedness (the sum of Short-term borrowings, Current portion of long-term debt and Long-term debt) at the reporting date to consolidated "Earnings Before Interest, Taxes, Depreciation and Amortization" (EBITDA) for the 12-month period ended on the same date. Refer to the "Results of Operations" caption below for a reconciliation of EBITDA to Net income. At December 31, 2015, the Company was in compliance with the covenant. The Company's Notes, Debentures and revolving credit agreement contain various default and cross-default provisions. In the event of default under any one of these arrangements, acceleration of

the maturity of any one or more of these borrowings may result. See Note 7 on page 60 of this report.

Employee Stock Ownership Plan (ESOP)

Participants in the Company's ESOP are allowed to contribute up to the lesser of twenty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches six percent of eligible employee contributions. The Company's matching contributions to the ESOP charged to operations were \$80.4 million in 2015 compared to \$74.6 million in 2014. At December 31, 2015, there were 11,333,455 shares of the Company's common stock being held by the ESOP, representing 12.3 percent of the total number of voting shares outstanding. See Note 11, on pages 66 and 67 of this report, for more information concerning the Company's ESOP and preferred stock.

RESULTS OF OPERATIONS - 2015 vs. 2014

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2015 and 2014 :

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2015	2014	Change
Net Sales:			
Paint Stores Group	\$ 7,208,951	\$ 6,851,581	5.2 %
Consumer Group	1,577,955	1,420,757	11.1 %
Global Finishes Group	1,916,300	2,080,854	-7.9 %
Latin America Coatings Group	631,015	771,378	-18.2 %
Administrative	5,083	4,963	2.4 %
Net sales	<u>\$ 11,339,304</u>	<u>\$ 11,129,533</u>	<u>1.9 %</u>

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2015	2014	Change
Income Before Income Taxes:			
Paint Stores Group	\$ 1,433,504	\$ 1,201,420	19.3 %
Consumer Group	308,833	252,859	22.1 %
Global Finishes Group	201,881	201,129	0.4 %
Latin America Coatings Group	18,494	40,469	-54.3 %
Administrative	(413,746)	(437,651)	5.5 %
Income before income taxes	<u>\$ 1,548,966</u>	<u>\$ 1,258,226</u>	<u>23.1 %</u>

Consolidated net sales for 2015 increased due primarily to higher paint sales volume in the Paint Stores and Consumer Groups. Unfavorable currency translation rate changes decreased 2015 consolidated net sales 3.3 percent . Net sales of all consolidated foreign subsidiaries were down 18.8 percent to \$1.789 billion for 2015 versus \$2.204 billion for 2014 due primarily to unfavorable foreign currency translation rates. Net sales of all operations other than consolidated foreign subsidiaries were up 7.0 percent to \$9.550 billion for 2015 versus \$8.926 billion for 2014 .

Net sales in the Paint Stores Group in 2015 increased primarily due to higher architectural paint sales volume across all end market segments. Net sales from stores open for more than twelve calendar months increased 4.2 percent for the full year. During 2015 , the Paint Stores Group opened 113 new stores and closed 30 redundant locations for a net increase of 83 stores, increasing the total number of stores in operation at December 31, 2015 to 4,086 in the United States, Canada and the Caribbean. The Paint Stores Group's objective is to expand its

store base an average of two and a half percent each year, primarily through internal growth. Sales of products other than paint increased approximately 8.0 percent for the year over 2014 . A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Group increased due primarily to a new agreement to sell architectural paint under the HGTV HOME[®] by Sherwin-Williams brand through a large U.S. national retailer's stores network. Sales of wood care coatings, brushes, rollers, caulk and other paint related products, were all up at least mid to high-single digits as compared to 2014 while sales of aerosol products were down slightly. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of paint-related merchandise sold. The Consumer Group plans to continue its promotions of new and existing products in 2016 and continue expanding its customer base and product assortment at existing customers.

The Global Finishes Group's net sales in 2015 , when stated in U.S. dollars, decreased due primarily to unfavorable currency translation rate changes. Paint sales volume percentage increased slightly as compared to 2014 . Unfavorable currency translation rate changes in the year decreased net sales by 7.5 percent for 2015 . In 2015 , the Global Finishes Group opened 3 new branches and closed 7 locations decreasing the total from 300 to 296 branches open in the United States, Canada, Mexico, South America, Europe and Asia at year-end. In 2016 , the Global Finishes Group expects to continue expanding its worldwide presence and improving its customer base.

The Latin America Coatings Group's net sales in 2015 , when stated in U.S. dollars, decreased due primarily to unfavorable currency translation rate changes and lower paint sales volume partially offset by selling price increases. Paint sales volume percentage decreased in the mid-single digits as compared to 2014 . Unfavorable currency translation rate changes in the year decreased net sales by 19.3 percent for 2015 . In 2015 , the Latin America Coatings Group opened 17 new stores and closed 2 locations for a net increase of 15 stores, increasing the total to 291 stores open in North and South America at year-end. In 2016 , the Latin America Coatings Group expects to continue expanding its regional presence and improving its customer base.

Net sales in the Administrative segment, which primarily consist of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, increased by an insignificant amount in 2015 .

Consolidated gross profit increased \$394.7 million in 2015 and improved as a percent to net sales to 49.0 percent from

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

46.4 percent in 2014 due primarily to higher paint sales volume, improved operating efficiencies, and decreasing raw material costs partially offset by unfavorable currency translation rate changes. Gross profit for 2014 included the 2014 TiO₂ settlement of \$21.4 million received by the Company in the fourth quarter of 2014. The Paint Stores Group's gross profit for 2015 increased \$329.3 million compared to 2014 due primarily to higher paint sales volume. The Paint Stores Group's gross profit margins increased for that same reason. The Consumer Group's gross profit increased \$133.6 million due primarily to improved operating efficiency and increased paint sales volume. The Consumer Group's gross profit margins increased for those same reasons. The Global Finishes Group's gross profit for 2015 decreased \$29.0 million due primarily unfavorable currency translation rate changes partially offset by improved operating efficiencies and decreasing raw material costs. The Global Finishes Group's gross profit increased as a percent of sales due primarily to improved operating efficiencies and decreasing raw material costs. Foreign currency translation rate fluctuations decreased Global Finishes Group's gross profit by \$51.4 million for 2015. The Latin America Coatings Group's gross profit for 2015 decreased \$43.9 million and decreased as a percent of sales, when stated in U.S. dollars, primarily due to unfavorable currency translation rate changes and increasing raw material costs. Unfavorable currency translation rate changes and lower volume sales were only partially offset by selling price increases in 2015 compared to 2014. Foreign currency translation rate fluctuations decreased gross profit by \$41.5 million for 2015. The Administrative segment's gross profit increased by \$4.8 million.

SG&A increased by \$90.6 million due primarily to increased expenses to support higher sales levels and net new store openings as well as the impact from a new paint program launch at a national retailer. SG&A increased as a percent of sales to 34.5 percent in 2015 from 34.3 percent in 2014 primarily due to those same reasons. In the Paint Stores Group, SG&A increased \$95.4 million for the year due primarily to increased spending due to the number of new store openings and general comparable store expenses to support higher sales levels. The Consumer Group's SG&A increased by \$79.7 million for the year due to a new paint program launch at a national retailer. The Global Finishes Group's SG&A decreased by \$37.4 million for the year relating primarily to foreign currency translation rate fluctuations reducing SG&A by \$44.2 million. The Latin America Coatings Group's SG&A decreased by \$22.0 million for the year relating primarily to foreign currency translation rate fluctuations of \$27.9 million. The Administrative segment's SG&A decreased \$25.2 million primarily due to incentive compensation.

Other general expense - net decreased \$7.2 million in 2015 compared to 2014. The decrease was mainly caused by a decrease of \$6.1 million of expense in the Administrative segment, primarily due to a year-over-year decrease in provisions for environmental matters of \$5.0 million. See Note 13, on pages 68 and 69 of this report, for more information concerning Other general expense - net.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performed an annual impairment test of goodwill and indefinite-lived intangible assets as of October 1, 2015. The impairment tests in 2015 and 2014 resulted in no impairment of goodwill and trademarks. See Note 4, on pages 50 and 51 of this report, for more information concerning the impairment of intangible assets.

Interest expense, included in the Administrative segment, decreased \$2.4 million in 2015 versus 2014 due primarily to lower borrowing rates partially offset by higher average debt levels.

Other expense (income) - net decreased to \$6.1 million expense from \$15.4 million income in 2014. This was primarily due to a \$6.3 million gain on the early termination of a customer agreement recorded in the Global Finishes Group and a \$6.2 million realized gain resulting from final asset valuations related to the acquisition of the U.S./Canada business of Comex recorded in the Administrative segment, both recorded in the third quarter of 2014. Additionally, foreign currency related transaction losses of \$9.5 million in 2015 versus foreign currency related transaction losses of \$3.6 million in 2014, primarily in the Global Finishes and Latin America Coatings Groups, were unfavorable comparisons. See Note 13, on page 69 of this report, for more information concerning Other expense (income) - net.

Consolidated Income before income taxes in 2015 increased \$290.7 million due primarily to an increase of \$394.7 million in gross profit partially offset by an increase of \$90.6 million in SG&A and an increase of \$13.5 million in interest expense, interest and net investment income and other expenses. Income before income taxes increased \$232.1 million in the Paint Stores Group, \$56.0 million in the Consumer Group, and \$0.8 million in the Global Finishes Group but decreased \$22.0 million in the Latin America Coatings Group when compared to 2014. The Administrative segment had a favorable impact on Income before income taxes of \$23.9 million when compared to 2014. Segment profit of all consolidated foreign subsidiaries decreased 34.5 percent to \$75.8 million for 2015 versus \$115.6 million for 2014. Segment profit of all operations other than consolidated foreign subsidiaries increased 28.9 percent to \$1.473 billion for 2015 versus \$1.143 billion for 2014.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Net income increased \$188.0 million in 2015 due to the increase in Income before income taxes.

The effective income tax rate for 2015 was 32.0 percent. The effective income tax rate for 2014 was 31.2 percent. Diluted net income per common share increased 27.1 percent to \$11.16 per share for 2015 from \$8.78 per share a year ago. Unfavorable currency translation rate changes decreased diluted net income per common share by \$.26 per share.

Management considers a measurement that is not in accordance with U.S. generally accepted accounting principles a useful measurement of the operational profitability of the Company. Some investment professionals also utilize such a measurement as an indicator of the value of profits and cash that are generated strictly from operating activities, putting aside working capital and certain other balance sheet changes. For this measurement, management increases Net income for significant non-operating and non-cash expense items to arrive at an amount known as EBITDA. The reader is cautioned that the following value for EBITDA should not be compared to other entities unknowingly. EBITDA should not be considered an alternative to Net income or Net operating cash as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of Net income and Net operating cash in accordance with U.S. generally accepted accounting principles disclosed in the Statements of Consolidated Income and Statements of Consolidated Cash Flows, on pages 42 and 44 of this report. EBITDA as used by management is calculated as follows:

	Year Ended December 31,		
<i>(thousands of dollars)</i>	2015	2014	2013
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Interest expense	61,791	64,205	62,714
Income taxes	495,117	392,339	333,397
Depreciation	170,323	169,087	158,763
Amortization	28,239	29,858	29,031
EBITDA	\$ 1,809,319	\$ 1,521,376	\$ 1,336,466

RESULTS OF OPERATIONS - 2014 vs. 2013

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2014 and 2013:

	Year Ended December 31,		
<i>(thousands of dollars)</i>	2014	2013	Change
Net Sales:			
Paint Stores Group	\$ 6,851,581	\$ 6,002,143	14.2 %
Consumer Group	1,420,757	1,341,689	5.9 %
Global Finishes Group	2,080,854	2,004,530	3.8 %
Latin America Coatings Group	771,378	832,450	-7.3 %
Administrative	4,963	4,720	5.1 %
Net sales	\$ 11,129,533	\$ 10,185,532	9.3 %

	Year Ended December 31,		
<i>(thousands of dollars)</i>	2014	2013	Change
Income Before Income Taxes:			
Paint Stores Group	\$ 1,201,420	\$ 990,523	21.3 %
Consumer Group	252,859	242,061	4.5 %
Global Finishes Group	201,129	170,591	17.9 %
Latin America Coatings Group	40,469	38,645	4.7 %
Administrative	(437,651)	(355,862)	-23.0 %
Income before income taxes	\$ 1,258,226	\$ 1,085,958	15.9 %

Consolidated net sales for 2014 increased due primarily to higher paint sales volume in the Paint Stores Group and acquisitions. One acquisition completed in 2013 increased consolidated net sales 3.1 percent. Unfavorable currency translation rate changes decreased 2014 consolidated net sales 1.4 percent. Net sales of all consolidated foreign subsidiaries were up 3.5 percent to \$2.204 billion for 2014 versus \$2.130 billion for 2013 due primarily to acquisitions and selling price increases. Unfavorable foreign currency translation rates reduced net sales for all consolidated foreign subsidiaries during 2014 by 6.2 percent. Net sales of all operations other than consolidated foreign subsidiaries were up 10.8 percent to \$8.926 billion for 2014 versus \$8.056 billion for 2013.

Net sales in the Paint Stores Group in 2014 increased primarily due to higher architectural paint sales volume across all end market segments and acquisitions. Acquisitions increased net sales 4.5 percent for the year. Net sales from stores open for more than twelve calendar months increased 8.8 percent for the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

full year. During 2014, the Paint Stores Group opened 109 new stores and closed 14 redundant locations for a net increase of 95 stores, increasing the total number of stores in operation at December 31, 2014 to 4,003 in the United States, Canada and the Caribbean. The Paint Stores Group's objective is to expand its store base an average of three percent each year, primarily through internal growth. Sales of products other than paint increased approximately 13.7 percent for the year over 2013. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Group increased due primarily to acquisitions and higher volume sales to most of the Group's retail customers. Acquisitions increased net sales 3.4 percent compared to 2013. Sales of wood care coatings, brushes, rollers, caulk and other paint related products, excluding acquisitions, were all up at least mid to high-single digits as compared to 2013 while sales of aerosol products were down slightly. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of paint-related merchandise sold. In December 2014, the Consumer Group announced a new agreement to sell architectural paint under the HGTV HOME® by Sherwin-Williams brand through a large U.S. national retailer's stores network.

The Global Finishes Group's net sales in 2014, when stated in U.S. dollars, increased due primarily to selling price increases and higher paint sales volume partially offset by unfavorable currency translation rate changes. Paint sales volume percentage increased in the low-single digits as compared to 2013. Unfavorable currency translation rate changes in the year decreased net sales by 1.6 percent for 2014. In 2014, the Global Finishes Group opened 1 new branch and closed 1 location to remain flat at 300 branches open in the United States, Canada, Mexico, South America, Europe and Asia at year-end.

The Latin America Coatings Group's net sales in 2014, when stated in U.S. dollars, decreased due primarily to unfavorable currency translation rate changes partially offset by selling price increases. Paint sales volume percentage decreased in the low-single digits as compared to 2013. Unfavorable currency translation rate changes in the year decreased net sales by 12.3 percent for 2014. In 2014, the Latin America Coatings Group opened 3 new stores and closed 9 locations for a net decrease of 6 stores, decreasing the total to 276 stores open in North and South America at year-end.

Net sales in the Administrative segment, which primarily consist of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, increased by an insignificant amount in 2014.

Consolidated gross profit increased \$547.9 million in 2014 and improved as a percent to net sales to 46.4 percent from 45.3 percent in 2013 due primarily to higher paint sales volume partially offset by dilution from acquisitions and unfavorable currency translation rate changes. Further improving the gross profit comparable results were the 2014 TiO₂ settlement of \$21.4 million received by the Company in the fourth quarter of 2014, recorded primarily in the Paint Stores Group, and charges relating to the Brazil government tax assessments in 2013. The Paint Stores Group's gross profit for 2014 increased \$486.1 million compared to 2013 due primarily to higher paint sales volume and acquisitions and increased as a percent of sales due primarily to higher paint sales volume partially offset by acquisitions. Acquisitions increased Paint Stores Group's gross profits by \$107.1 million, or 39.9 percent of acquisition net sales. The Consumer Group's gross profit increased \$32.7 million due primarily to increased production volume and improved operating efficiencies and was flat as a percent of sales for 2014 compared to 2013 due to dilution from acquisitions. Acquisitions increased Consumer Group's gross profits by \$15.3 million, or 33.6 percent of acquisition net sales. The Global Finishes Group's gross profit for 2014 increased \$35.4 million due primarily to selling price increases and improved operating efficiencies partially offset by unfavorable currency translation rate changes. The Global Finishes Group's gross profit increased as a percent of sales due primarily to selling price increases and improved operating efficiencies partially offset by unfavorable currency translation rate changes. Foreign currency translation rate fluctuations decreased Global Finishes Group's gross profit by \$11.8 million for 2014. The Latin America Coatings Group's gross profit for 2014 increased \$0.6 million and increased as a percent of sales. Charges of \$28.7 million recorded during 2013 reduced gross profit related to the Brazil government tax assessments for 2013. Unfavorable currency translation rate changes and lower volume sales were only partially offset by selling price increases in 2014 compared to 2013. Foreign currency translation rate fluctuations decreased gross profit by \$30.6 million for 2014. The Administrative segment's gross profit decreased by \$6.9 million.

SG&A increased by \$355.3 million due primarily to increased expenses to support higher sales levels in nearly all Reportable Segments and acquisitions. Acquisitions added \$156.8 million of SG&A in 2014, representing 49.6 percent of acquisition net sales. SG&A increased as a percent of sales to 34.3 percent in 2014 from 34.0 percent in 2013 primarily due to acquisitions. In the Paint Stores Group, SG&A increased \$278.3 million for the year due primarily to increased spending due to the number of new store openings and increased expenses to maintain customer service and acquisitions SG&A, including integration costs, of

\$140.5 million, or 52.4 percent of acquisition net sales. The Consumer Group's SG&A increased by \$22.4 million for the year due to increased sales levels and acquisitions SG&A of \$14.9 million, or 32.6 percent of acquisition net sales. The Global Finishes Group's SG&A increased by \$13.9 million for the year relating primarily to increased sales levels partially offset by foreign currency translation rate fluctuations reducing SG&A by \$9.9 million. The Latin America Coatings Group's SG&A decreased by \$4.5 million for the year relating primarily to foreign currency translation rate fluctuations of \$18.7 million partially offset by increased expenses in local currencies due to high inflation and increased information systems costs. The Administrative segment's SG&A increased \$45.3 million primarily due to acquisition integration efforts, information systems costs and incentive compensation, including stock-based compensation expense.

Other general expense - net increased \$35.0 million in 2014 compared to 2013. The increase was mainly caused by an increase of \$35.5 million of expense in the Administrative segment, primarily due to a year-over-year increase in provisions for environmental matters of \$38.8 million partially offset by decreased loss on sale or disposal of assets of \$3.8 million. See Note 13 , on pages 68 and 69 of this report, for more information concerning Other general expense - net.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performed an annual impairment test of goodwill and indefinite-lived intangible assets as of October 1, 2014. The impairment tests in 2014 and 2013 resulted in no impairment of goodwill and trademarks. See Note 4 , on pages 50 and 51 of this report, for more information concerning the impairment of intangible assets.

Interest expense, included in the Administrative segment, increased \$1.5 million in 2014 versus 2013 due primarily to higher average debt levels partially offset by a one-time interest expense charge of \$3.4 million from early retirement of debt during the fourth quarter of 2013.

Other (income) expense - net increased to \$15.4 million income from \$0.9 million expense in 2013. This was primarily due to a \$6.3 million gain on the early termination of a customer agreement recorded in the Global Finishes Group and a \$6.2

million realized gain resulting from final asset valuations related to the acquisition of the U.S./Canada business of Comex recorded in the Administrative segment. Additionally, foreign currency related transaction losses of \$3.6 million in 2014 versus foreign currency related transaction losses of \$7.7 million in 2013, primarily in the Global Finishes and Latin America Coatings Groups, were favorable comparisons. See Note 13 , on page 69 of this report, for more information concerning Other (income) expense - net.

Consolidated Income before income taxes in 2014 increased \$172.3 million due primarily to an increase of \$547.9 million in gross profit partially offset by an increase of \$355.3 million in SG&A and an increase of \$20.4 million in interest expense, interest and net investment income and other expenses. Income before income taxes increased \$210.9 million in the Paint Stores Group, \$30.5 million in the Global Finishes Group \$10.8 million in the Consumer Group and \$1.8 million in the Latin America Coatings Group when compared to 2013. The Administrative segment had an unfavorable impact on Income before income taxes of \$81.8 million when compared to 2013. Segment profit of all consolidated foreign subsidiaries increased 8.9 percent to \$115.6 million for 2014 versus \$106.2 million for 2013 due primarily to increase in gross profit of \$56.7 million, which included charges in 2013 to Cost of goods sold due to the Brazil government tax assessments, partially offset by an increase in SG&A of \$41.3 million and increased Other expense - net of \$5.3 million. Segment profit of all operations other than consolidated foreign subsidiaries increased 16.6 percent to \$1.143 billion for 2014 versus \$979.8 million for 2013.

Net income increased \$113.3 million in 2014 due to the increase in Income before income taxes.

The effective income tax rate for 2014 was 31.2 percent. The effective income tax rate for 2013 was 30.7 percent. Diluted net income per common share increased 20.9 percent to \$8.78 per share for 2014, which included charges of \$.22 per share related to environmental provisions and an \$.18 per share loss from acquisitions partially offset by an increase of \$.13 per share related to the 2014 TiO₂ settlement, from \$7.26 per share a year ago, which included charges of \$.21 per share relating to Brazil government tax assessments.

**REPORT OF MANAGEMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

Shareholders of The Sherwin-Williams Company

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. We recognize that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and is subject to the possibility of human error or the circumvention or the overriding of internal control. Therefore, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, we believe we have designed into the process safeguards to reduce, though not eliminate, this risk. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In order to ensure that the Company's internal control over financial reporting was effective as of December 31, 2015, we conducted an assessment of its effectiveness under the supervision and with the participation of our management group, including our principal executive officer and principal financial officer. This assessment was based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment of internal control over financial reporting under the criteria established in Internal Control – Integrated Framework, we have concluded that, as of December 31, 2015, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, and their report on the effectiveness of our internal control over financial reporting is included on page 39 of this report.



J. G. Morikis
President and Chief Executive Officer



S. P. Hennessy
Senior Vice President - Finance and Chief Financial Officer



A. J. Mistysyn
Senior Vice President - Corporate Controller

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders of The Sherwin-Williams Company

We have audited The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Sherwin-Williams Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

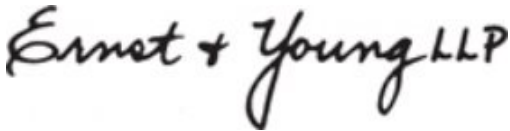
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, The Sherwin-Williams Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2015, 2014 and 2013, and the related consolidated statements of income and comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2015 and our report dated February 24, 2016 expressed an unqualified opinion thereon.



Cleveland, Ohio
February 24, 2016

**REPORT OF MANAGEMENT ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

Shareholders of The Sherwin-Williams Company

We are responsible for the preparation and fair presentation of the consolidated financial statements, accompanying notes and related financial information included in this report of The Sherwin-Williams Company and its consolidated subsidiaries (collectively, the “Company”) as of December 31, 2015, 2014 and 2013 and for the years then ended in accordance with U.S. generally accepted accounting principles. The consolidated financial information included in this report contains certain amounts that were based upon our best estimates, judgments and assumptions that we believe were reasonable under the circumstances.

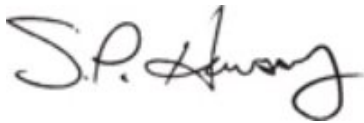
We have conducted an assessment of the effectiveness of internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in the Report of Management on Internal Control Over Financial Reporting on page 38 of this report, we concluded that the Company’s internal control over financial reporting was effective as of December 31, 2015.

The Board of Directors pursues its responsibility for the oversight of the Company’s accounting policies and procedures, financial statement preparation and internal control over financial reporting through the Audit Committee, comprised exclusively of independent directors. The Audit Committee is responsible for the appointment and compensation of the independent registered public accounting firm. The Audit Committee meets at least quarterly with financial management, internal auditors and the independent registered public accounting firm to review the adequacy of financial controls, the effectiveness of the Company’s internal control over financial reporting and the nature, extent and results of the audit effort. Both the internal auditors and the independent registered public accounting firm have private and confidential access to the Audit Committee at all times.

We believe that the consolidated financial statements, accompanying notes and related financial information included in this report fairly reflect the form and substance of all material financial transactions and fairly present, in all material respects, the consolidated financial position, results of operations and cash flows as of and for the periods presented.



J. G. Morikis
President and Chief Executive Officer



S. P. Hennessy
Senior Vice President - Finance and Chief Financial Officer



A. J. Mistysyn
Senior Vice President - Corporate Controller

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors and Shareholders of The Sherwin-Williams Company

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2015 , 2014 and 2013 , and the related consolidated statements of income and comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2015 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Sherwin-Williams Company at December 31, 2015 , 2014 and 2013 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2015 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2016 expressed an unqualified opinion thereon.

Ernst & Young LLP

Cleveland, Ohio
February 24, 2016

STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME
(thousands of dollars except per common share data)

	Year Ended December 31,		
	2015	2014	2013
Net sales	\$ 11,339,304	\$ 11,129,533	\$ 10,185,532
Cost of goods sold	5,780,078	5,965,049	5,568,966
Gross profit	5,559,226	5,164,484	4,616,566
Percent to net sales	49.0%	46.4%	45.3%
Selling, general and administrative expenses	3,913,518	3,822,966	3,467,681
Percent to net sales	34.5%	34.3%	34.0%
Other general expense - net	30,268	37,482	2,519
Interest expense	61,791	64,205	62,714
Interest and net investment income	(1,399)	(2,995)	(3,242)
Other expense (income) - net	6,082	(15,400)	936
Income before income taxes	1,548,966	1,258,226	1,085,958
Income taxes	495,117	392,339	333,397
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Net income per common share:			
Basic	\$ 11.38	\$ 8.95	\$ 7.41
Diluted	\$ 11.16	\$ 8.78	\$ 7.26

	Year Ended December 31,		
	2015	2014	2013
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(128,245)	(103,441)	(46,748)
Employee benefit plans:			
Net actuarial gains (losses) and prior service costs arising during period ⁽¹⁾	7,974	(56,536)	85,051
Less: amortization of net actuarial losses and prior service costs included in Net pension costs ⁽²⁾	5,847	8,980	10,933
	13,821	(47,556)	95,984
Unrealized net (losses) gains on available-for-sale securities:			
Unrealized holding (losses) gains arising during period ⁽³⁾	(1,191)	366	134
Less: reclassification adjustments for losses (gains) included in net income ⁽⁴⁾	478	(283)	(25)
	(713)	83	109
Other comprehensive (loss) income	(115,137)	(150,914)	49,345
Comprehensive income	\$ 938,712	\$ 714,973	\$ 801,906

⁽¹⁾ Net of taxes of \$(3,399), \$24,954 and \$(63,343), in 2015, 2014 and 2013, respectively.

⁽²⁾ Net of taxes of \$(1,647), \$(2,712) and \$(7,643), in 2015, 2014 and 2013, respectively.

⁽³⁾ Net of taxes of \$736, \$(228) and \$(84), in 2015, 2014 and 2013, respectively.

⁽⁴⁾ Net of taxes of \$(296), \$178 and \$17 in 2015, 2014 and 2013, respectively.

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(thousands of dollars)

	December 31,		
	2015	2014	2013
Assets			
Current assets:			
Cash and cash equivalents	\$ 205,744	\$ 40,732	\$ 744,889
Accounts receivable, less allowance	1,114,275	1,130,565	1,097,751
Inventories:			
Finished goods	840,603	841,784	779,057
Work in process and raw materials	177,927	191,743	191,758
	1,018,530	1,033,527	970,815
Deferred income taxes	87,883	109,087	104,496
Other current assets	232,442	252,869	240,766
Total current assets	2,658,874	2,566,780	3,158,717
Goodwill	1,143,333	1,158,346	1,178,687
Intangible assets	255,371	289,127	313,299
Deferred pension assets	244,882	250,144	302,446
Other assets	447,533	420,625	407,975
Property, plant and equipment:			
Land	119,530	125,691	125,131
Buildings	696,202	698,202	715,096
Machinery and equipment	2,026,617	1,952,037	1,838,590
Construction in progress	81,082	59,330	62,563
	2,923,431	2,835,260	2,741,380
Less allowances for depreciation	1,881,569	1,814,230	1,719,997
	1,041,862	1,021,030	1,021,383
Total Assets	\$ 5,791,855	\$ 5,706,052	\$ 6,382,507
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 39,462	\$ 679,436	\$ 96,551
Accounts payable	1,157,561	1,042,182	998,484
Compensation and taxes withheld	338,256	360,458	337,637
Accrued taxes	81,146	86,744	79,504
Current portion of long-term debt	3,154	3,265	502,948
Other accruals	522,280	508,581	513,433
Total current liabilities	2,141,859	2,680,666	2,528,557
Long-term debt	1,920,196	1,122,715	1,122,373
Postretirement benefits other than pensions	248,523	277,892	268,874
Other long-term liabilities	613,367	628,309	688,168
Shareholders' equity:			
Common stock - \$1.00 par value:			
92,246,525, 94,704,173 and 100,129,380 shares outstanding			
at December 31, 2015, 2014 and 2013, respectively	115,761	114,525	112,902
Preferred stock - convertible, no par value:			
40,406 shares outstanding at December 31, 2013			40,406
Unearned ESOP compensation			(40,406)
Other capital	2,330,426	2,079,639	1,847,801
Retained earnings	3,228,876	2,424,674	1,774,050
Treasury stock, at cost	(4,220,058)	(3,150,410)	(1,639,174)
Cumulative other comprehensive loss	(587,095)	(471,958)	(321,044)
Total shareholders' equity	867,910	996,470	1,774,535

Total Liabilities and Shareholders' Equity	\$ 5,791,855	\$ 5,706,052	\$ 6,382,507
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See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
(thousands of dollars)

	Year Ended December 31,		
	2015	2014	2013
Operating Activities			
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Adjustments to reconcile net income to net operating cash:			
Depreciation	170,323	169,087	158,763
Amortization of intangible assets	28,239	29,858	29,031
Provisions for environmental-related matters	31,071	36,046	(2,751)
Provisions for qualified exit costs	9,761	13,578	4,682
Deferred income taxes	4,976	(19,038)	27,775
Defined benefit pension plans net cost	6,491	990	20,641
Stock-based compensation expense	72,342	64,735	58,004
Net (decrease) increase in postretirement liability	(6,645)	(718)	5,233
Decrease in non-traded investments	65,144	63,365	57,261
(Gain) loss on disposition of assets	(803)	1,436	5,207
Other	6,711	203	(27,214)
Change in working capital accounts:			
(Increase) in accounts receivable	(56,873)	(80,252)	(41,473)
(Increase) decrease in inventories	(40,733)	(101,112)	25,031
Increase in accounts payable	160,111	78,603	34,685
Increase in accrued taxes	4,606	13,187	11,314
(Decrease) increase in accrued compensation and taxes withheld	(13,128)	29,513	24,435
Increase (decrease) in refundable income taxes	19,230	(36,601)	13,244
DOL settlement accrual			(80,000)
Other	(955)	(20,029)	43,804
Costs incurred for environmental-related matters	(11,995)	(9,676)	(12,539)
Costs incurred for qualified exit costs	(11,200)	(10,882)	(7,419)
Other	(43,059)	(6,652)	(16,509)
Net operating cash	1,447,463	1,081,528	1,083,766
Investing Activities			
Capital expenditures	(234,340)	(200,545)	(166,680)
Acquisitions of businesses, net of cash acquired			(79,940)
Proceeds from sale of assets	11,300	1,516	3,045
Increase in other investments	(65,593)	(111,021)	(94,739)
Net investing cash	(288,633)	(310,050)	(338,314)
Financing Activities			
Net (decrease) increase in short-term borrowings	(630,226)	591,423	31,634
Proceeds from long-term debt	797,514	1,474	473
Payments of long-term debt		(500,661)	(10,932)
Payments of cash dividends	(249,647)	(215,263)	(204,978)
Proceeds from stock options exercised	89,990	100,069	69,761
Income tax effect of stock-based compensation exercises and vesting	89,691	68,657	47,527
Treasury stock purchased	(1,035,291)	(1,488,663)	(769,271)
Other	(42,384)	(24,111)	(17,522)
Net financing cash	(980,353)	(1,467,075)	(853,308)
Effect of exchange rate changes on cash	(13,465)	(8,560)	(9,845)
Net increase (decrease) in cash and cash equivalents	165,012	(704,157)	(117,701)
Cash and cash equivalents at beginning of year	40,732	744,889	862,590
Cash and cash equivalents at end of year	\$ 205,744	\$ 40,732	\$ 744,889
Taxes paid on income	\$ 335,119	\$ 310,039	\$ 200,748
Interest paid on debt	48,644	67,306	61,045

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(thousands of dollars except per common share data)

	Common Stock	Preferred Stock	Unearned ESOP Compen-sation	Other Capital	Retained Earnings	Treasury Stock	Cumulative Other Comprehensive Loss	Total
Balance at January 1, 2013	\$ 111,623	\$ 101,086	\$ (101,086)	\$ 1,673,788	\$ 1,226,467	\$ (849,685)	\$ (370,389)	\$ 1,791,804
Net income					752,561			752,561
Other comprehensive income							49,345	49,345
Treasury stock purchased						(769,271)		(769,271)
Redemption of preferred stock		(60,680)	60,680					
Stock options exercised	1,128			68,633		(20,218)		49,543
Income tax effect of stock compensation				47,527				47,527
Restricted stock and stock option grants (net activity)	151			57,853				58,004
Cash dividends -- \$2.00 per common share					(204,978)			(204,978)
Balance at December 31, 2013	112,902	40,406	(40,406)	1,847,801	1,774,050	(1,639,174)	(321,044)	1,774,535
Net income					865,887			865,887
Other comprehensive loss							(150,914)	(150,914)
Treasury stock purchased						(1,488,663)		(1,488,663)
Redemption of preferred stock		(40,406)	40,406					
Stock options exercised	1,423			98,646		(22,573)		77,496
Income tax effect of stock compensation				68,657				68,657
Restricted stock and stock option grants (net activity)	200			64,535				64,735
Cash dividends -- \$2.20 per common share					(215,263)			(215,263)
Balance at December 31, 2014	114,525	—	—	2,079,639	2,424,674	(3,150,410)	(471,958)	996,470
Net income					1,053,849			1,053,849
Other comprehensive loss							(115,137)	(115,137)
Treasury stock purchased						(1,035,291)		(1,035,291)
Stock options exercised	1,134			88,856		(34,357)		55,633
Income tax effect of stock compensation				89,691				89,691
Restricted stock and stock option grants (net activity)	102			72,240				72,342
Cash dividends -- \$2.68 per common share					(249,647)			(249,647)
Balance at December 31, 2015	\$ 115,761	\$ —	\$ —	\$ 2,330,426	\$ 3,228,876	\$ (4,220,058)	\$ (587,095)	\$ 867,910

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Consolidation. The consolidated financial statements include the accounts of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, “the Company”). Inter-company accounts and transactions have been eliminated.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those amounts.

Nature of operations. The Company is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America, with additional operations in the Caribbean region, Europe and Asia.

Reportable segments. See Note 18 for further details.

Cash flows. Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair value of financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported for Cash and cash equivalents approximate fair value.

Short-term investments: The carrying amounts reported for Short-term investments approximate fair value.

Investments in securities: Investments classified as available-for-sale are carried at market value. See the recurring fair value measurement table on page 47 .

Non-traded investments: The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities.

However, because the Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of Accounting Standard Update (ASU) No. 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The carrying amounts of the investments, included in Other assets, were \$189,484 , \$223,935 and \$210,779 at December 31, 2015 , 2014 and 2013 , respectively. The liabilities recorded on the balance sheets for estimated future capital contributions to the investments were \$172,899 , \$198,776 and \$198,761 at December 31, 2015 , 2014 and 2013 , respectively.

Short-term borrowings: The carrying amounts reported for Short-term borrowings approximate fair value.

Long-term debt (including current portion): The fair values of the Company’s publicly traded debt, shown below, are based on quoted market prices. The fair values of the Company’s non-traded debt, also shown below, are estimated using discounted cash flow analyses, based on the Company’s current incremental borrowing rates for similar types of borrowing arrangements. The Company’s publicly traded debt and non-traded debt are classified as level 1 and level 2, respectively, in the fair value hierarchy. See Note 7 .

	December 31,					
	2015		2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$ 1,918,568	\$ 1,960,169	\$ 1,120,924	\$ 1,160,280	\$ 1,620,646	\$ 1,614,739
Non-traded debt	4,782	4,555	5,056	4,812	4,675	4,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

Derivative instruments: The Company utilizes derivative instruments as part of its overall financial risk management policy. The Company entered into foreign currency option and forward currency exchange contracts with maturity dates of less than twelve months in 2015, 2014 and 2013, primarily to hedge against value changes in foreign currency.

See Note 13 . There were no material derivative contracts outstanding at December 31, 2015, 2014 and 2013.

Fair value measurements. The following tables summarize the Company's assets and liabilities measured on a recurring and non-recurring basis in accordance with the Fair Value Measurements and Disclosures Topic of the ASC:

Assets and Liabilities Reported at Fair Value on a Recurring Basis

	Fair Value at December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Deferred compensation plan asset ^(a)	\$ 23,662	\$ 2,295	\$ 21,367	
Liabilities:				
Deferred compensation plan liability ^(b)	\$ 35,150	\$ 35,150		

- (a) The deferred compensation plan asset consists of the investment funds maintained for the future payments under the Company's executive deferred compensation plan, which is structured as a rabbi trust. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The level 1 investments are valued using quoted market prices multiplied by the number of shares. The level 2 investments are valued based on vendor or broker models. The cost basis of the investment funds is \$24,585 .
- (b) The deferred compensation plan liability represents the value of the Company's liability under its deferred compensation plan based on quoted market prices in active markets for identical assets.

Assets and Liabilities Reported at Fair Value on a Nonrecurring Basis.

Except for the acquisition-related fair value measurements described in Note 2 which qualify as level 2 measurements, there were no assets and liabilities measured at fair value on a nonrecurring basis in 2015 , 2014 or 2013 .

Accounts receivable and allowance for doubtful accounts. Accounts receivable were recorded at the time of credit sales net of provisions for sales returns and allowances. The Company recorded an allowance for doubtful accounts of \$49,420 , \$53,770 and \$54,460 at December 31, 2015 , 2014 and 2013 , respectively, to reduce Accounts receivable to their estimated net realizable value. The allowance was based on an analysis of historical bad debts, a review of the aging of Accounts receivable and the current creditworthiness of customers. Account 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 related to the creditworthiness of accounts and are included in Selling, general and administrative expenses.

Reserve for obsolescence. The Company recorded a reserve for obsolescence of \$91,217 , \$90,712 and \$97,523 at December 31, 2015 , 2014 and 2013 , respectively, to reduce Inventories to their estimated net realizable value.

Goodwill. Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. In accordance with the Impairments

Topic of the ASC, goodwill is tested for impairment on an annual basis and in between annual tests if events or circumstances indicate potential impairment. See Note 4 .

Intangible assets. Intangible assets include trademarks, non-compete covenants and certain intangible property rights. As required by the Goodwill and Other Intangibles Topic of the ASC, indefinite-lived trademarks are not amortized, but instead are tested annually for impairment, and between annual tests whenever an event occurs or circumstances indicate potential impairment. See Note 4 . The cost of finite-lived trademarks, non-compete covenants and certain intangible property rights are amortized on a straight-line basis over the expected period of benefit as follows:

	Useful Life
Finite-lived trademarks	5 years
Non-compete covenants	3 – 5 years
Certain intangible property rights	3 – 19 years

Impairment of long-lived assets. In accordance with the Property, Plant and Equipment Topic of the ASC, management evaluates the recoverability and estimated remaining lives of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. See Notes 4 and 5 .

Property, plant and equipment. Property, plant and equipment is stated on the basis of cost. Depreciation is provided

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

by the straight-line method. Depreciation and amortization are included in the appropriate Cost of goods sold or Selling, general and administrative expense caption on the Statements of Consolidated Income. Included in Property, plant and equipment are leasehold improvements. The major classes of assets and ranges of annual depreciation rates are:

Buildings	2.5% – 20.0%
Machinery and equipment	5.0% – 20.0%
Furniture and fixtures	10.0% – 33.3%
Automobiles and trucks	10.0% – 33.3%

Standby letters of credit. The Company occasionally enters into standby letter of credit agreements to guarantee various operating activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts outstanding under these agreements totaled \$45,407, \$23,442 and \$25,896 at December 31, 2015, 2014 and 2013, respectively.

Product warranties. The Company offers product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2015, 2014 and 2013, including customer satisfaction settlements during the year, were as follows:

	2015	2014	2013
Balance at January 1	\$ 27,723	\$ 26,755	\$ 22,710
Charges to expense	43,484	37,879	33,265
Settlements	(39,329)	(36,911)	(29,220)
Balance at December 31	\$ 31,878	\$ 27,723	\$ 26,755

Environmental matters. Capital expenditures for ongoing environmental compliance measures were recorded in Property, plant and equipment, and related expenses were included in the normal operating expenses of conducting business. The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites and at a number of third-party sites. The Company accrued for environmental-related activities for which commitments or clean-up plans have been developed and when such costs could be reasonably estimated based on industry standards and professional judgment. All accrued amounts were recorded on an undiscounted basis. Environmental-related

expenses included direct costs of investigation and remediation and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, consulting and law firms. See Notes 8 and 13.

Employee Stock Purchase and Savings Plan and preferred stock. The Company accounts for the Employee Stock Purchase and Savings Plan (ESOP) in accordance with the Employee Stock Ownership Plans Subtopic of the Compensation – Stock Ownership Topic of the ASC. The Company recognized compensation expense for amounts contributed to the ESOP, and the ESOP used dividends on unallocated preferred shares to service debt. Unallocated preferred shares held by the ESOP were not considered outstanding in calculating earnings per share of the Company. During 2014, the Company redeemed all remaining preferred shares for cash. See Note 11.

Defined benefit pension and other postretirement benefit plans. The Company accounts for its defined benefit pension and other postretirement benefit plans in accordance with the Retirement Benefits Topic of the ASC, which requires the recognition of a plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. See Note 6.

Stock-based compensation. The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. See Note 12.

Foreign currency translation. All consolidated non-highly inflationary foreign operations use the local currency of the country of operation as the functional currency and translated the local currency asset and liability accounts at year-end exchange rates while income and expense accounts were translated at average exchange rates. The resulting translation adjustments were included in Cumulative other comprehensive loss, a component of Shareholders' equity.

Cumulative other comprehensive loss. At December 31, 2015, the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of \$482,629, net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of \$104,346 and unrealized net losses on marketable equity securities of \$120. At December 31, 2014 and 2013, the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of \$354,384 and \$250,943, respectively, net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of \$118,167 and \$70,611, respectively, and unrealized gains on marketable equity securities of \$593 and \$510, respectively.

Revenue recognition. All revenues were recognized when products were shipped and title had passed to unaffiliated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

customers. Collectibility of amounts recorded as revenue was reasonably assured at the time of recognition.

Customer and vendor consideration. The Company offered certain customers rebate and sales incentive programs which were classified as reductions in Net sales. Such programs were in the form of volume rebates, rebates that constituted a percentage of sales or rebates for attaining certain sales goals. The Company received consideration from certain suppliers of raw materials in the form of volume rebates or rebates that constituted a percentage of purchases. These rebates were recognized on an accrual basis by the Company as a reduction of the purchase price of the raw materials and a subsequent reduction of Cost of goods sold when the related product was sold.

Costs of goods sold. Included in Costs of goods sold were costs for materials, manufacturing, distribution and related support. Distribution costs included all expenses related to the distribution of products including inbound freight charges, purchase and receiving costs, warehousing costs, internal transfer costs and all costs incurred to ship products. Also included in Costs of goods sold were total technical expenditures, which included research and development costs, quality control, product formulation expenditures and other similar items. Research and development costs included in technical expenditures were \$57,667, \$50,019 and \$47,042 for 2015, 2014 and 2013, respectively. The settlement gain related to the titanium dioxide litigation reduced 2014 Costs of goods sold by \$21,420. See Note 9.

Selling, general and administrative expenses. Selling costs included advertising expenses, marketing costs, employee and store costs and sales commissions. The cost of advertising was expensed as incurred. The Company incurred \$338,188, \$299,201 and \$262,492 in advertising costs during 2015, 2014 and 2013, respectively. General and administrative expenses included human resources, legal, finance and other support and administrative functions.

Earnings per share. Shares of preferred stock held in an unallocated account of the ESOP (see Note 11) and common stock held in a revocable trust (see Note 10) were not considered outstanding shares for basic or diluted income per common share calculations. All references to "shares" or "per share" information throughout this report relate to common shares and are stated on a diluted per common share basis, unless otherwise indicated. Basic and diluted net income per common share were calculated using the two-class method in accordance with the Earnings Per Common Share Topic of the ASC. Basic net income per common share amounts were computed based on the weighted-average number of common shares outstanding during the year. Diluted net income per common share amounts were computed based on the weighted-average number of common

shares outstanding plus all dilutive securities potentially outstanding during the year. See Note 15.

Impact of recently issued accounting standards. Effective January 1, 2015, the Company adopted ASU No. 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects," which allows companies to elect to use the proportional amortization method to account for investments in qualified affordable housing projects if certain conditions are met. Under the proportional amortization method, which replaces the effective yield method, the cost of the investment is amortized in proportion to the tax credits and other tax benefits received to income tax expense. The adoption of ASU No. 2014-01 did not have a material effect on the Company's results of operations, financial condition or liquidity.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes - Balance Sheet Classification of Deferred Taxes," which eliminates the requirement for separate presentation of current and noncurrent portions of deferred tax. All deferred tax assets and deferred tax liabilities will be presented as non-current on the balance sheet. The standard is effective for interim and annual periods beginning after December 15, 2016. Either retrospective or prospective presentation can be used. The company will adopt ASU No. 2015-17 as required. The ASU will not have a material effect on the Company's results of operations, financial condition or liquidity.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires companies to present debt issuance costs associated with a debt liability as a deduction from the carrying amount of that debt liability on the balance sheet rather than being capitalized as an asset. The standard is effective for interim and annual periods beginning after December 15, 2015, and retrospective presentation is required. The Company will adopt ASU No. 2015-03 as required. The ASU will not have a material effect on the Company's results of operations, financial condition or liquidity.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue Recognition - Revenue from Contracts with Customers," which is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The issuance of ASU No. 2015-14 in August 2015 delays the effective date of the standard to interim and annual periods beginning after December 15, 2017. Either full retrospective adoption or modified retrospective adoption is permitted. The Company is in the process of evaluating the impact of the standard.

Reclassification. Certain amounts in the notes to the consolidated financial statements for 2013 and 2014 have been reclassified to conform to the 2015 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars unless otherwise indicated)

NOTE 2 – ACQUISITIONS

On September 16, 2013, the Company entered into a definitive Stock Purchase Agreement and completed the acquisition of the U.S./Canada business of Consorcio Comex, S.A. de C.V. (Comex). The U.S./Canada business of Comex focuses on the manufacture and sale of paint and paint related products through retail service centers under various proprietary brands. The acquisition strengthens the ability of the Paint Stores Group and Consumer Group to serve customers in key geographic markets. The acquisition resulted in the recognition of intangible assets of \$4,696. Final asset valuation adjustments resulted in a realized gain of \$6,198 which was included in Other (income) expense for the year ended December 31, 2014. The acquisition of the U.S./Canada business of Comex has been accounted for as a purchase and the results of operations have been included in the consolidated financial statements since the date of acquisition.

On April 3, 2014, the Company terminated the Stock Purchase Agreement entered into on November 9, 2013 and subsequently amended and restated for the acquisition of the Mexico business of Comex pursuant to the terms of the agreement.

NOTE 3 – INVENTORIES

Inventories were stated at the lower of cost or market with cost determined principally on the last-in, first-out (LIFO) method. The following presents the effect on inventories, net income and net income per common share had the Company used the first-in, first-out (FIFO) inventory valuation method adjusted for income taxes at the statutory rate and assuming no other adjustments. Management believes that the use of LIFO results in a better matching of costs and revenues. This information is presented to enable the reader to make comparisons with companies using the FIFO method of inventory valuation. During 2014 and 2013, certain inventories accounted for on the LIFO method were reduced, resulting in the liquidation of certain quantities carried at costs prevailing in prior years. The 2014 and 2013 liquidations increased net income by \$196 and \$169, respectively.

	2015	2014	2013
Percentage of total inventories on LIFO	78%	76%	75%
Excess of FIFO over LIFO	\$ 251,060	\$ 331,867	\$ 337,214
Increase in net income due to LIFO	49,658	3,230	12,299
Increase in net income per common share due to LIFO	.53	.03	.12

NOTE 4 – GOODWILL, INTANGIBLE AND LONG-LIVED ASSETS

During 2013 and 2014, the Company recognized acquired customer relationships and finite-lived trademarks of \$3,311 and \$1,385, respectively, related to the acquisition of the U.S./Canada business of Comex. The customer relationships and finite-lived trademarks are being amortized over 7 years from the date of acquisition. The Company initially recognized \$1,885 of goodwill and \$466 of indefinite-lived trademarks in 2013, but subsequently adjusted these amounts to zero based on final asset valuations completed in 2014.

In accordance with the Property, Plant and Equipment Topic of the ASC, whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable or the useful life may have changed, impairment tests are to be performed. Undiscounted cash flows are to be used to calculate the recoverable value of long-lived assets to determine if such assets are impaired. Where impairment is identified, a discounted cash flow valuation model, incorporating discount rates commensurate with the risks involved for each group of assets, is to be used to determine the fair value for the assets to measure any potential impairment. No material impairments were recorded in 2015, 2014 and 2013.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred. October 1 has been established for the annual impairment review. At the time of impairment testing, values are estimated separately for goodwill and trademarks with indefinite lives using a discounted cash flow valuation model, incorporating discount rates commensurate with the risks involved for each group of assets. An optional qualitative assessment may alleviate the need to perform the quantitative goodwill impairment test when impairment is unlikely. The annual impairment reviews performed as of October 1, 2015, 2014 and 2013 did not result in any goodwill or trademark impairment.

Amortization of finite-lived intangible assets is as follows for the next five years: \$22,241 in 2016, \$16,825 in 2017, \$14,195 in 2018, \$11,131 in 2019 and \$10,951 in 2020.

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A summary of changes in the Company's carrying value of goodwill by Reportable Segment is as follows:

Goodwill	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Consolidated Totals
Balance at January 1, 2013 ^(a)	\$ 286,784	\$ 706,292	\$ 152,287	\$ 10,642	\$ 1,156,005
Acquisitions	1,885		17,963		19,848
Currency and other adjustments	(1,369)	(2,941)	8,048	(904)	2,834
Balance at December 31, 2013 ^(a)	287,300	703,351	178,298	9,738	1,178,687
Currency and other adjustments	(1,866)	(1,145)	(17,287)	(43)	(20,341)
Balance at December 31, 2014 ^(a)	285,434	702,206	161,011	9,695	1,158,346
Currency and other adjustments	(28)	(1,135)	(13,801)	(49)	(15,013)
Balance at December 31, 2015 ^(a)	\$ 285,406	\$ 701,071	\$ 147,210	\$ 9,646	\$ 1,143,333

(a) Net of accumulated impairment losses of \$8,904 (\$8,113 in the Consumer Group and \$791 in the Global Finishes Group).

A summary of the Company's carrying value of intangible assets is as follows:

	Finite-lived intangible assets			Trademarks with indefinite lives	Total intangible assets
	Software	All other	Subtotal		
December 31, 2015					
Weighted-average amortization period	8 years	12 years	11 years		
Gross	\$ 123,863	\$ 312,119	\$ 435,982		
Accumulated amortization	(95,008)	(228,921)	(323,929)		
Net value	\$ 28,855	\$ 83,198	\$ 112,053	\$ 143,318	\$ 255,371
December 31, 2014					
Weighted-average amortization period	8 years	12 years	11 years		
Gross	\$ 126,258	\$ 317,005	\$ 443,263		
Accumulated amortization	(88,384)	(215,518)	(303,902)		
Net value	\$ 37,874	\$ 101,487	\$ 139,361	\$ 149,766	\$ 289,127
December 31, 2013					
Weighted-average amortization period	8 years	10 years	9 years		
Gross	\$ 114,404	\$ 327,962	\$ 442,366		
Accumulated amortization	(77,018)	(202,084)	(279,102)		
Net value	\$ 37,386	\$ 125,878	\$ 163,264	\$ 150,035	\$ 313,299

NOTE 5 – EXIT OR DISPOSAL ACTIVITIES

Management is continually re-evaluating the Company's operating facilities, including acquired operating facilities, against its long-term strategic goals. Liabilities associated with exit or disposal activities are recognized as incurred in accordance with the Exit or Disposal Cost Obligations Topic of the ASC. Provisions for qualified exit costs are made at the time a facility is no longer operational. Qualified exit costs primarily include post-closure rent expenses or costs to terminate the contract before the end of its term and costs of employee terminations. Adjustments may be made to liabilities accrued for qualified exit costs if information becomes available upon which more accurate

amounts can be reasonably estimated. Concurrently, property, plant and equipment is tested for impairment in accordance with the Property, Plant and Equipment Topic of the ASC, and if impairment exists, the carrying value of the related assets is reduced to estimated fair value. Additional impairment may be recorded for subsequent revisions in estimated fair value. Adjustments to prior provisions and additional impairment charges for property, plant and equipment of closed sites being held for disposal are recorded in Other general expense – net.

During 2015, 30 stores in the Paint Stores Group, 7 branches in the Global Finishes Group and 2 stores in the Latin America Coatings Group were closed due to lower demand or

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redundancy. In addition, the Global Finishes Group exited a business in Europe. Provisions for severance and other qualified exit cost of \$168 and \$8,329 were charged to the Paint Stores Group and Global Finishes Group, respectively. Provisions for severance and other qualified exit costs related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2015 of \$1,264 were recorded.

During 2014, 7 facilities and 24 stores and branches were closed due to lower demand or redundancy. In addition, the Global Finishes Group exited its business in Venezuela. Provisions for severance and other qualified exit cost of \$280 , \$4,809 and \$4,767 were charged to the Paint Stores Group, Consumer Group and Global Finishes Group, respectively. Provisions for severance and other qualified exit costs related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2014 of \$3,722 were recorded.

During 2013, 5 facilities and 16 stores and branches were closed due to lower demand or redundancy. Provisions for

severance and other qualified exit cost of \$1,004 , \$598 , \$278 and \$123 were charged to the Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group, respectively. Provisions for severance and other qualified exit costs and adjustments to prior provisions related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2013 of \$2,679 were recorded.

At December 31, 2015 , a portion of the remaining accrual for qualified exit costs relating to facilities shutdown prior to 2013 is expected to be incurred by the end of 2016 . The remaining portion of the ending accrual for facilities shutdown prior to 2013 primarily represented post-closure contractual expenses related to certain owned facilities which are closed and being held for disposal. The Company cannot reasonably estimate when such matters will be concluded to permit disposition.

The tables on the following pages summarize the activity and remaining liabilities associated with qualified exit costs:

(Thousands of dollars)					
Exit Plan	Balance at December 31, 2014	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at December 31, 2015	
Paint Stores Group stores shutdown in 2015:					
Other qualified exit costs		\$ 168	\$ (156)	\$ 12	
Global Finishes Group stores shutdown in 2015:					
Severance and related costs		1,341	(245)	1,096	
Other qualified exit costs		6,988	(4,238)	2,750	
Paint Stores Group stores shutdown in 2014:					
Other qualified exit costs	\$ 280	142	(238)	184	
Consumer Group facilities shutdown in 2014:					
Severance and related costs	2,732	466	(2,753)	445	
Other qualified exit costs	781	6	(735)	52	
Global Finishes Group exit of business in 2014:					
Severance and related costs	104	326		430	
Other qualified exit costs	1,080	324	(1,051)	353	
Paint Stores Group facility shutdown in 2013:					
Severance and related costs	654		(654)		
Other qualified exit costs	1,205		(411)	794	
Global Finishes Group stores shutdown in 2013:					
Severance and related costs	28		(28)		
Other qualified exit costs	138		(138)		
Severance and other qualified exit costs for facilities shutdown prior to 2013	1,514		(553)	961	
Totals	\$ 8,516	\$ 9,761	\$ (11,200)	\$ 7,077	

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Exit Plan	Balance at December 31, 2013	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at December 31, 2014
Paint Stores Group stores shutdown in 2014:				
Other qualified exit costs		\$ 280		\$ 280
Consumer Group facilities shutdown in 2014:				
Severance and related costs		4,028	\$ (1,296)	2,732
Other qualified exit costs		781		781
Global Finishes Group exit of business in 2014:				
Severance and related costs		2,500	(2,396)	104
Other qualified exit costs		2,267	(1,187)	1,080
Paint Stores Group facility shutdown in 2013:				
Severance and related costs	\$ 977	2,126	(2,449)	654
Other qualified exit costs		1,499	(294)	1,205
Consumer Group facilities shutdown in 2013:				
Severance and related costs	598	97	(695)	
Global Finishes Group stores shutdown in 2013:				
Severance and related costs	33		(5)	28
Other qualified exit costs	220		(82)	138
Latin America Coatings Group facilities shutdown in 2013:				
Severance and related costs	123		(123)	
Paint Stores Group stores shutdown in 2012:				
Other qualified exit costs	244		(51)	193
Global Finishes Group facilities shutdown in 2012:				
Severance and related costs	2,177		(1,863)	314
Other qualified exit costs	83			83
Other qualified exit costs for facilities shutdown prior to 2012	1,365		(441)	924
Totals	\$ 5,820	\$ 13,578	\$ (10,882)	\$ 8,516

Exit Plan	Balance at December 31, 2012	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Adjustments to prior provisions in Other general expense - net	Balance at December 31, 2013
Paint Stores Group stores shutdown in 2013:					
Severance and related costs		\$ 1,004	\$ (27)		\$ 977
Consumer Group facilities shutdown in 2013:					
Severance and related costs		598			598
Global Finishes Group branches shutdown in 2013:					
Severance and related costs		278	(25)		253
Latin America Coatings Group facilities shutdown in 2013:					
Severance and related costs		123			123
Paint Stores Group stores shutdown in 2012:					
Other qualified exit costs	\$ 313		(68)	\$ (1)	244
Global Finishes Group facilities shutdown in 2012:					
Severance and related costs	2,236	2,533	(2,592)		2,177
Other qualified exit costs	3,430	83	(3,530)	100	83
Global Finishes Group branches shutdown in 2011:					
Other qualified exit costs	290		(222)		68
Other qualified exit costs for facilities shutdown prior to 2011	2,288		(955)	(36)	1,297
Totals	\$ 8,557	\$ 4,619	\$ (7,419)	\$ 63	\$ 5,820

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NOTE 6 – PENSION, HEALTH CARE AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides pension benefits to substantially all employees through primarily noncontributory defined contribution or defined benefit plans and certain health care and life insurance benefits to domestic active employees and eligible retirees. In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes an asset for overfunded defined benefit pension or other postretirement benefit plans and a liability for unfunded or underfunded plans. In addition, actuarial gains and losses and prior service costs of such plans are recorded in Cumulative other comprehensive loss, a component of Shareholders' equity. The amounts recorded in Cumulative other comprehensive loss will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension cost (credit) and net periodic benefit cost.

Health care plans. The Company provides certain domestic health care plans that are contributory and contain cost-sharing features such as deductibles and coinsurance. There were 21,918 , 21,239 and 19,440 active employees entitled to receive benefits under these plans at December 31, 2015 , 2014 and 2013 , respectively. The cost of these benefits for active employees, which includes claims incurred and claims incurred but not reported, amounted to \$217,781 , \$202,787 and \$174,588 for 2015 , 2014 and 2013 , respectively.

Defined contribution pension plans. The Company's annual contribution for its domestic defined contribution pension plan was \$35,435 , \$32,384 and \$27,803 for 2015 , 2014 and 2013 , respectively. The contribution percentage ranges from two percent to seven percent of compensation for covered employees based on an age and service formula. Assets in employee accounts of the domestic defined contribution pension plan are invested in various investment funds as directed by the participants. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

The Company's annual contributions for its foreign defined contribution pension plans, which are based on various percentages of compensation for covered employees up to certain limits, were \$5,888 , \$4,592 and \$1,428 for 2015 , 2014 and 2013 , respectively. Assets in employee accounts of the foreign defined contribution pension plans are invested in various investment funds. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

Defined benefit pension plans. The Company has one salaried and one hourly domestic defined benefit pension plan, and twenty-two foreign defined benefit pension plans, including three Canadian plans acquired in connection with the 2013 acquisition of Comex's U.S./Canada business. All participants in the domestic salaried defined benefit pension plan prior to January 1, 2002 retain the previous defined benefit formula for computing benefits with certain modifications for active employees. Employees who became participants on or after January 1, 2002 are credited with certain contribution credits that range from two percent to seven percent of compensation based on an age and service formula. Contribution credits are converted into units to account for each participant's benefits. Participants will receive a variable annuity benefit upon retirement or a lump sum distribution upon termination (if vested). The variable annuity benefit is subject to the hypothetical returns achieved on each participant's allocation of units from investments in various investment funds as directed by the participant. Contribution credits to the revised domestic salaried defined benefit pension plan are being funded through existing plan assets. Effective October 1, 2011, the domestic salaried defined benefit pension plan was frozen for new hires, and all newly hired U.S. non-collectively bargained employees are eligible to participate in the Company's domestic defined contribution plan.

In connection with the 2013 acquisition of Comex's U.S./Canada business, the Company acquired a domestic defined benefit pension plan (Comex Plan). The Comex Plan was merged into the Company's salaried defined benefit pension plan as of November 29, 2013 and was frozen for new participants as of December 31, 2013. Accrued benefits and vesting service under the Comex Plan were credited under the Company's domestic salaried defined benefit pension plan.

At December 31, 2015 , the domestic salaried and hourly defined benefit pension plans were overfunded, with a projected benefit obligation of \$624,791 , fair value of plan assets of \$858,605 and excess plan assets of \$233,814 . The plans are funded in accordance with all applicable regulations at December 31, 2015 and no funding will be required in 2016 . At December 31, 2014 , the domestic salaried and hourly defined benefit pension plans were overfunded, with a projected benefit obligation of \$653,338 , fair value of plan assets of \$896,071 and excess plan assets of \$242,733 . At December 31, 2013 , the domestic salaried and hourly defined benefit pension plan were overfunded, with a projected benefit obligation of \$582,036 , fair value of plan assets of \$870,386 and excess plan assets of \$288,350 .

At December 31, 2015 , seventeen of the Company's foreign defined benefit pension plans were unfunded or underfunded,

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with combined accumulated benefit obligations, projected benefit obligations, fair values of net assets and deficiencies of plan assets of \$102,468 , \$131,293 , \$80,710 and \$50,583 , respectively. A decrease of \$32,669 from 2014 in the combined projected benefit obligations of all foreign defined benefit pension plans was primarily due to changes in plan assumptions and a settlement charge related to one of the acquired Canada plans.

The Company expects to make the following benefit payments for all domestic and foreign defined benefit pension plans: \$52,635 in 2016 ; \$53,374 in 2017 ; \$54,088 in 2018 ;

\$54,356 in 2019 ; \$55,359 in 2020 ; and \$278,245 in 2021 through 2025 . The Company expects to contribute \$4,405 to the foreign plans in 2016 .

The estimated net actuarial losses and prior service costs for the defined benefit pension plans that are expected to be amortized from Cumulative other comprehensive loss into the net pension costs in 2016 are \$6,957 and \$1,205 , respectively.

The following table summarizes the components of the net pension costs and Cumulative other comprehensive loss related to the defined benefit pension plans:

	Domestic Defined Benefit Pension Plans			Foreign Defined Benefit Pension Plans		
	2015	2014	2013	2015	2014	2013
Net pension costs:						
Service costs	\$ 21,120	\$ 21,342	\$ 23,176	\$ 5,071	\$ 5,261	\$ 5,039
Interest costs	24,535	26,266	18,444	8,719	10,422	7,940
Expected returns on plan assets	(52,095)	(51,293)	(42,937)	(9,296)	(10,836)	(7,487)
Amortization of prior service costs	1,310	1,837	1,823			
Amortization of actuarial losses	1,962		13,147	1,910	1,413	1,716
Ongoing pension (credits) costs	(3,168)	(1,848)	13,653	6,404	6,260	7,208
Settlement costs (credits)				3,255	(3,422)	(220)
Net pension (credits) costs	(3,168)	(1,848)	13,653	9,659	2,838	6,988
Other changes in plan assets and projected benefit obligation recognized in Cumulative other comprehensive loss (before taxes):						
Net actuarial losses (gains) arising during the year	15,359	47,785	(90,669)	1,907	21,792	(5,487)
Prior service costs during the year		2,242	1,756			
Amortization of prior service costs	(1,310)	(1,837)	(1,823)			
Amortization of actuarial losses	(1,962)		(13,147)	(1,910)	(1,413)	(1,716)
Exchange rate (loss) gain recognized during year				(5,830)	(7,988)	819
Total recognized in Cumulative other comprehensive loss	12,087	48,190	(103,883)	(5,833)	12,391	(6,384)
Total recognized in net pension costs (credits) and Cumulative other comprehensive loss	\$ 8,919	\$ 46,342	\$ (90,230)	\$ 3,826	\$ 15,229	\$ 604

The Company employs a total return investment approach for the domestic and foreign defined benefit pension plan assets. A mix of equities and fixed income investments are used to maximize the long-term return of assets for a prudent level of risk. In determining the expected long-term rate of return on defined benefit pension plan assets,

management considers the historical rates of return, the nature of investments and an expectation of future investment strategies. The target allocations for plan assets are 45 – 65 percent equity securities and 30 – 40 percent fixed income securities.

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The following tables summarize the fair value of the defined benefit pension plan assets at December 31, 2015 , 2014 and 2013 :

	Fair Value at December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Short-term investments ^(a)	\$ 13,475		\$ 13,475	
Equity investments ^(b)	688,799	\$ 372,033	316,766	
Fixed income investments ^(c)	290,470	141,448	149,022	
Other assets ^(d)	28,200		16,361	\$ 11,839
	<u>\$ 1,020,944</u>	<u>\$ 513,481</u>	<u>\$ 495,624</u>	<u>\$ 11,839</u>
	Fair Value at December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Short-term investments ^(a)	\$ 14,846		\$ 14,846	
Equity investments ^(b)	739,358	\$ 404,542	334,816	
Fixed income investments ^(c)	285,042	141,529	143,513	
Other assets ^(d)	44,470		28,436	\$ 16,034
	<u>\$ 1,083,716</u>	<u>\$ 546,071</u>	<u>\$ 521,611</u>	<u>\$ 16,034</u>
	Fair Value at December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Short-term investments ^(a)	\$ 15,055	\$ 1,941	\$ 13,114	
Equity investments ^(b)	736,873	419,779	317,094	
Fixed income investments ^(c)	255,927	125,377	130,550	
Other assets ^(d)	47,494		29,553	\$ 17,941
	<u>\$ 1,055,349</u>	<u>\$ 547,097</u>	<u>\$ 490,311</u>	<u>\$ 17,941</u>

(a) This category includes a full range of high quality, short-term money market securities.

(b) This category includes actively managed equity assets that track primarily to the S&P 500.

(c) This category includes government and corporate bonds that track primarily to the Barclays Capital Aggregate Bond Index.

(d) This category consists of venture capital funds.

The following tables summarize the changes in the fair value of the defined benefit pension plan assets classified as level 3 at December 31, 2015 , 2014 and 2013 :

	Balance at December 31, 2014	Dispositions	Net Realized and Unrealized Gains	Balance at December 31, 2015
Other assets	<u>\$ 16,034</u>	<u>\$ (5,928)</u>	<u>\$ 1,733</u>	<u>\$ 11,839</u>
	Balance at December 31, 2013	Dispositions	Net Realized and Unrealized Gains	Balance at December 31, 2014
Other assets	<u>\$ 17,941</u>	<u>\$ (4,320)</u>	<u>\$ 2,413</u>	<u>\$ 16,034</u>
	Balance at January 1, 2013	Dispositions	Net Realized and Unrealized Gains	Balance at December 31, 2013
Other assets	<u>\$ 18,850</u>	<u>\$ (4,068)</u>	<u>\$ 3,159</u>	<u>\$ 17,941</u>

Included as equity investments in the domestic defined benefit pension plan assets at December 31, 2015 were 300,000 shares of the Company's common stock with a market value of \$77,880 , representing 9.1 percent of total domestic plan assets. Dividends received on the Company's common stock during 2015 totaled \$804 .

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The following table summarizes the obligations, plan assets and assumptions used for the defined benefit pension plans, which are all measured as of December 31:

	Domestic Defined Benefit Pension Plans			Foreign Defined Benefit Pension Plans		
	2015	2014	2013	2015	2014	2013
Accumulated benefit obligations at end of year	<u><u>\$ 621,873</u></u>	<u><u>\$ 648,480</u></u>	<u><u>\$ 577,736</u></u>	<u><u>\$ 172,426</u></u>	<u><u>\$ 203,610</u></u>	<u><u>\$ 187,670</u></u>
Projected benefit obligations:						
Balances at beginning of year	\$ 653,338	\$ 582,036	\$ 466,827	\$ 234,524	\$ 222,996	\$ 168,758
Service costs	21,120	21,342	23,176	5,071	5,261	5,039
Interest costs	24,535	26,266	18,444	8,719	10,422	7,940
Actuarial (gains) losses	(40,602)	68,748	(5,488)	(3,045)	32,551	5,939
Acquisitions of businesses and other		2,242	113,174	1,072	(6,692)	39,622
Settlements				(18,707)	(3,370)	
Effect of foreign exchange				(17,211)	(18,987)	1,549
Benefits paid	(33,600)	(47,296)	(34,097)	(8,569)	(7,657)	(5,851)
Balances at end of year	<u>624,791</u>	<u>653,338</u>	<u>582,036</u>	<u>201,854</u>	<u>234,524</u>	<u>222,996</u>
Plan assets:						
Balances at beginning of year	896,071	870,386	703,563	187,645	184,963	133,013
Actual returns on plan assets	(3,866)	72,256	128,117	4,844	20,240	20,316
Acquisitions of businesses and other		725	72,803	11,424	7,328	36,106
Settlements				(18,707)	(3,370)	
Effect of foreign exchange				(14,298)	(13,859)	1,379
Benefits paid	(33,600)	(47,296)	(34,097)	(8,569)	(7,657)	(5,851)
Balances at end of year	<u>858,605</u>	<u>896,071</u>	<u>870,386</u>	<u>162,339</u>	<u>187,645</u>	<u>184,963</u>
Excess (deficient) plan assets over projected benefit obligations	<u><u>\$ 233,814</u></u>	<u><u>\$ 242,733</u></u>	<u><u>\$ 288,350</u></u>	<u><u>\$ (39,515)</u></u>	<u><u>\$ (46,879)</u></u>	<u><u>\$ (38,033)</u></u>
Assets and liabilities recognized in the Consolidated Balance Sheets:						
Deferred pension assets	\$ 233,814	\$ 242,733	\$ 288,350	\$ 11,068	\$ 7,411	\$ 14,096
Other accruals				(1,442)	(810)	(1,126)
Other long-term liabilities				(49,141)	(53,480)	(51,003)
	<u><u>\$ 233,814</u></u>	<u><u>\$ 242,733</u></u>	<u><u>\$ 288,350</u></u>	<u><u>\$ (39,515)</u></u>	<u><u>\$ (46,879)</u></u>	<u><u>\$ (38,033)</u></u>
Amounts recognized in Cumulative other comprehensive loss:						
Net actuarial losses	\$ (120,454)	\$ (107,057)	\$ (59,272)	\$ (41,741)	\$ (47,574)	\$ (35,183)
Prior service costs	(5,138)	(6,448)	(6,043)			
	<u><u>\$ (125,592)</u></u>	<u><u>\$ (113,505)</u></u>	<u><u>\$ (65,315)</u></u>	<u><u>\$ (41,741)</u></u>	<u><u>\$ (47,574)</u></u>	<u><u>\$ (35,183)</u></u>
Weighted-average assumptions used to determine projected benefit obligations:						
Discount rate	4.40%	3.95%	4.65%	4.20%	3.92%	4.89%
Rate of compensation increase	3.14%	4.00%	4.00%	4.00%	3.70%	4.31%
Weighted-average assumptions used to determine net pension costs:						
Discount rate	3.95%	4.65%	3.73%	3.92%	4.89%	4.58%
Expected long-term rate of return on assets	6.00%	6.00%	6.00%	4.84%	5.58%	5.67%
Rate of compensation increase	4.00%	4.00%	4.00%	3.70%	4.31%	4.08%

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Postretirement Benefits Other Than Pensions. Employees of the Company hired in the United States prior to January 1, 1993 who are not members of a collective bargaining unit, and certain groups of employees added through acquisitions, are eligible for health care and life

insurance benefits upon retirement, subject to the terms of the unfunded plans. There were 4,442 , 4,443 and 4,419 retired employees entitled to receive such postretirement benefits at December 31, 2015 , 2014 and 2013 , respectively.

The following table summarizes the obligation and the assumptions used for postretirement benefits other than pensions:

	Postretirement Benefits Other than Pensions		
	2015	2014	2013
Benefit obligation:			
Balance at beginning of year - unfunded	\$ 295,149	\$ 286,651	\$ 338,134
Service cost	2,485	2,434	3,061
Interest cost	11,182	12,782	12,183
Actuarial (gain) loss	(19,370)	27,757	(50,593)
Plan amendments	(9,269)	(19,043)	(2,503)
Benefits paid	(16,794)	(15,432)	(13,631)
Balance at end of year - unfunded	\$ 263,383	\$ 295,149	\$ 286,651
Liabilities recognized in the Consolidated Balance Sheets:			
Postretirement benefits other than pensions	\$ (248,523)	\$ (277,892)	\$ (268,874)
Other accruals	(14,860)	(17,257)	(17,777)
	\$ (263,383)	\$ (295,149)	\$ (286,651)
Amounts recognized in Cumulative other comprehensive loss:			
Net actuarial losses	\$ (15,664)	\$ (36,044)	\$ (8,287)
Prior service credits	25,784	21,043	2,503
	\$ 10,120	\$ (15,001)	\$ (5,784)
Weighted-average assumptions used to determine benefit obligation:			
Discount rate	4.30%	3.90%	4.60%
Health care cost trend rate - pre-65	6.00%	7.00%	7.50%
Health care cost trend rate - post-65	5.00%	6.50%	6.50%
Prescription drug cost increases	11.50%	6.50%	7.00%
Employer Group Waiver Plan (EGWP) trend rate	11.50%	8.00%	
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	3.90%	4.60%	3.70%
Health care cost trend rate - pre-65	7.00%	7.50%	8.00%
Health care cost trend rate - post-65	6.50%	6.50%	8.00%
Prescription drug cost increases	6.50%	7.00%	8.00%

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The following table summarizes the components of the net periodic benefit cost and cumulative other comprehensive loss related to postretirement benefits other than pensions:

	Postretirement Benefits Other than Pensions		
	2015	2014	2013
Net periodic benefit cost:			
Service cost	\$ 2,485	\$ 2,434	\$ 3,061
Interest cost	11,182	12,782	12,183
Amortization of actuarial losses	1,011		3,934
Amortization of prior service credit	(4,529)	(503)	(328)
Net periodic benefit cost	10,149	14,713	18,850
Other changes in projected benefit obligation recognized in Cumulative other comprehensive loss (before taxes):			
Net actuarial (gain) loss	(19,370)	27,757	(50,593)
Prior service credit arising during the year	(9,269)	(19,043)	(2,503)
Amortization of actuarial losses	(1,011)		(3,934)
Amortization of prior service credit	4,529	503	328
Total recognized in Cumulative other comprehensive loss	(25,121)	9,217	(56,702)
Total recognized in net periodic benefit cost and Cumulative other comprehensive loss	\$ (14,972)	\$ 23,930	\$ (37,852)

The estimated net actuarial losses and prior service (credits) for postretirement benefits other than pensions that are expected to be amortized from Cumulative other comprehensive loss into net periodic benefit cost in 2016 are \$0 and \$(6,579) , respectively.

The assumed health care cost trend rate and prescription drug cost increases used to determine the net periodic benefit cost for postretirement health care benefits for 2016 both decrease in each successive year until reaching 4.5 percent in 2024 . The assumed health care and prescription drug cost trend rates have a significant effect on the amounts reported for the postretirement health care benefit obligation. A one-percentage-point change in assumed health care and prescription drug cost trend rates would have had the following effects at December 31, 2015 :

	One-Percentage Point	
	Increase	(Decrease)
Effect on total of service and interest cost components	\$ 26	\$ (70)
Effect on the postretirement benefit obligation	\$ 1,667	\$ (2,483)

The Company expects to make retiree health care benefit cash payments as follows:

	Expected Cash Payments
2016	\$ 14,860
2017	15,856
2018	16,816
2019	17,671
2020	18,294
2021 through 2025	94,114
Total expected benefit cash payments	\$ 177,611

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NOTE 7 – DEBT

Long-term debt

	Due Date	2015	2014	2013
1.35% Senior Notes	2017	\$ 699,643	\$ 699,460	\$ 699,277
3.45% Senior Notes	2025	399,774		
4.55% Senior Notes	2045	397,634		
4.00% Senior Notes	2042	298,645	298,595	298,545
7.375% Debentures	2027	119,372	119,369	119,366
7.45% Debentures	2097	3,500	3,500	3,500
2.02% to 8.00% Promissory Notes	Through 2029	1,628	1,791	1,685
		<u>\$ 1,920,196</u>	<u>\$ 1,122,715</u>	<u>\$ 1,122,373</u>

Maturities of long-term debt are as follows for the next five years: \$3,154 in 2016 ; \$700,665 in 2017 ; \$153 in 2018 , \$156 in 2019 and \$159 in 2020 . Interest expense on long-term debt was \$54,634 , \$56,408 and \$57,949 for 2015 , 2014 and 2013 , respectively.

Among other restrictions, the Company's Notes, Debentures and revolving credit agreement contain certain covenants relating to liens, ratings changes, merger and sale of assets, consolidated leverage and change of control as defined in the agreements. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. The Company was in compliance with all covenants for all years presented.

On July 28, 2015, the Company issued \$400 million of 3.45% Senior Notes due 2025 and \$400 million of 4.55% Senior Notes due 2045. The notes are covered under a shelf registration filed with the Securities and Exchange Commission (SEC) on July 28, 2015. The proceeds are being used for general corporate purposes, including repayment of a portion of the Company's outstanding short-term borrowings.

Short-term borrowings. On July 16, 2015, the Company and three of its wholly-owned subsidiaries, Sherwin-Williams Canada, Inc. (SW Canada), Sherwin-Williams Luxembourg S.à r.l. (SW Lux) and Sherwin-Williams UK Holding Limited, entered into a new five -year \$1.350 billion credit agreement (new credit agreement). The new credit agreement is being used for general corporate purposes, including the financing of working capital requirements. The new credit agreement allows the Company to extend the maturity of the facility with two one -year extension options and to increase the aggregate amount of the facility to \$1.850 billion , both of which are subject to the discretion of each lender. The new credit agreement replaced the previous credit agreements for the Company, SW Canada and SW Lux in the amounts of \$1.05 billion , CAD 150,000 and €95,000 (Euro), respectively. At December 31, 2015, short-term borrowings under the new credit agreement were \$21,715 with a weighted average interest rate of 0.9% . Borrowings outstanding under various foreign programs were \$17,747 at December 31, 2015 with a weighted average interest rate of 14.4% .

There were no borrowings outstanding under the Company's domestic commercial paper program at December 31, 2015 and 2013, respectively. At December 31, 2014

borrowings outstanding under the domestic commercial paper program totaled \$625,860 . The weighted average interest rate of these borrowings was 0.3% .

On January 30, 2012, the Company entered into a five -year credit agreement, subsequently amended on multiple dates, which gives the Company the right to borrow and to obtain the issuance, renewal, extension and increase of a letter of credit of up to an aggregate availability of \$500,000 . On April 23, 2012, the Company entered into a five -year credit agreement, subsequently amended on multiple dates, which gives the Company the right to borrow and to obtain the issuance, renewal, extension and increase of a letter of credit up to an aggregate availability of \$250,000 . On November 14, 2012, the Company entered into a three -year credit agreement, subsequently amended on multiple dates, which gave the Company the right to borrow and to obtain the issuance, renewal, extension and increase of a letter of credit up to an aggregate availability of \$250,000 . The November 14, 2012 credit agreement matured in 2015. At December 31, 2015 , 2014 and 2013 , there were no borrowings outstanding under any of these credit agreements.

NOTE 8 – OTHER LONG-TERM LIABILITIES

The operations of the Company, like those of other companies in our industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance

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with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites which were previously owned and/or operated by businesses acquired by the Company). In addition, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are determined based on currently available facts regarding each site. If the best estimate of costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided. The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Included in Other long-term liabilities at December 31, 2015, 2014 and 2013 were accruals for extended environmental-related activities of \$129,856, \$114,281 and \$86,647, respectively. Included in Other accruals at December 31, 2015, 2014 and 2013 were accruals for estimated costs of current investigation and remediation activities of \$22,493, \$16,868 and \$15,385, respectively.

Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. If the Company's future loss contingency is ultimately determined to be at the unaccrued maximum of the

estimated range of possible outcomes for every site for which costs can be reasonably estimated, the Company's accrual for environmental-related activities would be \$88,900 higher than the minimum accruals at December 31, 2015.

Two of the Company's currently and formerly owned manufacturing sites account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2015. At December 31, 2015, \$102,033, or 67.0 percent of the total accrual, related directly to these two sites. In the aggregate unaccrued maximum of \$88,900 at December 31, 2015, \$61,129, or 68.8 percent, related to the two manufacturing sites. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and monitoring will likely be required at each site.

Management cannot presently estimate the ultimate potential loss contingencies related to these sites or other less significant sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed. In the event any future loss contingency significantly exceeds the current amount accrued, the recording of the ultimate liability may result in a material impact on net income for the annual or interim period during which the additional costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time during which environmental investigation and remediation takes place. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

Management expects these contingent environmental-related liabilities to be resolved over an extended period of time. Management is unable to provide a more specific time frame due to the indefinite amount of time to conduct investigation activities at any site, the indefinite amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indefinite amount of time necessary to conduct remediation activities.

The Asset Retirement and Environmental Obligations Topic of the ASC requires a liability to be recognized for the fair value of a conditional asset retirement obligation if a settlement date and fair value can be reasonably estimated. The Company recognizes a liability for any conditional asset retirement obligation when sufficient information is available to reasonably estimate a settlement date to determine the fair value of such a liability. The Company has identified certain conditional asset retirement obligations at various current and closed manufacturing,

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distribution and store facilities. These obligations relate primarily to asbestos abatement, hazardous waste Resource Conservation and Recovery Act (RCRA) closures, well abandonment, transformers and used oil disposals and underground storage tank closures. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated costs of these obligations were accrued and are not significant. The recording of additional liabilities for future conditional asset retirement obligations may result in a material impact on net income for the annual or interim period during which the costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its conditional asset retirement obligations will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time over which sufficient information may become available regarding the closure or modification of any one or group of the Company's facilities. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

NOTE 9 – LITIGATION

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, the Company accrues for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to the Company may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. In those cases where no accrual is recorded or exposure to loss exists in excess of the amount accrued, the Contingencies

Topic of the ASC requires disclosure of the contingency when there is a reasonable possibility that a loss or additional loss may have been incurred.

Lead pigment and lead-based paint litigation. The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is and has been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions, and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company has also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. The Company believes that the litigation brought to date is without merit or subject to meritorious defenses and is vigorously defending such litigation. The Company has not settled any material lead pigment or lead-based paint litigation. The Company expects that additional lead pigment and lead-based paint litigation may be filed against the Company in the future asserting similar or different legal theories and seeking similar or different types of damages and relief.

Notwithstanding the Company's views on the merits, litigation is inherently subject to many uncertainties, and the Company ultimately may not prevail. Adverse court rulings or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which the Company and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings or the effect that any legislation and/or administrative regulations may have on the litigation or against the Company. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. The Company has not accrued any amounts for such litigation. With respect to such litigation, including the public nuisance litigation, the Company does not believe that it is probable that a loss has occurred, and it is not possible to estimate the range of potential losses as there is no prior history of a loss of this nature and there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. In the event any significant liability is determined to be attributable to the Company relating to such litigation, the recording of the liability may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. An estimate of the potential impact on the Company's results of operations, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

Public nuisance claim litigation. The Company and other companies are or were defendants in legal proceedings seeking recovery based on public nuisance liability theories, among other theories, brought by the State of Rhode Island, the City of St. Louis, Missouri, various cities and counties in the State of New Jersey, various cities in the State of Ohio and the State of Ohio, the City of Chicago, Illinois, the City of Milwaukee, Wisconsin and the County of Santa Clara, California and other public entities in the State of California. Except for the Santa Clara County, California proceeding, all of these legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings.

The proceedings initiated by the State of Rhode Island included two jury trials. At the conclusion of the second trial, the jury returned a verdict finding that (i) the cumulative presence of lead pigment in paints and coatings on buildings in the State of Rhode Island constitutes a public nuisance, (ii) the Company, along with two other defendants, caused or substantially

contributed to the creation of the public nuisance and (iii) the Company and two other defendants should be ordered to abate the public nuisance. The Company and two other defendants appealed and, on July 1, 2008, the Rhode Island Supreme Court, among other determinations, reversed the judgment of abatement with respect to the Company and two other defendants. The Rhode Island Supreme Court's decision reversed the public nuisance liability judgment against the Company on the basis that the complaint failed to state a public nuisance claim as a matter of law.

The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. In the original complaint, the plaintiffs asserted various claims including fraud and concealment, strict product liability/failure to warn, strict product liability/design defect, negligence, negligent breach of a special duty, public nuisance, private nuisance, and violations of California's Business and Professions Code. A number of the asserted claims were resolved in favor of the defendants through pre-trial proceedings. The named plaintiffs in the Fourth Amended Complaint, filed on March 16, 2011, are the Counties of Santa Clara, Alameda, Los Angeles, Monterey, San Mateo, Solano and Ventura, the Cities of Oakland and San Diego and the City and County of San Francisco. The Fourth Amended Complaint asserted a sole claim for public nuisance, alleging that the presence of lead pigments for use in paint and coatings in, on and around residences in the plaintiffs' jurisdictions constitutes a public nuisance. The plaintiffs sought the abatement of the alleged public nuisance that exists within the plaintiffs' jurisdictions. A trial commenced on July 15, 2013 and ended on August 22, 2013. The court entered final judgment on January 27, 2014, finding in favor of the plaintiffs and against the Company and two other defendants (ConAgra Grocery Products Company and NL Industries, Inc.). The final judgment held the Company jointly and severally liable with the other two defendants to pay \$1.15 billion into a fund to abate the public nuisance. The Company strongly disagrees with the judgment.

On February 18, 2014, the Company filed a motion for new trial and a motion to vacate the judgment. The court denied these motions on March 24, 2014. On March 28, 2014, the Company filed a notice of appeal to the Sixth District Court of Appeal for the State of California. The filing of the notice of appeal effects an automatic stay of the judgment without the requirement to post a bond. The appeal is fully briefed, and the parties are waiting for the Sixth District Court of Appeal to set a date for oral argument. The date for oral argument is at the discretion of the Sixth District Court of Appeal. The Company expects the Sixth District Court of Appeal to issue its ruling within 90 days following oral

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argument. The Company believes that the judgment conflicts with established principles of law and is unsupported by the evidence. The Company has had a favorable history with respect to lead pigment and lead-based paint litigation, particularly other public nuisance litigation, and accordingly, the Company believes that it is not probable that a loss has occurred and it is not possible to estimate the range of potential loss with respect to the case.

Litigation seeking damages from alleged personal injury. The Company and other companies are defendants in a number of legal proceedings seeking monetary damages and other relief from alleged personal injuries. These proceedings include claims by children allegedly injured from ingestion of lead pigment or lead-containing paint and claims for damages allegedly incurred by the children's parents or guardians. These proceedings generally seek compensatory and punitive damages, and seek other relief including medical monitoring costs. These proceedings include purported claims by individuals, groups of individuals and class actions.

The plaintiff in *Thomas v. Lead Industries Association, et al.*, initiated an action in state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against the Company and the other defendants included strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, concert of action, civil conspiracy and enterprise liability. Implicit within these claims is the theory of "risk contribution" liability (Wisconsin's theory which is similar to market share liability, except that liability can be joint and several) due to the plaintiff's inability to identify the manufacturer of any product that allegedly injured the plaintiff. The case ultimately proceeded to trial and, on November 5, 2007, the jury returned a defense verdict, finding that the plaintiff had ingested white lead carbonate, but was not brain damaged or injured as a result. The plaintiff appealed and, on December 16, 2010, the Wisconsin Court of Appeals affirmed the final judgment in favor of the Company and other defendants.

Wisconsin is the only jurisdiction to date to apply a theory of liability with respect to alleged personal injury (i.e., risk contribution/market share liability) that does not require the plaintiff to identify the manufacturer of the product that allegedly injured the plaintiff in the lead pigment and lead-based paint litigation. Although the risk contribution liability theory was applied during the Thomas trial, the constitutionality of this theory as applied to the lead pigment cases has not been judicially determined by the Wisconsin state courts. However, in an unrelated action filed in the United States District Court for the Eastern District of Wisconsin, *Gibson v. American Cyanamid, et al.*,

on November 15, 2010, the District Court held that Wisconsin's risk contribution theory as applied in that case violated the defendants' right to substantive due process and is unconstitutionally retroactive. The District Court's decision in *Gibson v. American Cyanamid, et al.*, was appealed by the plaintiff to the United States Court of Appeals for the Seventh Circuit. On July 24, 2014, the United States Court of Appeals for the Seventh Circuit reversed the judgment and remanded the case back to the District Court for further proceedings. On January 16, 2015, the defendants filed a petition for certiorari in the United States Supreme Court seeking that Court's review of the Seventh Circuit's decision, and on May 18, 2015, the United States Supreme Court denied the defendants' petition. Also, in *Yasmine Clark v. The Sherwin-Williams Company, et al.*, the Wisconsin Circuit Court, Milwaukee County, on March 25, 2014, held that the application to a pending case of Section 895.046 of the Wisconsin Statutes (which clarifies the application of the risk contribution theory) is unconstitutional as a violation of the plaintiff's right to due process of law under the Wisconsin Constitution. The defendants appealed, and the case is currently pending before the Wisconsin Supreme Court.

Insurance coverage litigation. The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to primarily determine, among other things, whether the costs and liabilities associated with the abatement of lead pigment are covered under certain insurance policies issued to the Company. The Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, is currently stayed and inactive. The liability insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, has been dismissed. An ultimate loss in the insurance coverage litigation would mean that insurance proceeds could be unavailable under the policies at issue to mitigate any ultimate abatement related costs and liabilities. The Company has not recorded any assets related to these insurance policies or otherwise assumed that proceeds from these insurance policies would be received in estimating any contingent liability accrual. Therefore, an ultimate loss in the insurance coverage litigation without a determination of liability against the Company in the lead pigment or lead-based paint litigation will have no impact on the Company's results of operation, liquidity or financial condition. As previously stated, however, the Company has not accrued any amounts for the lead pigment or lead-based paint litigation and any significant liability ultimately determined to be attributable to the Company relating to such litigation may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Government tax assessment settlements related to Brazilian operations.

Charges totaling \$28,711 and \$2,873 were recorded to Cost of goods sold and SG&A, respectively, during the second and third quarters of 2013. The charges were primarily related to import duty taxes paid to the Brazilian government related to the handling of import duties on products brought into the country for the years 2006 through 2012. The Company elected to pay the taxes through an existing voluntary amnesty program offered by the government to resolve these issues rather than contest them in court. The after-tax charges were \$21,858 for the full year 2013. The Company's import duty process in Brazil was changed to reach a final resolution of this matter with the Brazilian government.

Litigation related to Consorcio Comex. As previously disclosed, the Company entered into a definitive Stock Purchase Agreement (as subsequently amended and restated, the "Purchase Agreement"), with Avisep, S.A. de C.V. ("Avisep") and Bevisep, S.A. de C.V. ("Bevisep") to, among other things, acquire the Mexico business of Consorcio Comex, S.A. de C.V. (the "Acquisition"). Under the terms of the Purchase Agreement, either the Company or Avisep and Bevisep had the right to terminate the Purchase Agreement in the event that the closing of the Acquisition did not occur on or prior to March 31, 2014 and such party was not in material breach of the Purchase Agreement.

On April 3, 2014, the Company sent notice to Avisep and Bevisep that the Company was terminating the Purchase Agreement. On April 3, 2014, the Company filed a complaint for declaratory judgment in the Supreme Court of the State of New York, New York County, requesting the court to declare that the Company had used commercially reasonable efforts as required under the Purchase Agreement and has not breached the Purchase Agreement. On August 7, 2014, the case was removed by Avisep and Bevisep to the United States District Court for the Southern District of New York. On September 24, 2014, Avisep and Bevisep filed a motion to dismiss the case, including for lack of personal jurisdiction. Oral argument on the motion to dismiss before the District Court occurred on January 27, 2016. On January 29, 2016, the District Court entered a judgment dismissing the case without prejudice for lack of personal jurisdiction. On April 11, 2014, Avisep and Bevisep initiated an arbitration proceeding against the Company in the International Court of Arbitration contending that the Company breached the Purchase Agreement by terminating the Purchase Agreement and not utilizing commercially reasonable efforts under the Purchase Agreement, which allegedly caused Avisep and Bevisep

to incur damages. On June 1, 2015, Avisep and Bevisep filed their statement of claim in the arbitration alleging damages of approximately \$85,000. On August 31, 2015, the Company filed its memorial in support of its statement of defense in the arbitration. The hearing on the merits in the arbitration is currently scheduled to begin in April 2016. The Company continues to believe that the claims are without merit and will continue to vigorously defend against such claims.

Titanium dioxide suppliers antitrust class action lawsuit. The Company is a member of the plaintiff class related to Titanium Dioxide Antitrust Litigation that was initiated in 2010 against certain suppliers alleging various theories of relief arising from purchases of titanium dioxide made from 2003 through 2012. The Court approved a settlement less attorney fees and expense, and the Company timely submitted claims to recover its pro-rata portion of the settlement. There was no specified deadline for the claims administrator to complete the review of all claims submitted. In October 2014, the Company was notified that it would receive a disbursement of settlement funds, and the Company received a pro-rata disbursement net of all fees of approximately \$21,420. The Company recorded this settlement gain in the fourth quarter of 2014.

NOTE 10 – CAPITAL STOCK

At December 31, 2015, there were 300,000,000 shares of common stock and 30,000,000 shares of serial preferred stock authorized for issuance. Of the authorized serial preferred stock, 3,000,000 shares are designated as cumulative redeemable serial preferred and 1,000,000 shares are designated as convertible serial preferred stock. See Note 11. Under the amended and restated 2006 Equity and Performance Incentive Plan (2006 Employee Plan), 19,200,000 common shares may be issued or transferred. See Note 12. An aggregate of 8,824,943, 10,304,816 and 12,121,210 shares of common stock at December 31, 2015, 2014 and 2013, respectively, were reserved for the exercise and future grants of option rights and future grants of restricted stock and restricted stock units. See Note 12. Common shares outstanding shown in the following table included 487,900, 487,075 and 486,138 shares of common stock held in a revocable trust at December 31, 2015, 2014 and 2013, respectively. The revocable trust is used to accumulate assets for the purpose of funding the ultimate obligation of certain non-qualified benefit plans. Transactions between the Company and the trust are accounted for in accordance with the Deferred Compensation – Rabbi Trusts Subtopic of the Compensation Topic of the ASC, which requires the assets held by the trust be consolidated with the Company's accounts.

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	Common Shares in Treasury	Common Shares Outstanding
Balance at January 1, 2013	8,352,904	103,270,067
Shares tendered as payment for option rights exercised	2,697	(2,697)
Shares issued for exercise of option rights		1,127,942
Shares tendered in connection with grants of restricted stock	116,897	(116,897)
Net shares issued for grants of restricted stock		150,965
Treasury stock purchased	4,300,000	(4,300,000)
Balance at December 31, 2013	12,772,498	100,129,380
Shares tendered as payment for option rights exercised	7,229	(7,229)
Shares issued for exercise of option rights		1,423,395
Shares tendered in connection with grants of restricted stock	108,352	(108,352)
Net shares issued for grants of restricted stock		191,979
Treasury stock purchased	6,925,000	(6,925,000)
Balance at December 31, 2014	19,813,079	94,704,173
Shares tendered as payment for option rights exercised	14,542	(14,542)
Shares issued for exercise of option rights		1,133,050
Shares tendered in connection with grants of restricted stock	111,433	(111,433)
Net shares issued for grants of restricted stock		110,277
Treasury stock purchased	3,575,000	(3,575,000)
Balance at December 31, 2015	23,514,054	92,246,525

NOTE 11 – STOCK PURCHASE PLAN AND PREFERRED STOCK

As of December 31, 2015, 34,561 employees contributed to the Company's ESOP, a voluntary defined contribution plan available to all eligible salaried employees. Participants are allowed to contribute, on a pretax or after-tax basis, up to the lesser of twenty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches one hundred percent of all contributions up to six percent of eligible employee contributions. Such participant contributions may be invested in a variety of investment funds or a Company common stock fund and may be exchanged between investments as directed by the participant. Participants are permitted to diversify both future and prior Company matching contributions previously allocated to the Company common stock fund into a variety of investment funds.

The Company made contributions to the ESOP on behalf of participating employees, representing amounts authorized by employees to be withheld from their earnings, of \$120,514, \$109,036 and \$97,381 in 2015, 2014 and 2013, respectively. The Company's matching contributions to the ESOP charged to operations were \$80,356, \$74,574 and \$67,428 for 2015, 2014 and 2013, respectively.

At December 31, 2015, there were 11,333,455 shares of the Company's common stock being held by the ESOP, representing 12.3 percent of the total number of voting shares outstanding. Shares of Company common stock credited to each member's account under the ESOP are voted by the trustee under instructions from each individual plan member. Shares for

which no instructions are received are voted by the trustee in the same proportion as those for which instructions are received.

On August 1, 2006, the Company issued 500,000 shares of convertible serial preferred stock, no par value (Series 2 Preferred stock) with cumulative quarterly dividends of \$11.25 per share, for \$500,000 to the ESOP. The ESOP financed the acquisition of the Series 2 Preferred stock by borrowing \$500,000 from the Company at the rate of 5.5 percent per annum. This borrowing was payable over ten years in equal quarterly installments. Each share of Series 2 Preferred stock was entitled to one vote upon all matters presented to the Company's shareholders and generally voted with the common stock together as one class. The Series 2 Preferred stock was held by the ESOP in an unallocated account. As the value of compensation expense related to contributions to the ESOP was earned, the Company had the option of funding the ESOP by redeeming a portion of the preferred stock or with cash. Contributions were credited to the members' accounts at the time of funding. The Series 2 Preferred stock was redeemable for cash or convertible into common stock or any combination thereof at the option of the ESOP based on the relative fair value of the Series 2 Preferred and common stock at the time of conversion. At December 31, 2015, 2014 and 2013, there were no allocated or committed-to-be released shares of Series 2 Preferred stock outstanding. In 2013, the Company redeemed for cash 60,681 shares of Series 2 Preferred stock. The fair value of the Series 2 Preferred stock was based on a conversion/redemption formula outlined in the preferred stock terms. At December 31, 2013, the fair value of the Series 2 Preferred stock

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was \$86,309 . In 2014, the Company redeemed for cash the remaining 40,406 shares of Series 2 Preferred stock.

NOTE 12 – STOCK-BASED COMPENSATION

The amended and restated 2006 Employee Plan authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 19,200,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Employee Plan permits the granting of option rights, appreciation rights, restricted stock, restricted stock units (RSUs), performance shares and performance units to eligible employees. At December 31, 2015 , no appreciation rights, performance shares or performance units had been granted under the 2006 Employee Plan.

The 2006 Stock Plan for Nonemployee Directors (Nonemployee Director Plan) authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 200,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or are canceled. The Nonemployee Director Plan permits the granting of option rights, appreciation rights, restricted stock and RSUs to members of the Board of Directors who are not employees of the Company. At December 31, 2015 , no option rights, appreciation rights or RSUs had been granted under the Nonemployee Director Plan.

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. The tax benefits associated with these share-based payments are classified as financing activities in the Statements of Consolidated Cash Flows. At December 31, 2015 , the Company had total unrecognized stock-based compensation expense of \$88,114 that is expected to be recognized over a weighted-average period of 1.06 years. Stock-based compensation expense during 2015 , 2014 and 2013 was \$72,342 , \$64,735 and \$58,004 , respectively. The Company recognized a total income tax benefit related to stock-based compensation expense of \$27,634 , \$24,816 and \$22,368 during 2015 , 2014 and 2013 , respectively. The company issues new shares upon exercise of option rights, granting of restricted stock and vesting of RSUs.

Option rights. The fair value of the Company's option rights was estimated at the date of grant using a Black-Scholes-Merton option-pricing model with the following weighted-average assumptions for all options granted:

	2015	2014	2013
Risk-free interest rate	1.37%	1.47%	1.37%
Expected life of option rights	5.05 years	5.10 years	5.10 years
Expected dividend yield of stock	1.13%	1.19%	1.32%
Expected volatility of stock	.245	.223	.281

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of option rights was calculated using a scenario analysis model. Historical data was used to aggregate the holding period from actual exercises, post-vesting cancellations and hypothetical assumed exercises on all outstanding option rights. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. Expected volatility of stock was calculated using historical and implied volatilities. The Company applied an estimated forfeiture rate of 2.00 percent to the 2015 grants. This rate was calculated based upon historical activity and is an estimate of granted shares not expected to vest. If actual forfeitures differ from the expected rate, the Company may be required to make additional adjustments to compensation expense in future periods.

Grants of option rights for non-qualified and incentive stock options have been awarded to certain officers and key employees under the 2006 Employee Plan and the 2003 Stock Plan. The option rights generally become exercisable to the extent of one-third of the optioned shares for each full year following the date of grant and generally expire ten years after the date of grant. Unrecognized compensation expense with respect to option rights granted to eligible employees amounted to \$39,703 at December 31, 2015 . The unrecognized compensation expense is being amortized on a straight-line basis over the three -year vesting period and is expected to be recognized over a weighted-average period of 1.09 years.

The weighted-average per share grant date fair value of options granted during 2015 , 2014 and 2013 , respectively, was \$50.73 , \$43.11 and \$41.91 . The total intrinsic value of exercised option rights for employees was \$223,417 , \$195,097 and \$129,742 . The total fair value of options vested during the year was \$32,655 , \$32,313 and \$28,658 during 2015 , 2014 and 2013 , respectively. There were no outstanding option rights for nonemployee directors for 2015 , 2014 and 2013 .

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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A summary of the Company's non-qualified and incentive stock option right activity is shown in the following table:

	2015			2014			2013		
	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
Outstanding beginning of year	5,699,892	\$ 117.31		6,484,592	\$ 96.25		6,748,126	\$ 79.39	
Granted	697,423	241.84		672,565	224.65		898,728	179.67	
Exercised	(1,133,287)	79.41		(1,421,045)	70.71		(1,127,942)	61.46	
Forfeited	(43,632)	193.60		(31,617)	158.92		(33,278)	115.24	
Expired	(890)	87.59		(4,603)	86.66		(1,042)	79.73	
Outstanding end of year	5,219,506	\$ 141.58	\$ 616,866	5,699,892	\$ 117.31	\$ 830,647	6,484,592	\$ 96.25	\$ 563,554
Exercisable at end of year	3,807,351	\$ 110.96	\$ 565,934	4,095,246	\$ 87.79	\$ 717,691	4,424,674	\$ 71.86	\$ 492,689

The weighted-average remaining term for options outstanding at the end of 2015 , 2014 and 2013 , respectively, was 6.44 , 6.57 and 6.75 years. The weighted-average remaining term for options exercisable at the end of 2015 , 2014 and 2013 , respectively, was 5.47 , 5.63 and 5.71 years. Shares reserved for future grants of option rights, restricted stock and RSUs were 3,605,437 , 4,604,924 and 5,636,618 at December 31, 2015 , 2014 and 2013 , respectively.

Restricted stock and RSUs. Grants of restricted stock and RSUs, which generally require three years of continuous employment from the date of grant before vesting and receiving the stock without restriction, have been awarded to certain officers and key employees under the 2006 Employee Plan. The February 2015 , 2014 and 2013 grants consisted of a combination of performance-based awards and time-based awards. The performance-based awards vest at the end of a three -year period based on the Company's achievement of specified financial goals relating to earnings per share. The time-based awards vest at the end of a three -year period based on continuous employment. Unrecognized compensation expense with respect to grants of restricted stock and RSUs to eligible employees amounted to \$46,947 at December 31, 2015 and is being amortized on a straight-line basis over the vesting period and is expected to be recognized over a weighted-average period of 0.97 years.

Grants of restricted stock and RSUs have been awarded to nonemployee directors under the Nonemployee Plan. These grants generally vest and stock is received without restriction to the extent of one-third of the granted stock for each year following the date of grant. Unrecognized compensation expense with respect to grants of restricted stock and RSUs to nonemployee directors amounted to \$1,463 at December 31, 2015

and is being amortized on a straight-line basis over the three -year vesting period and is expected to be recognized over a weighted-average period of 0.97 years.

A summary of the Company's restricted stock and RSU activity for the years ended December 31 is shown in the following table:

	2015	2014	2013
Outstanding at beginning of year	655,276	749,382	919,748
Granted	112,494	201,412	172,406
Vested	(290,901)	(294,438)	(334,750)
Forfeited	(9,125)	(1,080)	(8,022)
Outstanding at end of year	467,744	655,276	749,382

The weighted-average per share fair value of restricted stock and RSUs granted during the year was \$285.88 , \$191.60 and \$163.63 in 2015 , 2014 and 2013 , respectively.

NOTE 13 – OTHER

Other general expense - net . Included in Other general expense - net were the following:

	2015	2014	2013
Provisions for environmental matters - net	\$ 31,071	\$ 36,046	\$ (2,751)
(Gain) loss on disposition of assets	(803)	1,436	5,207
Net expense of exit or disposal activities			63
Total	\$ 30,268	\$ 37,482	\$ 2,519

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Provisions for environmental matters—net represent initial provisions for site-specific estimated costs of environmental investigation or remediation and increases or decreases to environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Environmental-related accruals are not recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. See Note 8 for further details on the Company's environmental-related activities.

The (gain) loss on disposition of assets represents the net realized (gain) loss associated with the disposal of property, plant and equipment and intangible assets previously used in the conduct of the primary business of the Company.

The net expense of exit or disposal activities includes changes to accrued qualified exit costs as information becomes available upon which more accurate amounts can be reasonably estimated, initial impairments of carrying value and additional impairments for subsequent reductions in estimated fair value of property, plant and equipment held for disposal. See Note 5 for further details on the Company's exit or disposal activities.

Other expense (income) - net . Included in Other expense (income) - net were the following:

	2015	2014	2013
Dividend and royalty income	\$ (3,668)	\$ (4,864)	\$ (5,904)
Net expense from financing activities	11,091	11,367	9,829
Foreign currency transaction related losses	9,503	3,603	7,669
Other income	(23,880)	(37,524)	(22,684)
Other expense	13,036	12,018	12,026
Total	<u>\$ 6,082</u>	<u>\$ (15,400)</u>	<u>\$ 936</u>

The Net expense from financing activities includes the net expense relating to changes in the Company's financing fees.

Foreign currency transaction related losses represent net realized losses on U.S. dollar-denominated liabilities of foreign subsidiaries and net realized and unrealized losses from foreign currency option and forward contracts. There were no material foreign currency option and forward contracts outstanding at December 31, 2015 , 2014 and 2013 .

Other income and Other expense included items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. Other income for the year

ended December 31, 2014 included a \$6,336 gain on the early termination of a customer agreement recorded in the Global Finishes Group and a \$6,198 realized gain resulting from final asset valuations related to the acquisition of the U.S./Canada business of Comex recorded in the Administrative segment. There were no other items within Other income or Other expense that were individually significant.

NOTE 14 – INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the enacted tax rates and laws that are currently in effect. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2015 , 2014 and 2013 were as follows:

	2015	2014	2013
Deferred tax assets:			
Exit costs, environ-mental and other similar items	\$ 63,851	\$ 56,441	\$ 45,322
Employee related and benefit items	141,974	141,670	109,254
Other items	116,302	112,149	105,904
Total deferred tax assets	<u>322,127</u>	<u>310,260</u>	<u>260,480</u>
Deferred tax liabilities:			
Depreciation and amortization	241,101	227,765	214,696
LIFO inventories	89,330	67,835	60,122
Other items	33,433	44,378	68,709
Total deferred tax liabilities	<u>363,864</u>	<u>339,978</u>	<u>343,527</u>
Net deferred tax liabilities	<u>\$ 41,737</u>	<u>\$ 29,718</u>	<u>\$ 83,047</u>

Netted against the Company's other deferred tax assets were valuation allowances of \$1,077 , \$1,725 and \$7,390 at December 31, 2015 , 2014 and 2013 , respectively. These reserves resulted from the uncertainty as to the realization of the tax benefits from foreign net operating losses and other foreign assets. The Company has \$28,865 of domestic net operating loss carryforwards acquired through acquisitions that have expiration dates through the tax year 2037 and foreign net operating losses of \$74,487 . The foreign net operating losses are related to various jurisdictions that provide for both indefinite carryforward periods and others with carryforward periods that range from the tax years 2016 to 2035.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Significant components of the provisions for income taxes were as follows:

	2015	2014	2013
Current:			
Federal	\$ 399,677	\$ 308,283	\$ 229,997
Foreign	30,145	53,045	42,543
State and local	60,319	50,049	33,082
Total current	490,141	411,377	305,622
Deferred:			
Federal	13,505	(14,974)	30,384
Foreign	(10,752)	(7,361)	(9,041)
State and local	2,223	3,297	6,432
Total deferred	4,976	(19,038)	27,775
Total provisions for income taxes	\$ 495,117	\$ 392,339	\$ 333,397

The provisions for income taxes included estimated taxes payable on that portion of retained earnings of foreign subsidiaries expected to be received by the Company. The effect of the repatriation provisions of the American Jobs Creation Act of 2004 and the provisions of the Income Taxes Topic of the ASC, was \$(5,895) in 2015, \$(1,887) in 2014 and \$4,411 in 2013.

Significant components of income before income taxes as used for income tax purposes, were as follows:

	2015	2014	2013
Domestic	\$ 1,440,511	\$ 1,113,528	\$ 969,790
Foreign	108,455	144,698	116,168
	\$ 1,548,966	\$ 1,258,226	\$ 1,085,958

A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2015	2014	2013
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Effect of:			
State and local income taxes	2.6	2.8	2.4
Investment vehicles	(1.6)	(2.5)	(2.1)
Domestic production activities	(2.2)	(2.5)	(2.2)
Other - net	(1.8)	(1.6)	(2.4)
Effective tax rate	32.0 %	31.2 %	30.7 %

The 2015 state and local income taxes and domestic production activities components of the effective tax rate were consistent with the 2014 tax year. The tax benefit related to investment vehicles decreased in 2015 compared to 2014 due to a smaller increase in the percentage of tax credits recognized compared to the overall percentage increase in the Company's income before taxes and a smaller favorable impact on the

Company's capital position in these investments in 2015 compared to 2014.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS completed examinations of the Company's U.S. income tax returns for the 2010, 2011 and 2012 tax years during 2015. The net impact of the settlement of the examinations was insignificant. As of December 31, 2015, there were no income tax examinations being conducted by the IRS, however, the statute of limitations has not expired for the 2012, 2013 and 2014 tax years.

As of December 31, 2015, the Company is subject to non-U.S. income tax examinations for the tax years of 2008 through 2015. In addition, the Company is subject to state and local income tax examinations for the tax years 2005 through 2015.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2015	2014	2013
Balance at beginning of year	\$ 31,560	\$ 30,997	\$ 28,119
Additions based on tax positions related to the current year	4,228	3,370	3,480
Additions for tax positions of prior years	8,450	4,428	5,059
Reductions for tax positions of prior years	(4,862)	(2,349)	(3,378)
Settlements	(968)	(4,089)	(103)
Lapses of Statutes of Limitations	(4,535)	(797)	(2,180)
Balance at end of year	\$ 33,873	\$ 31,560	\$ 30,997

Included in the balance of unrecognized tax benefits at December 31, 2015, 2014 and 2013 is \$30,007, \$28,208 and \$27,767 in unrecognized tax benefits, the recognition of which would have an effect on the effective tax rate.

Included in the balance of unrecognized tax benefits at December 31, 2015 is \$3,509 related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised primarily of items related to federal audits of partnership investments and expiring statutes in foreign and state jurisdictions.

The Company classifies all income tax related interest and penalties as income tax expense. During the years ended December 31, 2015, 2014 and 2013, there was an increase in income tax interest and penalties of \$2,918, \$2,144 and \$103, respectively. At December 31, 2015, 2014 and 2013, the Company accrued \$8,550, \$5,732 and \$6,246, respectively, for the potential payment of interest and penalties.

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NOTE 15 – NET INCOME PER COMMON SHARE

	2015	2014	2013
Basic			
Average common shares outstanding	92,197,207	96,190,101	100,897,512
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Less net income allocated to unvested restricted shares	(4,462)	(4,892)	(4,596)
Net income allocated to common shares	\$ 1,049,387	\$ 860,995	\$ 747,965
Net income per common share	\$ 11.38	\$ 8.95	\$ 7.41
Diluted			
Average common shares outstanding	92,197,207	96,190,101	100,897,512
Stock options and other contingently issuable shares ^(a)	1,826,885	1,885,334	2,151,359
Average common shares outstanding assuming dilution	94,024,092	98,075,435	103,048,871
Net income	\$ 1,053,849	\$ 865,887	\$ 752,561
Less net income allocated to unvested restricted shares assuming dilution	(4,386)	(4,804)	(4,509)
Net income allocated to common shares assuming dilution	\$ 1,049,463	\$ 861,083	\$ 748,052
Net income per common share	\$ 11.16	\$ 8.78	\$ 7.26

(a) Stock options and other contingently issuable shares excludes 34,463 , 608,477 and 842,354 shares at December 31, 2015 , 2014 and 2013 , respectively, due to their anti-dilutive effect.

The Company has two classes of participating securities: common shares and restricted shares, representing 99% and 1% of outstanding shares, respectively. The restricted shares are shares of unvested restricted stock granted under the Company's restricted stock award program. Unvested restricted shares granted prior to April 21, 2010 received non-forfeitable dividends. Accordingly, the shares are considered a participating security and the two-class method of calculating basic and diluted earnings per share is required. Effective April 21, 2010, the restricted stock award program was revised and dividends on performance-based restricted shares granted after this date are deferred and payment is contingent upon the awards vesting. Only the time-based restricted shares, which continue to receive non-forfeitable dividends, are considered a participating security. Basic and diluted earnings per share are calculated using the two-class method in accordance with the Earnings Per Share Topic of the ASC.

NOTE 16 – SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$ 2,450,284	\$ 3,132,139	\$ 3,152,285	\$ 2,604,596	\$ 11,339,304
Gross profit	1,132,449	1,529,986	1,574,552	1,322,239	5,559,226
Net income	131,404	349,937	374,491	198,017	1,053,849
Net income per common share - basic	1.41	3.78	4.04	2.15	11.38
Net income per common share - diluted	1.38	3.70	3.97	2.12	11.16

	2014				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$ 2,366,556	\$ 3,042,995	\$ 3,150,570	\$ 2,569,412	\$ 11,129,533
Gross profit	1,065,901	1,409,653	1,470,955	1,217,975	5,164,484
Net income	115,457	291,447	326,240	132,743	865,887
Net income per common share - basic	1.16	3.00	3.42	1.40	8.95
Net income per common share - diluted	1.14	2.94	3.35	1.37	8.78

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NOTE 17 – OPERATING LEASES

The Company leases certain stores, warehouses, manufacturing facilities, office space and equipment. Renewal options are available on the majority of leases and, under certain conditions, options exist to purchase certain properties. Rental expense for operating leases, recognized on a straight-line basis over the lease term in accordance with the Leases Topic of the ASC was \$394,359, \$376,914 and \$327,592 for 2015, 2014 and 2013, respectively. Certain store leases require the payment of contingent rentals based on sales in excess of specified minimums. Contingent rentals included in rent expense were \$55,890, \$52,379 and \$44,084 in 2015, 2014 and 2013, respectively. Rental income, as lessor, from real estate leasing activities and sublease rental income for all years presented was not significant. The following schedule summarizes the future minimum lease payments under noncancellable operating leases having initial or remaining terms in excess of one year at December 31, 2015:

2016	\$	317,843
2017		275,411
2018		226,317
2019		179,874
2020		138,204
Later years		282,900
Total minimum lease payments	\$	1,420,549

NOTE 18 – REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the ASC. The Company has determined that it has four reportable operating segments: Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group (individually, a "Reportable Segment" and collectively, the "Reportable Segments"). Factors considered in determining the four Reportable Segments of the Company include the nature of business activities, the management structure directly accountable to the Company's chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment. See pages 8 through 17 of this report for more information about the Reportable Segments.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over

performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on profit or loss before income taxes and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of this report.

The Paint Stores Group consisted of 4,086 company-operated specialty paint stores in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba and St. Lucia at December 31, 2015. Each store in this segment is engaged in the related business activity of selling paint, coatings and related products to end-use customers. The Paint Stores Group markets and sells Sherwin-Williams® branded architectural paint and coatings, protective and marine products, OEM product finishes and related items. These products are produced by manufacturing facilities in the Consumer Group. In addition, each store sells select purchased associated products. The loss of any single customer would not have a material adverse effect on the business of this segment. During 2015, this segment opened 83 net new stores, consisting of 113 new stores opened (99 in the United States, 12 in Canada, 1 in Puerto Rico and 1 in Trinidad and Tobago) and 30 stores closed (25 in the United States and 5 in Canada). In 2014 and 2013, this segment opened or acquired 95 and 388 net new stores, respectively. A map on the cover flap of this report shows the number of paint stores and their geographic location. The CODM uses discrete financial information about the Paint Stores Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to the Paint Stores Group as a whole. In accordance with ASC 280-10-50-9, the Paint Stores Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Consumer Group develops, manufactures and distributes a variety of paint, coatings and related products to third-party customers primarily in the United States and Canada and the Paint Stores Group. Approximately 63 percent of the total sales of the Consumer Group in 2015 were intersegment transfers of products primarily sold through the Paint Stores Group. Sales and marketing of certain controlled brand and private labeled products is performed by a direct sales staff. The products

distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. This segment incurred most of the Company's capital expenditures related to ongoing environmental compliance measures at sites currently in operation. The CODM uses discrete financial information about the Consumer Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Global Finishes Group develops, licenses, manufactures, distributes and sells a variety of protective and marine products, automotive finishes and refinish products, OEM product finishes and related products in North and South America, Europe and Asia. This segment meets the demands of its customers for a consistent worldwide product development, manufacturing and distribution presence and approach to doing business. This segment licenses certain technology and trade names worldwide. Sherwin-Williams® and other controlled brand products are distributed through the Paint Stores Group and this segment's 296 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. During 2015, this segment opened 3 new branches (2 in Canada and 1 in Mexico) and closed 7 branches (5 in the United States and 2 in Chile) for a net decrease of 4 branches. At December 31, 2015, the Global Finishes Group consisted of operations in the United States, subsidiaries in 35 foreign countries and income from licensing agreements in 15 foreign countries. The CODM uses discrete financial information about the Global Finishes Group reportable segment, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Global Finishes Group as a whole. In accordance with ASC 280-10-50-9, the Global Finishes Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of this report shows the number of branches and their geographic locations.

The Latin America Coatings Group develops, licenses, manufactures, distributes and sells a variety of architectural paint and coatings, protective and marine products, OEM product finishes and related products in North and South America. This segment meets the demands of its customers for consistent

regional product development, manufacturing and distribution presence and approach to doing business. Sherwin-Williams® and other controlled brand products are distributed through this segment's 291 company-operated stores and by a direct sales staff and outside sales representatives to retailers, dealers, licensees and other third-party distributors. During 2015, this segment opened 17 new stores (11 in South America and 6 in Mexico) and closed 2 stores (1 in South America and 1 in Mexico) for a net increase of 15 stores. At December 31, 2015, the Latin America Coatings Group consisted of operations from subsidiaries in 9 foreign countries, 4 foreign joint ventures and income from licensing agreements in 7 foreign countries. The CODM uses discrete financial information about the Latin America Coatings Group, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Latin America Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Latin America Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of this report shows the number of stores and their geographic locations.

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site. Also included in the Administrative segment was interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses which were not directly associated with the Reportable Segments. The Administrative segment did not include any significant foreign operations. Also included in the Administrative segment was a real estate management unit that is responsible for the ownership, management and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Sales of this segment represented external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. Gains and losses from the sale of property were not a significant operating factor in determining the performance of the Administrative segment.

Net external sales of all consolidated foreign subsidiaries were \$1,788,955, \$2,203,804 and \$2,129,626 for 2015, 2014 and 2013, respectively. Segment profit of all consolidated foreign subsidiaries was \$75,773, \$115,629 and \$106,166 for 2015, 2014 and 2013, respectively. Net external sales and segment profit were adversely affected by unfavorable currency translation rate changes. In addition, 2013 segment profit included Brazil tax assessments. Domestic operations accounted for the remaining net external sales and segment profits. Long-lived assets

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

consisted of Property, plant and equipment, Goodwill, Intangible assets, Deferred pension assets and Other assets. The aggregate total of long-lived assets for the Company was \$3,132,981, \$3,139,272 and \$3,223,790 at December 31, 2015, 2014 and 2013, respectively. Long-lived assets of consolidated foreign subsidiaries totaled \$497,528, \$551,364 and \$648,908 at December 31, 2015, 2014 and 2013, respectively. Total Assets of the Company were \$5,791,855, \$5,706,052 and \$6,382,507 at December 31, 2015, 2014 and 2013, respectively. Total assets of consolidated foreign subsidiaries were \$1,172,064, \$1,359,991 and \$1,625,422, which represented 20.2 percent, 23.8 percent and 25.5 percent of the Company's total assets at December 31, 2015, 2014 and 2013, respectively. No single geographic area outside the United States was significant relative to consolidated net sales or operating profits. Export sales and sales to any individual customer were each less than 10 percent of consolidated sales to unaffiliated customers during all years presented.

In the reportable segment financial information that follows, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Identifiable assets were those directly identified with each reportable segment. The Administrative segment assets consisted primarily of cash and cash equivalents, investments, deferred pension assets and headquarters property, plant and equipment. The margin for each reportable segment was based upon total net sales and intersegment transfers. Domestic intersegment transfers were primarily accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs for paint products. Non-paint domestic and all international intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. All intersegment transfers are eliminated within the Administrative segment.

(millions of dollars)

	2015					
	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 7,209	\$ 1,578	\$ 1,916	\$ 631	\$ 5	\$ 11,339
Intersegment transfers		2,736	5	40	(2,781)	
Total net sales and intersegment transfers	\$ 7,209	\$ 4,314	\$ 1,921	\$ 671	\$ (2,776)	\$ 11,339
Segment profit	\$ 1,434	\$ 309	\$ 202	\$ 18		\$ 1,963
Interest expense					\$ (62)	(62)
Administrative expenses and other					(352)	(352)
Income before income taxes	\$ 1,434	\$ 309	\$ 202	\$ 18	\$ (414)	\$ 1,549
Reportable segment margins	19.9%	7.2%	10.5%	2.7%		
Identifiable assets	\$ 1,685	\$ 1,925	\$ 814	\$ 352	\$ 1,016	\$ 5,792
Capital expenditures	119	61	21	14	19	234
Depreciation	64	47	25	8	26	170

	2014					
	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 6,852	\$ 1,421	\$ 2,081	\$ 771	\$ 5	\$ 11,130
Intersegment transfers		2,745	8	40	(2,793)	
Total net sales and intersegment transfers	\$ 6,852	\$ 4,166	\$ 2,089	\$ 811	\$ (2,788)	\$ 11,130
Segment profit	\$ 1,201	\$ 253	\$ 201	\$ 40		\$ 1,695
Interest expense					\$ (64)	(64)
Administrative expenses and other					(373)	(373)
Income before income taxes	\$ 1,201	\$ 253	\$ 201	\$ 40	\$ (437)	\$ 1,258
Reportable segment margins	17.5%	6.1%	9.6%	4.9%		
Identifiable assets	\$ 1,602	\$ 1,883	\$ 874	\$ 427	\$ 920	\$ 5,706
Capital expenditures	87	45	16	8	45	201
Depreciation	58	48	28	9	26	169

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

	2013					
	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 6,002	\$ 1,342	\$ 2,005	\$ 832	\$ 5	\$ 10,186
Intersegment transfers		2,409	9	39	(2,457)	
Total net sales and intersegment transfers	\$ 6,002	\$ 3,751	\$ 2,014	\$ 871	\$ (2,452)	\$ 10,186
Segment profit	\$ 991	\$ 242	\$ 170	\$ 39		\$ 1,442
Interest expense					\$ (63)	(63)
Administrative expenses and other					(293)	(293)
Income before income taxes	\$ 991	\$ 242	\$ 170	\$ 39	\$ (356)	\$ 1,086
Reportable segment margins	16.5%	6.5%	8.4%	4.5%		
Identifiable assets	\$ 1,668	\$ 1,762	\$ 964	\$ 485	\$ 1,504	\$ 6,383
Capital expenditures	73	40	15	7	32	167
Depreciation	55	45	29	10	20	159

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Letter to Shareholders” and elsewhere in this report constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon management’s current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “expects,” “anticipates,” “believes,” “will,” “will likely result,” “will continue,” “plans to” and similar expressions.

Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, that could cause actual results to differ materially from such statements and from the Company’s historical results and experience. These risks, uncertainties and other factors include such things as: (a) general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry; (b) competitive factors, including pricing pressures and product innovation and quality; (c) changes in raw material and energy supplies and pricing; (d) changes in the Company’s relationships with customers and suppliers; (e) the Company’s ability to attain cost savings from productivity initiatives; (f) the Company’s ability to successfully integrate past and future acquisitions into its existing operations, as well as the performance of the businesses acquired; (g) changes in general

domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations; (h) risks and uncertainties associated with the Company’s expansion into and its operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors; (i) the achievement of growth in foreign markets, such as Asia, Europe and South America; (j) increasingly stringent domestic and foreign governmental regulations including those affecting health, safety and the environment; (k) inherent uncertainties involved in assessing the Company’s potential liability for environmental-related activities; (l) other changes in governmental policies, laws and regulations, including changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations); (m) the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; and (n) unusual weather conditions.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Annual Meeting

The annual meeting of shareholders will be held in the Landmark Conference Center, 927 Midland Building, 101 W. Prospect Avenue, Cleveland, Ohio on Wednesday, April 20, 2016 at 9:00 A.M., local time.

Headquarters

101 W. Prospect Avenue
Cleveland, Ohio 44115-1075
(216) 566-2000
www.sherwin.com

Investor Relations

Robert J. Wells
Senior Vice President - Corporate Communications and Public Affairs
The Sherwin-Williams Company
101 W. Prospect Avenue
Cleveland, Ohio 44115-1075

**Independent Registered
Public Accounting Firm**

Ernst & Young LLP
Cleveland, Ohio

Stock Trading

Sherwin-Williams Common Stock—Symbol, SHW—is traded on the New York Stock Exchange.

Dividend Reinvestment Program

A dividend reinvestment program is available to shareholders of common stock. For information, contact Wells Fargo Shareowner Services.

Form 10-K

The Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge. To obtain a copy, contact Investor Relations.

Transfer Agent & Registrar

Our transfer agent, Wells Fargo Shareowner Services, maintains the records for our registered shareholders and can help with a wide variety of shareholder related services, including the direct deposit of dividends and online access to your account. Contact: Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
www.shareowneronline.com
1-800-468-9716 Toll-free
651-450-4064 outside the United States

COMMON STOCK TRADING STATISTICS

	2015	2014	2013	2012	2011
High	\$ 292.44	\$ 266.25	\$ 195.32	\$ 159.80	\$ 90.42
Low	218.94	174.29	153.94	90.21	69.47
Close December 31	259.60	263.04	183.50	153.82	89.27
Shareholders of record	6,996	7,250	7,555	7,954	8,360
Shares traded (thousands)	195,560	152,913	186,854	282,397	286,276

QUARTERLY STOCK PRICES AND DIVIDENDS

2015				2014			
Quarter	High	Low	Dividend	Quarter	High	Low	Dividend
1st	\$ 290.89	\$ 260.87	\$.670	1st	\$ 208.63	\$ 174.29	\$.550
2nd	292.44	274.93	.670	2nd	208.00	188.25	.550
3rd	285.07	218.94	.670	3rd	222.53	201.47	.550
4th	277.56	231.92	.670	4th	266.25	202.01	.550

CORPORATE OFFICERS AND OPERATING MANAGEMENT

Corporate Officers

Christopher M. Connor, 59*

Executive Chairman

John G. Morikis, 52*

President and Chief Executive Officer

Sean P. Hennessy, 58*

Senior Vice President - Finance and
Chief Financial Officer

Thomas P. Gilligan, 55*

Senior Vice President -
Human Resources

Thomas E. Hopkins, 58*

Senior Vice President -
Special Projects

Catherine M. Kilbane, 52*

Senior Vice President, General
Counsel and Secretary

Timothy A. Knight, 51*

Senior Vice President -
Corporate Planning, Development
and Administration

Allen J. Mistysyn, 47*

Senior Vice President -
Corporate Controller

Robert J. Wells, 58*

Senior Vice President - Corporate
Communications and Public Affairs

Jeffrey J. Miklich, 41

Vice President and Treasurer

Jane M. Cronin, 48

Vice President - Corporate Audit
and Loss Prevention

Michael T. Cummins, 57

Vice President - Taxes and
Assistant Secretary

Operating Management

Joel D. Baxter, 55*

President & General Manager
Global Supply Chain Division
Consumer Group

Paul R. Clifford, 52

President & General Manager
Canada Division
The Americas Group

Robert J. Davisson, 55*

President
The Americas Group

Brian L. Gallagher, 44

President & General Manager
Eastern Division
The Americas Group

Pablo Garcia-Casas, 55

President & General Manager
Latin America Division
The Americas Group

Monty J. Griffin, 55

President & General Manager
South Western Division
The Americas Group

Thomas C. Hablitzel, 53

President & General Manager
Automotive Division
Global Finishes Group

Peter J. Ippolito, 51

President & General Manager
Mid Western Division
The Americas Group

Dennis H. Karnstein, 49

President & General Manager
Product Finishes Division
Global Finishes Group

Cheri M. Phyfer, 44

President & General Manager
Diversified Brands Division
Consumer Group

Ronald B. Rossetto, 49

President & General Manager
Protective & Marine Coatings Division
Global Finishes Group

David B. Sewell, 47*

President
Global Finishes Group

Todd V. Wipf, 51

President & General Manager
Southeastern Division
The Americas Group

** Executive Officer as defined by the Securities Exchange Act of 1934*

Board of Directors



1. STEVEN H. WUNNING, 64
Retired, former Group President
Caterpillar Inc.

2. MATTHEW THORNTON III, 57*
Senior Vice President,
US Operations
FedEx Express
FedEx Corporation

3. ARTHUR F. ANTON, 58*
President and
Chief Executive Officer
Swagelok Company

4. CHRISTINE A. POON, 63*
Executive in Residence
*The Max M. Fisher College
of Business*
The Ohio State University
Retired, former Vice Chairman
Johnson & Johnson

5. THOMAS G. KADIEN, 59
Senior Vice President,
Human Resources,
Communications &
Government Relations
International Paper Company

6. CHRISTOPHER M. CONNOR, 59
Executive Chairman
The Sherwin-Williams Company

7. JOHN G. MORIKIS, 52
President and
Chief Executive Officer
The Sherwin-Williams Company

8. RICHARD J. KRAMER, 52*
Chairman of the Board,
Chief Executive Officer
and President
*The Goodyear Tire
& Rubber Company*

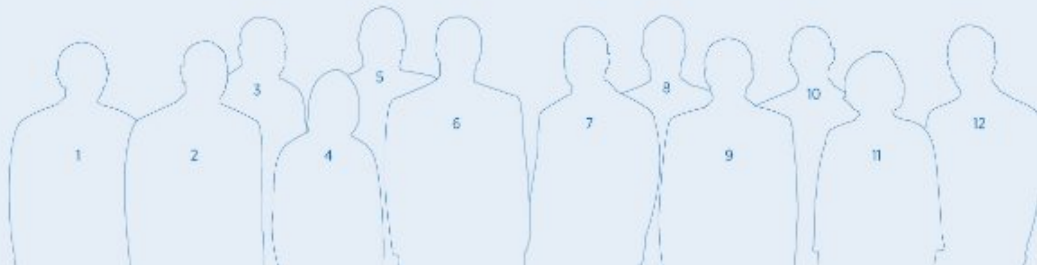
9. DAVID F. HODNIK, 68
Retired, former President and
Chief Executive Officer
Ace Hardware Corporation

10. RICHARD K. SMUCKER, 67*
Chief Executive Officer
The J. M. Smucker Company

11. SUSAN J. KROPF, 67
Retired, former President and
Chief Operating Officer
Avon Products, Inc.

12. JOHN M. STROPKI, 65
Retired, former Chairman, President
and Chief Executive Officer
Lincoln Electric Holdings, Inc.

*Audit Committee Member





The Sherwin-Williams Company

101 W. Prospect Avenue
Cleveland, Ohio 44115-1075

www.sherwin-williams.com

**The Sherwin-Williams Company
Subsidiaries**

Domestic

<u>Subsidiary</u>	<u>State of Incorporation</u>
Comex North America, Inc.	DE
Contract Transportation Systems Co.	DE
CTS National Corporation	DE
Omega Specialty Products & Services LLC	OH
Sherwin-Williams Realty Holdings, Inc.	IL
SWIMC, Inc.	DE
The Sherwin-Williams Acceptance Corporation	NV

Foreign

<u>Subsidiary</u>	<u>Country of Incorporation</u>
Compania Sherwin-Williams, S.A. de C.V.	Mexico
Geocel Limited	UK
Jiangsu Pulanna Coating Co., Ltd.	China
Oy Sherwin-Williams Finland Ab	Finland
Pinturas Condor S.A.	Ecuador
Pinturas Industriales S.A.	Uruguay
Productos Quimicos y Pinturas, S.A. de C.V.	Mexico
Przedsiębiorstwo Altax Sp. z o.o	Poland
PT Sherwin-Williams Indonesia	Indonesia
Quetzal Pinturas, S.A. de C.V.	Mexico
Ronseal (Ireland) Limited	Ireland
Sherwin-Williams Argentina I.y C.S.A.	Argentina
Sherwin-Williams Aruba VBA	Aruba
Sherwin-Williams (Australia) Pty. Ltd.	Australia
Sherwin-Williams Automotive Mexico S. de R.L. de C.V.	Mexico
Sherwin-Williams Balkan S.R.L.	Romania
Sherwin-Williams Bel	Belarus
Sherwin-Williams (Belize) Limited	Belize
Sherwin-Williams Benelux NV	Belgium
Sherwin-Williams Canada Inc.	Canada
Sherwin-Williams (Caribbean) N.V.	Curacao

Sherwin-Williams Cayman Islands Limited	Grand Cayman
Sherwin-Williams Chile S.A.	Chile
Sherwin-Williams Coatings India Private Limited	India
Sherwin-Williams Coatings S.a r.l.	Luxembourg
Sherwin Williams Colombia S.A.S.	Colombia
Sherwin-Williams Czech Republic spol. s r.o	Czech Republic
Sherwin-Williams Denmark A/S	Denmark
Sherwin-Williams Deutschland GmbH	Germany
Sherwin-Williams Diversified Brands (Australia) Pty Ltd	Australia
Sherwin-Williams Diversified Brands Limited	UK
Sherwin-Williams do Brasil Industria e Comercio Ltda.	Brazil
Sherwin-Williams France Finishes SAS	France
Sherwin-Williams HK Limited	Hong Kong
Sherwin-Williams (Ireland) Limited	Ireland
Sherwin-Williams Italy S.r.l.	Italy
Sherwin-Williams Luxembourg Investment Management Company S.a r.l.	Luxembourg
Sherwin-Williams (Malaysia) Sdn. Bhd.	Malaysia
Sherwin-Williams (Nanatong) Company Limited	China
Sherwin-Williams Norway AS	Norway
Sherwin-Williams Paints Limited Liability Company	Russia
Sherwin-Williams Peru S.R.L.	Peru
Sherwin-Williams Pinturas de Venezuela S.A.	Venezuela
Sherwin-Williams Poland Sp. z o.o	Poland
Sherwin-Williams Protective & Marine Coatings	UK
Sherwin-Williams (S) Pte. Ltd.	Singapore
Sherwin-Williams Services (Malaysia) Sdn. Bhd.	Malaysia
Sherwin-Williams (Shanghai) Limited	China
Sherwin-Williams Spain Coatings S.L.	Spain
Sherwin-Williams Sweden AB	Sweden
Sherwin-Williams (Thailand) Co., Ltd.	Thailand
Sherwin-Williams UK Automotive Limited	UK
Sherwin-Williams Uruguay S.A.	Uruguay
Sherwin-Williams (Vietnam) Limited	Vietnam
Sherwin-Williams (West Indies) Limited	Jamaica
SWIPCO - Sherwin Williams do Brasil Propriedade Intelectual Ltda.	Brazil
TOB Becker Acroma Ukraine	Ukraine
UAB Sherwin-Williams Baltic	Lithuania
ZAO Sherwin-Williams	Russia
Sherwin-Williams (South China) Co., Ltd.	China

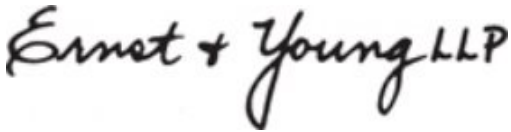
Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of The Sherwin-Williams Company of our reports dated February 24, 2016, with respect to the consolidated financial statements of The Sherwin-Williams Company and the effectiveness of internal control over financial reporting of The Sherwin-Williams Company, included in the 2015 Annual Report to Shareholders of The Sherwin-Williams Company.

Our audits also included the financial statement schedule of The Sherwin-Williams Company listed in Item 15(a). This schedule is the responsibility of The Sherwin-Williams Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 24, 2016, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 24, 2016 with respect to the consolidated financial statements and schedule of The Sherwin-Williams Company and the effectiveness of internal control over financial reporting of The Sherwin-Williams Company, incorporated by reference herein, and our report included in the preceding paragraph with respect to the financial statement schedule of The Sherwin-Williams Company included in this Annual Report (Form 10-K) of The Sherwin-Williams Company:

Registration Number	Description
333-205897	The Sherwin-Williams Company Form S-3 Registration Statement
333-166365	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (as Amended and Restated as of February 17, 2015) Form S-8 Registration Statement
333-152443	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-133419	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan and The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors Form S-8 Registration Statement
333-129582	The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan, The Sherwin-Williams 2005 Key Management Deferred Compensation Plan and The Sherwin-Williams Company 2005 Director Deferred Fee Plan Form S-8 Registration Statement
333-105211	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-101229	The Sherwin-Williams Company 2003 Stock Plan Form S-8 Registration Statement
333-66295	The Sherwin-Williams Company Deferred Compensation Savings Plan, The Sherwin-Williams Company Key Management Deferred Compensation Plan and The Sherwin-Williams Company Director Deferred Fee Plan Form S-8 Registration Statement



Cleveland, Ohio
February 24, 2016

POWER OF ATTORNEY**THE SHERWIN-WILLIAMS COMPANY**

KNOW ALL BY THESE PRESENTS, that each of the undersigned directors and/or officers of The Sherwin-Williams Company, an Ohio corporation (the "Company"), hereby constitutes and appoints each of John G. Morikis, Sean P. Hennessy and Catherine M. Kilbane, with full power of substitution and resubstitution, as the true and lawful attorney-in-fact or attorneys-in-fact of the undersigned to execute and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, with any and all amendments, supplements and exhibits thereto, and any and all other documents in connection therewith, with full power and authority to do and perform any and all acts and things necessary, appropriate or desirable to be done in the premises, or in the name, place and stead of the undersigned, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and approving all that said attorneys-in-fact or any of them and any substitute therefor may lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original with respect to the person executing it.

Executed as of this 17th day of February, 2016.

SignatureTitle

/s/ John G. Morikis

John G. Morikis

President and Chief Executive Officer, Director
(Principal Executive Officer)

/s/ Christopher M. Connor

Christopher M. Connor

Executive Chairman, Director

/s/ Sean P. Hennessy

Sean P. Hennessy

Senior Vice President – Finance and Chief Financial Officer
(Principal Financial Officer)

/s/ Allen J. Mistysyn

Allen J. Mistysyn

Senior Vice President – Corporate Controller
(Principal Accounting Officer)

/s/ Arthur F. Anton

Arthur F. Anton

Director

/s/ David F. Hodnik

David F. Hodnik

Director

<u>/s/ Thomas G. Kadien</u> Thomas G. Kadien	Director
<u>/s/ Richard J. Kramer</u> Richard J. Kramer	Director
<u>/s/ Susan J. Kropf</u> Susan J. Kropf	Director
<u>/s/ Christine A. Poon</u> Christine A. Poon	Director
<u>/s/ Richard K. Smucker</u> Richard K. Smucker	Director
<u>/s/ John M. Stropki</u> John M. Stropki	Director
<u>/s/ Matthew Thornton III</u> Matthew Thornton III	Director
<u>/s/ Steven H. Wunning</u> Steven H. Wunning	Director

CERTIFICATE

I, the undersigned, Secretary of The Sherwin-Williams Company (the “Company”), hereby certify that attached hereto is a true and complete copy of a resolution of the Board of Directors of the Company, duly adopted at a meeting held on February 17, 2016, and that such resolution is in full force and effect and has not been amended, modified, revoked or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of this 17th day of February, 2016.

/s/ Catherine M. Kilbane
Catherine M. Kilbane
Secretary

RESOLVED, that the appropriate officers of the Company are each hereby authorized to execute and deliver a power of attorney appointing John G. Morikis, Sean P. Hennessy and Catherine M. Kilbane or any of them, with full power of substitution and resubstitution, to act as attorneys-in-fact for the Company and for such officers for the purpose of executing and filing with the Securities and Exchange Commission and any national securities exchange, on behalf of the Company, the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and any and all amendments, exhibits and other documents in connection therewith, and to take other action deemed necessary and appropriate to effect the filing of such Annual Report on Form 10-K and any and all such amendments, exhibits and other documents in connection therewith.

CERTIFICATION

I, John G. Morikis, certify that:

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

Date: February 24, 2016

/s/ John G. Morikis

John G. Morikis
President and Chief
Executive Officer

CERTIFICATION

I, Sean P. Hennessy, certify that:

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

Date: February 24, 2016

/s/ Sean P. Hennessy

Sean P. Hennessy
 Senior Vice President – Finance and
 Chief Financial Officer

SECTION 1350 CERTIFICATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the "Company") for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Morikis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2016

/s/ John G. Morikis

John G. Morikis
President and Chief
Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.

SECTION 1350 CERTIFICATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the “Company”) for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sean P. Hennessy, Senior Vice President – Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2016

/s/ Sean P. Hennessy

Sean P. Hennessy
Senior Vice President – Finance and
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.