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

FORM 10-K

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

For the fiscal year ended December 31, 2010

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)

34-0526850

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

101 West Prospect Avenue, Cleveland, Ohio

(Address of principal executive offices)

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	Name of each exchange on which registered
Common Stock, Par Value \$1.00	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 (Do not check if a smaller reporting company) Smaller reporting company

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

At January 31, 2011, 107,242,439 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, 2010 was \$7,465,078,339 (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, 2010 ("2010 Annual Report") are incorporated by reference into Parts I, II and IV of this report.

Portions of our Proxy Statement for the 2011 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, 2010 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 Business Ethics Policy 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 three reportable operating segments: Paint Stores Group, Consumer Group and Global Finishes Group (collectively, the “Reportable Operating Segments”). Factors considered in determining our Reportable Operating Segments include the nature of the 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. Operating segments that are not individually significant, based on quantitative thresholds in ASC 280-10-50-12, are aggregated within the Global Finishes Group. We report all other business activities and immaterial operating segments that are not reportable in the Administrative segment. For more information about the Reportable Operating Segments, see pages 6 through 11 of our 2010 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 Operating 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 Operating Segments based on profit or loss before income taxes and cash generated from operations. The accounting policies of the Reportable Operating Segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements on pages 46 through 50 of our 2010 Annual Report, which is incorporated herein by reference.

Paint Stores Group

The Paint Stores Group consisted of 3,390 company-operated specialty paint stores in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten and Jamaica at December 31, 2010. 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, industrial and marine products, original equipment manufacturer (“OEM”) product finishes and related items. These products are produced by manufacturing facilities in the Consumer and Global Finishes Groups. In addition, each store sells selected purchased associated products. The loss of any single customer would not have a material adverse effect on the business of this segment. During 2010, this segment opened 36 net new stores, consisting of 49 new stores opened (40 in the United States, 6 in Canada, 2 in Trinidad and 1 in Jamaica) and 13 stores closed in the United States. During 2009, this segment opened 8 net new stores, consisting of 53 new stores opened (44 in the United States, 7 in Canada, 1 in Jamaica and 1 in St. Maarten) and 45 stores closed in the United States. In 2008, this segment opened 21 net new stores (14 in the United States). A map on page 12 of our 2010 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 Operating 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 53 percent of the total sales of the Consumer Group in 2010 were inter-segment 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. The CODM uses discrete financial information about the Consumer Group, supplemented with information by product types and customer, 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 Operating Segment.

Global Finishes Group

The Global Finishes Group develops, licenses, manufactures, distributes and sells a variety of architectural paint and coatings, industrial and marine products, automotive finishes and refinish products, OEM coatings 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 564 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third party distributors. During 2010, this segment opened or acquired 35 new branches (16 in Europe, 9 in South America, 6 in Mexico, 2 in Canada, 1 in the United States and 1 in Thailand) and closed 10 (5 in the United States, 3 in South America, 1 in Mexico and 1 in Canada) for a net increase of 25 branches. At December 31, 2010, the Global Finishes Group consisted of operations in the United States, subsidiaries in 45 foreign countries, 3 foreign joint ventures and income from licensing agreements in 16 foreign countries. The CODM uses discrete financial information about each of two aggregated operating segments within the Global Finishes Group Reportable Operating Segment, supplemented with information about geographic divisions, business units, and subsidiaries, to assess performance of and allocate resources to each of the operating segments. Two operating segments are aggregated to form the Global Finishes Group Reportable Operating System in accordance with the quantitative thresholds within ASC 280-10-50-12. A map on pages 12 and 13 of our 2010 Annual Report, which is incorporated herein by reference, shows the number of branches 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 Operating 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 Operating Segments, including net external sales, segment profit, identifiable assets and other information by segment, see Note 19 of the Notes to Consolidated Financial Statements on pages 74 through 77 of our 2010 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 19 of the Notes to Consolidated Financial Statements on page 76 of our 2010 Annual Report, which is incorporated herein by reference.

Additional information regarding risks attendant to foreign operations is set forth on page 32 of our 2010 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 6 through 14 of our 2010 Annual Report and the "Letter to Shareholders" on pages 2 through 5 of our 2010 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. However, consolidation of raw material suppliers and a reduction in raw material manufacturing capacity during the recent recession, along with an increase in global demand for certain raw materials, resulted in shortages and increased prices of certain raw materials in 2010. Such consolidation and reduced raw materials manufacturing capacity, coupled with a continued increase in global demand for certain raw materials and coatings as the global economy recovers, may result in continued shortages and increased prices of certain raw materials for the Reportable Operating Segments during 2011. There are sufficient suppliers of each product purchased for resale that none of the Reportable Operating Segments anticipate any significant sourcing problems during 2011. See Item 1A Risk Factors for more information regarding cost and sourcing of raw materials.

Seasonality

The majority of the sales for the Reportable Operating 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 23 through 33 of our 2010 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 Reportable Operating Segment are set forth below.

- *Paint Stores Group:* Sherwin-Williams[®], ProMar[®], SuperPaint[®], A-100[®], PrepRite[®], Classic 99[®], ProGreen[®], Harmony[®], Woodscapes[®], Deckscape[®], Cashmere[®], ProClassic[®], Duration[®], Duron[®], Columbia[™] and MAB[™].
- *Consumer Group:* Thompson's[®] WaterSeal[®], Dutch Boy[®], Cuprinol[®], Pratt & Lambert[®], Martin Senour[®], H&C[®], Rubberset[®], Dupli-Color[®], Minwax[®], White Lightning[®], Krylon[®], Purdy[®], Bestt Liebco[®], Accurate Dispersions[™], Dobco[™], Ronseal[™], Tri-Flow[®], Kool Seal[®], Snow Roof[®], Altax[™], Sprayon[®], Uniflex[®] and VHT[®].
- *Global Finishes Group:* Sherwin-Williams[®], Martin Senour[®], Lazzuril[®], Excelo[®], Baco[®], Planet Color[®], Ultra-Cure[®], Dutch Boy[®], Krylon[®], Kem Tone[®], Kem Aqua[®], Pratt & Lambert[®], Minwax[®], Sherwood[®], Powdura[®], Polane[®], Colorgin[™], Sumare[™], Andina[™], Marson[™], Thompson's[®] WaterSeal[®], Metalatex[®], Euronavy[®], Inchem[™], Novacor[™], Loxon[®], Napko[™], AWX[®], Ultra[™], Sayerlack[®], Acroma[™] and Condor[™].

Patents

Although patents and licenses are not of material importance to our business as a whole or any segment, the Global Finishes Group derives a portion of its 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 Operating 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 2011.

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 2010 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.

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 32,228 persons at December 31, 2010.

Environmental Compliance

For additional information regarding environmental-related matters, see pages 26 through 27 of our 2010 Annual Report under the caption “Environmental-Related Liabilities” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1, 9 and 14 of the Notes to Consolidated Financial Statements on pages 48, 64 and 65, and 71, respectively, of our 2010 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:

- the duration and severity of the current negative global economic and financial conditions;
- 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, including the 2010 acquisitions of Becker Acroma Industrial Wood Coatings, Sayerlack Industrial Wood Coatings and Pinturas Condor, as well as the performance of the businesses acquired;
- risks and uncertainties associated with our ownership of Life Shield Engineered Systems, LLC;
- 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, Mexico, 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, Mexico 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

Described below and elsewhere in this report and other documents that we file from time to time with the Securities and Exchange Commission are risks, uncertainties and other factors that can 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.

Adverse changes in general business and economic conditions in the United States and worldwide may reduce the demand for some of our products and 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 that adversely affect the demand for our paint, coatings and related products could adversely affect our results of operations, cash flow, liquidity or financial condition.

The duration and severity of the current global economic and financial conditions may adversely affect our results of operations, cash flow, liquidity or financial condition.

A protracted continuation or worsening of the current global economic and financial conditions 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. The current global economic and financial conditions have caused some customers to be less profitable and have increased our exposure to credit risk. In addition, due to the tightening of credit markets, some customers who require financing for their businesses have not been able to obtain necessary financing. Continuation 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 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 continue to 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 and manufacturing. 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 recent recession, 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 began to experience a significant decline in 2008. The downturn in each of these segments and a lack of a meaningful recovery has continued to contribute to an unprecedented decline in the demand for some of our products and has continued to adversely affect our sales and earnings. New home starts, existing home sales and new commercial construction are significantly below their pre-recession highs. Although many of our end markets have started to show signs of stabilization and modest improvement, challenging market conditions are expected to continue for the foreseeable future and may worsen. A continued downturn or worsening in these segments will continue to 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 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. In addition, many raw material suppliers decreased manufacturing capacity during the recent recession. Continued economic recovery has caused and may continue to cause demand pressure on raw material supplies. The decrease in manufacturing capacity, along with strong global demand for certain raw materials, has caused and may continue to cause tight supplies and significant price increases, especially in titanium dioxide and petrochemicals, which are key ingredients used in the manufacture of paint and coatings. 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. Many of our paint and coatings products utilize oil based derivatives, minerals (including titanium dioxide) and metals.

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 2010, 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 would 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.

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, especially during the exterior painting season, 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.

Our results of operations, cash flow or financial condition may be negatively impacted if we do not successfully integrate past and 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. In 2010, we acquired two industrial wood coatings businesses, Sayerlack and Becker Acroma, with significant operations in Europe, and Pinturas Condor, the largest paint and coatings company in Ecuador. These acquisitions involve challenges and risks. In the event that we do not successfully integrate these 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, Mexico, 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 \$1.47 billion in 2010, or 18.9% of our total consolidated net sales. Sales outside of the United States make up an important 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. 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 euro, the British pound, the Argentine peso, the Brazilian real, the Chilean peso, the Canadian dollar and the Mexican peso 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 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 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, 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 15 of the Notes to Consolidated Financial Statements on pages 71 through 73 of our 2010 Annual Report.

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 22 of our 2010 Annual Report under the caption "Environmental Matters," pages 26 and 27 of our 2010 Annual Report under the caption "Environmental-Related Liabilities" and in Note 9 of the Notes to Consolidated Financial Statements on pages 64 and 65 of our 2010 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 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 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 even if the possibility may be remote.

Our past operations included the manufacture and sale of lead pigments and lead-based paints. Along with other companies, we are 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 are seeking recovery 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 are also a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints which 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 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 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 any such legislation and regulations. We have not accrued any amounts for such litigation. Any potential liability that may result from such litigation or such 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.

We discuss the risks and uncertainties related to litigation, including the lead pigment and lead-based paint litigation, in more detail on page 22 of our 2010 Annual Report under the caption "Litigation and Other Contingent Liabilities," and pages 30 through 32 of our 2010 Annual Report under the caption "Litigation" of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 10 of the Notes to Consolidated Financial Statements on pages 65 through 67 of our 2010 Annual Report.

The costs or potential liability ultimately determined to be attributable to us through our ownership of Life Shield could have an adverse effect on our results of operations, cash flow, liquidity or financial condition.

We own Life Shield Engineered Systems, LLC. Life Shield develops and manufactures blast and fragment mitigating systems. The blast and fragment mitigating systems create a potentially higher level of product liability

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for us than is normally associated with coatings and related products we manufacture, distribute and sell. Depending upon the extent of any potential liability ultimately determined to be attributable to us relating to Life Shield, such liability could have an adverse effect on our results of operations, cash flow, liquidity or financial condition. We discuss these risks and uncertainties in more detail on pages 29 and 30 of our 2010 Annual Report under the caption "Contingent Liabilities" of "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 and Global Finishes 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

<i>Manufacturing Facilities</i>			
Andover, Kansas	Owned	Holland, Michigan	Leased
Baltimore, Maryland	Owned	Homewood, Illinois	Owned
Bedford Heights, Ohio	Owned	Lawrenceville, Georgia	Owned
Beltsville, Maryland	Owned	Manchester, Georgia	Owned
Chicago, Illinois	Owned	Memphis, Tennessee	Owned
Cincinnati, Ohio	Owned	Morrow, Georgia	Owned
Coffeyville, Kansas	Owned	Norfolk, Virginia	Owned
Crisfield, Maryland	Leased	Orlando, Florida	Leased
Ennis, Texas	Owned	Portland, Oregon	Owned
Fernley, Nevada	Owned	Sheffield, England	Leased
Flora, Illinois	Owned	South Holland, Illinois	Owned
Fort Erie, Ontario, Canada	Owned	Szamotoły, Poland	Owned
Garland, Texas	Owned	Terre Haute, Indiana	Owned
Greensboro, North Carolina	Owned	Victorville, California	Owned
Grodzisk Wielkopolski, Poland	Owned		
<i>Distribution Facilities</i>			
Buford, Georgia	Leased	Swaffham, England	Owned
Effingham, Illinois	Leased	Szamotoły, Poland	Leased
Fredericksburg, Pennsylvania	Owned	Waco, Texas	Owned
Reno, Nevada	Leased	Winter Haven, Florida	Leased
Sheffield, England	Owned		

GLOBAL FINISHES GROUPManufacturing Facilities

Arlington, Texas	Owned	Montevideo City, Uruguay	Owned
Bello, Sweden	Owned	Mumbai (Paloja), India	Owned
Binh Duong Province, Vietnam	Owned	Ontario, California	Leased
Brantford, Ontario, Canada	Owned	Pasir Gudang, Johor, Malaysia	Owned
Buenos Aires, Argentina	Owned	Pianoro, Italy	Owned
Cavezzo, Italy	Owned	Qingdao, China	Leased
Columbus, Ohio	Owned	Richmond, Kentucky	Owned
Dongguan, China	Leased	Rockford, Illinois	Leased
Greensboro, North Carolina	Owned	Saint Cheron, France	Owned
Grimsby, Ontario, Canada	Owned	Santiago, Chile	Owned
Grove City, Ohio	Owned	Sao Paulo, Brazil (3)	Owned
Ho Chi Minh City, Vietnam	Leased	Shanghai, China	Leased
Jeffersonville, Indiana	Owned	Texcoco, Mexico	Owned
Les Mureaux, France	Owned	Valencia, Spain	Owned
Mariano Comense, Italy	Owned	Vallejo, Mexico	Owned
Marsta, Sweden	Owned	Wuppertal, Germany	Owned
Monterrey, Mexico	Owned	Zhao Qing, China	Leased

Distribution Facilities

Buenos Aires, Argentina	Owned	Richmond, Kentucky	Owned
Cavezzo, Italy	Leased	Santiago, Chile	Leased
Edomex, Mexico	Leased	Santiago, Chile	Owned
Guadalajara, Mexico	Leased	Sao Paulo, Brazil (3)	Owned
Hermosilla, Mexico	Leased	Shanghai, China	Owned
Lima, Peru	Leased	Texcoco, Mexico	Owned
Maceio, Brazil	Leased	Tijuana, Mexico	Leased
Mexico City, Mexico	Owned	Valencia, Venezuela	Leased
Monterrey, Mexico (3)	Owned	Vallejo, Mexico	Owned
Montevideo City, Uruguay	Owned		

The operations of the Paint Stores Group included a manufacturing and distribution facility in Jamaica and 3,390 company-operated specialty paint stores, of which 209 were owned, in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten and Jamaica at December 31, 2010. These paint stores are divided into four separate operating divisions that are responsible for the sale of predominantly architectural, industrial maintenance and related products through the paint stores located within their geographical region. At the end of 2010:

- the Mid Western Division operated 893 paint stores primarily located in the midwestern and upper west coast states;
- the Eastern Division operated 808 paint stores along the upper east coast and New England states and Canada;
- the Southeastern Division operated a manufacturing and distribution facility in Jamaica and 884 paint stores principally covering the lower east and gulf coast states, Puerto Rico, Jamaica, Trinidad and Tobago, St. Maarten and Virgin Islands; and
- the South Western Division operated 805 paint stores in the central plains and the lower west coast states.

In 2010, the Paint Stores Group opened 36 net new paint stores, consisting of 49 new stores opened (40 in the United States, 6 in Canada, 2 in Trinidad and 1 in Jamaica) and 13 stores closed in the United States.

The Global Finishes Group operated 248 branches in the United States, of which 9 were owned, at December 31, 2010. The Global Finishes Group also operated 316 branches, of which 13 were owned, at

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December 31, 2010, consisting of branches in Mexico (111), Brazil (87), Chile (50), Canada (27), Europe (16), Uruguay (10), India (5), Ecuador (4), Peru (3), Argentina (2) and Thailand (1). During 2010, the Global Finishes Group opened or acquired 35 new branches (16 in Europe, 9 in South America, 6 in Mexico, 2 in Canada, 1 in the United States and 1 in Thailand) and closed 10 (5 in the United States, 3 in South America, 1 in Mexico and 1 in Canada) for a net increase of 25 branches.

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 18 of the Notes to Consolidated Financial Statements on page 74 of our 2010 Annual Report, which is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

For information regarding environmental-related matters and other legal proceedings, see pages 26 and 27, and 30 through 32, of our 2010 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, 9, 10 and 14 of the Notes to Consolidated Financial Statements on pages 48, 64 and 65, 65 through 67, and 71, respectively, of our 2010 Annual Report, which is incorporated herein by reference.

ITEM 4. [REMOVED AND RESERVED]

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is the name, age and present position of each of our executive officers at February 16, 2011, 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	54	Chairman and Chief Executive Officer, Director	1994
John G. Morikis	47	President and Chief Operating Officer	1999
Sean P. Hennessy	53	Senior Vice President — Finance and Chief Financial Officer	2001
Thomas E. Hopkins	53	Senior Vice President — Human Resources	1997
Steven J. Oberfeld	58	Senior Vice President — Corporate Planning and Development	2006
Thomas W. Seitz	62	Senior Vice President — Strategic Excellence Initiatives	1999
Louis E. Stellato	60	Senior Vice President, General Counsel and Secretary	1989
Robert J. Wells	53	Senior Vice President — Corporate Communications and Public Affairs	2006
Robert J. Davisson	50	President, Paint Stores Group	2010
George E. Heath	45	President, Global Finishes Group	2008
Allen J. Mistysyn	42	Vice President — Corporate Controller	2010

Mr. Connor has served as Chairman since April 2000 and Chief Executive Officer since October 1999. Mr. Connor served as President from July 2005 to October 2006. 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 Operating Officer since October 2006. Mr. Morikis served as President, Paint Stores Group from October 1999 to October 2006. Mr. Morikis 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. Hopkins has served as Senior Vice President — Human Resources since February 2002. Mr. Hopkins has been employed with the Company since September 1981.

Mr. Oberfeld has served as Senior Vice President — Corporate Planning and Development since November 2010. Mr. Oberfeld served as President, Paint Stores Group from October 2006 to November 2010 and President & General Manager, South Western Division, Paint Stores Group from September 1992 to October 2006. Mr. Oberfeld has been employed with the Company since October 1984.

Mr. Seitz has served as Senior Vice President — Strategic Excellence Initiatives since February 2007. Mr. Seitz served as President, Consumer Group from August 2005 to February 2007. Mr. Seitz has been employed with the Company since June 1970.

Mr. Stellato has served as Senior Vice President, General Counsel and Secretary since February 2009. Mr. Stellato served as Vice President, General Counsel and Secretary from July 1991 to February 2009. Mr. Stellato has been employed with the Company since July 1981.

Mr. Wells has served as Senior Vice President — Corporate Communications and Public Affairs since February 2009. Mr. Wells served as Vice President — Corporate Communications and Public Affairs from January 2006 to February 2009 and Vice President — Corporate Planning and Communication from July 2002 to January 2006. Mr. Wells has been employed with the Company since May 1998.

Mr. Davisson has served as President, Paint Stores Group since November 2010. Mr. Davisson served as President & General Manager, Southeastern Division, Paint Stores Group from October 1999 to November 2010. Mr. Davisson has been employed with the Company since April 1986.

Mr. Heath has served as President, Global Finishes Group since September 2008. Mr. Heath served as President & General Manager, Chemical Coatings Division from November 2005 to September 2008. Mr. Heath has been employed with the Company since May 2004.

Mr. Mistysyn has served as Vice President — Corporate Controller since May 2010. Mr. Mistysyn served as Vice President — Assistant Corporate Controller from August 2009 to May 2010, Vice President — Controller, Paint and Coatings Division from November 2006 to August 2009 and Vice President — Controller, Consumer Division from February 2003 to November 2006. Mr. Mistysyn has been employed with the Company since June 1990.

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, 2011 was 8,674.

Information regarding market prices and dividend information with respect to our common stock is set forth on page 79 of our 2010 Annual Report, which is incorporated herein by reference. The performance graph set forth on page 14 of our 2010 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 2010.

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)	2,200	\$ 72.00	2,200	7,272,800
Employee transactions (b)				NA
November 1 – November 30				
Share repurchase program (a)	149,127	\$ 72.95	149,127	7,123,673
Employee transactions (b)				NA
December 1 – December 31				
Share repurchase program (a)	1,373,673	\$ 80.87	1,373,673	5,750,000
Employee transactions (b)	4,125	\$ 77.21		NA
Total				
Share repurchase program (a)	1,525,000	\$ 80.08	1,525,000	5,750,000
Employee transactions (b)	4,125	\$ 77.21		NA

(a) All shares were purchased through the Company’s publicly announced share repurchase program. On October 19, 2007, the Board of Directors of the Company authorized the Company to purchase, in the aggregate, 30,000,000 shares of its common stock and rescinded the previous authorization limit. The Company had remaining authorization at December 31, 2010 to purchase 5,750,000 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)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operations					
Net sales	\$7,776	\$7,094	\$7,980	\$8,005	\$7,810
Net income	462	436	477	616	576
Financial Position					
Total assets	\$5,169	\$4,324	\$4,416	\$4,855	\$4,995
Long-term debt	648	783	304	293	292
Ratio of earnings to fixed charges (a)	5.1x	5.6x	5.6x	7.0x	7.0x
Per Common Share Data					
Net income — basic (b)	\$ 4.28	\$ 3.80	\$ 4.04	\$ 4.80	\$ 4.27
Net income — diluted	4.21	3.78	4.00	4.70	4.19
Cash dividends	1.44	1.42	1.40	1.26	1.00

(a) For purposes of calculating the ratio of earnings to fixed charges, earnings represents 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:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income before income taxes	\$678	\$623	\$714	\$ 913	\$834
Fixed charges:					
Interest expense, net	71	40	66	72	67
Interest component of rent expense	93	94	90	81	72
Total fixed charges	164	134	156	153	139
Earnings	\$842	\$757	\$870	\$1,066	\$973

(b) Prior year earnings per share amounts have been restated to conform to the two-class method. See Note 16 of the Notes to Consolidated Financial Statements on page 73 of our 2010 Annual Report.

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 17 through 37 of our 2010 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 2010 to hedge against value changes in foreign currency. There were no contracts outstanding at December 31, 2010. Foreign currency option and forward contracts are described in Note 14 of the Notes to Consolidated Financial Statements on page 71 of our 2010 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 77 of our 2010 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,” “Consolidated Balance Sheets,” “Statements of Consolidated Cash Flows,” “Statements of Consolidated Shareholders’ Equity and Comprehensive Income,” and “Notes to Consolidated Financial Statements,” which is incorporated herein by reference. Unaudited quarterly data is set forth in Note 17 of the Notes to Consolidated Financial Statements on page 74 of our 2010 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 Chairman 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 Chairman 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 Chairman 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 2010 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 2010 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 Directors and 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 2010. 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 Business Ethics Policy, which applies to all of our directors, officers and employees. Our Business Ethics Policy includes additional ethical obligations for our senior financial management (which includes our chief executive officer, our chief financial officer, and the controller, treasurer and principal financial and accounting personnel in our operating groups and corporate departments). Please refer to the information set forth under the caption “Corporate Governance — Business Ethics Policy” in our Proxy Statement, which is incorporated herein by reference. Our Business Ethics Policy is 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 Business Ethics Policy 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,” “2010 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” and continuing through the information under the caption “Estimated Payments upon Termination or Change in Control,” 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.

During the fiscal quarter ended December 31, 2010, the Audit Committee of the Board of Directors of the Company approved permitted non-audit services to be performed by Ernst & Young LLP, the Company’s independent registered public accounting firm. These non-audit services were approved within categories related to domestic advisory and compliance services and tax compliance.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following consolidated financial statements of the Company included in our 2010 Annual Report are incorporated by reference in Item 8.

- (i) Report of Management on the Consolidated Financial Statements (page 40 of our 2010 Annual Report);
- (ii) Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements (page 41 of our 2010 Annual Report);
- (iii) Statements of Consolidated Income for the years ended December 31, 2010, 2009 and 2008 (page 42 of our 2010 Annual Report);
- (iv) Consolidated Balance Sheets at December 31, 2010, 2009 and 2008 (page 43 of our 2010 Annual Report);
- (v) Statements of Consolidated Cash Flows for the years ended December 31, 2010, 2009 and 2008 (page 44 of our 2010 Annual Report);
- (vi) Statements of Consolidated Shareholders' Equity and Comprehensive Income for the years ended December 31, 2010, 2009 and 2008 (page 45 of our 2010 Annual Report); and
- (vii) Notes to Consolidated Financial Statements for the years ended December 31, 2010, 2009 and 2008 (pages 46 through 77 of our 2010 Annual Report).

(2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2010, 2009 and 2008 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)	<u>2010</u>	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 44,755	\$ 40,760	\$ 29,593
Amount acquired through acquisitions	14,739	92	91
Bad debt expense	20,606	36,219	59,157
Uncollectible accounts written off, net of recoveries	<u>(20,790)</u>	<u>(32,316)</u>	<u>(48,081)</u>
Ending balance	<u>\$ 59,310</u>	<u>\$ 44,755</u>	<u>\$ 40,760</u>

Bad debt expense and uncollectible accounts written off increased in 2008 primarily due to increased activity in accounts doubtful of collection.

(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 23, 2011.

THE SHERWIN-WILLIAMS COMPANY

By: /s/ L. E. STELLATO

L. E. Stellato, 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 23, 2011.

* C. M. CONNOR _____ C. M. Connor	Chairman and Chief Executive Officer, Director (Principal Executive Officer)
* S. P. HENNESSY _____ S. P. Hennessy	Senior Vice President — Finance and Chief Financial Officer (Principal Financial Officer)
* A. J. MISTYSYN _____ A. J. Mistysyn	Vice President — Corporate Controller (Principal Accounting Officer)
* A. F. ANTON _____ A. F. Anton	Director
* J. C. BOLAND _____ J. C. Boland	Director
* D. F. HODNIK _____ D. F. Hodnik	Director
* T. G. KADIEN _____ T. G. Kadien	Director
* S. J. KROPF _____ S. J. Kropf	Director
* G. E. McCULLOUGH _____ G. E. McCullough	Director
* A. M. MIXON, III _____ A. M. Mixon, III	Director
* C. E. MOLL _____ C. E. Moll	Director

* R. K. SMUCKER _____ Director
R. K. Smucker

* J. M. STROPKI, JR. _____ Director
J. M. Stropki, Jr.

* The undersigned, by signing his name hereto, does sign this report on behalf of the designated officers and directors of The Sherwin-Williams Company pursuant to Powers of Attorney executed on behalf of each such officer and director and filed as exhibits to this report.

By: /s/ L. E. STELLATO _____ February 23, 2011
L. E. Stellato, Attorney-in-fact

EXHIBIT INDEX

3. (a) Amended and Restated Articles of Incorporation of the Company, as amended through July 26, 2006, filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, and incorporated herein by reference.
- (b) Regulations of the Company, as amended and restated April 28, 2004, filed as Exhibit 3 to the Company's Current Report on Form 8-K dated June 10, 2004, 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, 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) 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.
- (d) Credit Agreement, dated as of January 8, 2010, among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A. and Citibank, N.A., as co-documentation agents, Bank of America, N.A., as administrative agent, and Wells Fargo Bank, N.A., as syndication agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 8, 2010, and incorporated herein by reference.
- (e) Five Year Credit Agreement, dated as of May 23, 2006, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as paying agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 23, 2006, and incorporated herein by reference.
- (f) Agreement for Letter of Credit, dated as of May 23, 2006, 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 May 23, 2006, and incorporated herein by reference.
- (g) Five Year Credit Agreement Amendment, dated as of July 24, 2006, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as paying agent, filed as Exhibit 4 to the Company's Current Report of Form 8-K dated July 24, 2006, and incorporated herein by reference.
- (h) Five Year Credit Agreement, dated as of April 26, 2007, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and The Bank of New York Mellon, as paying agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 26, 2007, and incorporated herein by reference.
- (i) Agreement for Letter of Credit, dated as of April 26, 2007, 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 26, 2007, and incorporated herein by reference.
- (j) Five Year Credit Agreement, dated as of August 28, 2007, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and The Bank of New York Mellon, as paying agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 28, 2007, and incorporated herein by reference.
- (k) Agreement for Letter of Credit, dated as of August 28, 2007, 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 August 28, 2007, and incorporated herein by reference.
- (l) Five Year Credit Agreement Amendment No. 1, dated as of September 17, 2007, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and The Bank of New York Mellon, as paying agent, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated September 17, 2007, and incorporated herein by reference.

- (m) Five Year Credit Agreement Amendment No. 2, dated as of September 25, 2007, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, the Lenders party thereto, and The Bank of New York Mellon, as paying agent, filed as Exhibit 4 to the Company's Current Report on Form 8-K dated September 25, 2007, and incorporated herein by reference.
- (n) Credit Agreement, dated as of July 19, 2010, among Sherwin-Williams Luxembourg S.à r.l., as borrower, the Company, as guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent and L/C issuer, Banc of America Securities LLC, as sole bookrunner and joint mandated lead arranger, and HSBC Securities (USA) Inc., as joint mandated lead arranger, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 19, 2010, and incorporated herein by reference.
- (o) Credit Agreement, dated as of July 19, 2010, among Sherwin-Williams Canada Inc., as borrower, the Company, as guarantor, the lenders party thereto, KeyBank National Association, as joint lead arranger, sole bookrunner and administrative agent, and PNC Capital Markets, LLC, as joint lead arranger and syndication agent, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 19, 2010, and incorporated herein by reference.
- 10. *(a) Form of Director, Executive Officer and Corporate Officer Indemnity Agreement filed as Exhibit 10(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference.
- *(b) Indemnity Agreement with Allen J. Mistysyn filed as Exhibit 10(e) to the Company's Current Report on Form 8-K dated April 20, 2010, and incorporated herein by reference.
- *(c) Summary of Compensation Payable to Non-Employee Directors filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
- *(d) Summary of Base Salary and Annual Incentive Compensation Payable to Named Executive Officers (filed herewith).
- *(e) Forms of Amended and Restated Severance Agreements (filed herewith).
- *(f) Schedule of Executive Officers who are Parties to the Amended and Restated Severance Agreements in the forms referred to in Exhibit 10(e) (filed herewith).
- *(g) The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan (as Amended and Restated) (filed herewith).
- *(h) The Sherwin-Williams Company 2005 Key Management Deferred Compensation Plan (as Amended and Restated) filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
- *(i) The Sherwin-Williams Company Director Deferred Fee Plan (1997 Amendment and Restatement), dated April 23, 1997, 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.
- *(j) 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.
- *(k) The Sherwin-Williams Company 2005 Director Deferred Fee Plan (as Amended and Restated) filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.
- *(l) 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.
- *(m) 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.
- *(n) 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.

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- * (o) The Sherwin-Williams Company 1994 Stock Plan, as amended and restated in its entirety, effective July 26, 2000, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, and incorporated herein by reference.
- * (p) The Sherwin-Williams Company 2003 Stock Plan, dated January 1, 2003, 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.
- * (q) Form of Restricted Stock Grant under The Sherwin-Williams Company 2003 Stock Plan filed as Exhibit 10(a) to the Company's Current Report on Form 8-K dated February 2, 2005, and incorporated herein by reference.
- * (r) 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.
- * (s) The Sherwin-Williams Company 1997 Stock Plan for Nonemployee Directors, dated April 23, 1997, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997, and incorporated herein by reference.
- * (t) Form of Stock Option Grant under The Sherwin-Williams Company 1997 Stock Plan for Nonemployee Directors filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004, and incorporated herein by reference.
- * (u) 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.
- * (v) 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.
- * (w) 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.
- * (x) Form of Restricted Stock Grant (Performance-Based) under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(c) to the Company's Current Report on Form 8-K dated July 19, 2006, and incorporated herein by reference.
- * (y) Form of Restricted Stock Grant (Performance-Based) under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and incorporated herein by reference.
- * (z) Form of Restricted Stock Grant (Performance-Based) under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and incorporated herein by reference.
- * (aa) Form of Restricted Stock Grant (Performance and Time-Based) under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(a) to the Company's Current Report on Form 8-K dated February 16, 2010, and incorporated herein by reference.
- * (bb) The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) (filed herewith).
- * (cc) 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.
- * (dd) Form of Restricted Stock Grant (Performance and Time-Based) under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) filed as Exhibit 10(a) to the Company's Current Report on Form 8-K dated February 15, 2011, and incorporated herein by reference.
- * (ee) 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.

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- *(ff) 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 July 19, 2006, and incorporated herein by reference.
- *(gg) Form of Restricted Stock Grant under The Sherwin-Williams 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 by reference.
- *(hh) The Sherwin-Williams Company Business Travel Accident Insurance Plan filed as Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and incorporated herein by reference.
- *(ii) The Sherwin-Williams Company 2007 Executive Performance Bonus Plan filed as Exhibit 10(a) to the Company's Current Report on Form 8-K dated February 21, 2007, and incorporated herein by reference.
- 13. Our 2010 Annual Report, portions of which are incorporated herein by reference (filed herewith). With the exception of those portions of our 2010 Annual Report which are specifically incorporated by reference in this report, our 2010 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 (filed herewith).
(b) Section 1350 Certification of Chief Financial Officer (filed 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 required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

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

2011 Base Salary . On February 15, 2011, the Compensation and Management Development Committee (the “Compensation Committee”) of the Board of Directors of The Sherwin-Williams Company (“Sherwin-Williams”) set the 2011 base salaries of the executive officers who were named in the Summary Compensation Table of Sherwin-Williams’ 2010 Proxy Statement and who are expected to be named in the Summary Compensation Table of Sherwin-Williams’ 2011 Proxy Statement (the “Named Executive Officers”). The base salaries of the Named Executive Officers for 2011 are as follows: C.M. Connor, Chairman and Chief Executive Officer (\$1,221,987); J.G. Morikis, President and Chief Operating Officer (\$779,220); S.P. Hennessy, Senior Vice President — Finance and Chief Financial Officer (\$587,704); S.J. Oberfeld, Senior Vice President — Corporate Planning and Development (\$536,354); and T. W. Seitz, Senior Vice President — Strategic Excellence Initiatives (\$495,482).

Annual Incentive Compensation to Be Earned in 2011 . 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 2011 under The Sherwin-Williams Company 2007 Executive Performance Bonus Plan.

Named Executive Officer	Incentive Award as a Percentage of Base Salary		
	Minimum	Target	Maximum
C.M. Connor	0	105	210
J.G. Morikis	0	75	150
S.P. Hennessy	0	75	150
S.J. Oberfeld	0	60	120
T.W. Seitz	0	60	120

THE SHERWIN-WILLIAMS COMPANY
FORM A — AMENDED AND RESTATED
SEVERANCE AGREEMENT
(3 Times Base Pay Amount)

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of _____, _____, is made and entered into by and between **THE SHERWIN-WILLIAMS COMPANY**, an Ohio corporation (“Company”) and _____ (“Executive”).

RECITALS:

- A. Executive is a senior executive of Company or one or more of its Subsidiaries (as defined below) and has made and is expected to continue to make major contributions to the short-and long-term profitability, growth and financial strength of Company.
- B. Company recognizes that the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of Company and its stockholders.
- C. Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including Executive, applicable in the event of a Change in Control.
- D. Company wishes to ensure that its senior executives are not unduly distracted by the circumstances attendant to the possibility of a Change in Control and to encourage the continued attention and dedication of such executives, including Executive, to their assigned duties with Company.
- E. Company desires to provide additional inducement for Executive to continue to remain in the employ of Company.
- F. Company and Executive are parties to a Severance Agreement dated as of February 1, 2007 (the “Effective Date”), which agreement is hereby amended, restated and replaced in its entirety with this Agreement in order to comply with the final regulations issued under Section 409A of the Code.

NOW, THEREFORE, Company and Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

- (a) “Base Pay” means Executive’s annual base salary rate as in effect from time to time.
- (b) “Board” means the Board of Directors of Company.
- (c) “Cause” means that, prior to any termination pursuant to Section 3(a)(iii), Executive shall have:

(i) been convicted of a criminal violation involving, in each case, fraud, embezzlement or theft in connection with Executive's duties or in the course of Executive's employment with Company or any Subsidiary;

(ii) committed intentional wrongful damage to property of Company or any Subsidiary; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of Company or any Subsidiary;

and any such act shall have been demonstrably and materially harmful to Company. For purposes of this Agreement, no act or failure to act on the part of Executive will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of Company. Notwithstanding the foregoing, Executive will not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board then in office (excluding Executive if Executive is then a member of the Board) at a meeting of the Board called and held for such purpose, after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel (if Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in reasonable detail. Nothing herein will limit the right of Executive or Executive's beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence during the Term of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Company; provided, however, that:

(1) for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any acquisition of Voting Stock directly from Company that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock by Company or any Subsidiary, (C) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, and (D) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii) below;

(2) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (A) of Section 1(d)(i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all

holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change in Control;

(3) a Change in Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Board a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change in Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries), (B) no Person (other than Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the shareholders of Company of a complete liquidation or dissolution of Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(v) For purposes of this Section 1(d), the term "Incumbent Directors" shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were

directors at the beginning of the period or whose election or nomination for election was previously so approved.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Common Shares" means shares of common stock, no par value, of Company.

(g) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Good Reason" means the occurrence of one or more of the following events:

(i) Failure to elect or reelect or otherwise to maintain Executive in the office or the position, or a substantially equivalent or better office or position, of or with Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which Executive held immediately prior to a Change in Control, or the removal of Executive as a Director of Company and/or a Subsidiary (or any successor thereto) if Executive shall have been a Director of Company and/or a Subsidiary immediately prior to the Change in Control;

(ii) Failure of Company to remedy any of the following within 10 calendar days after receipt by Company of written notice thereof from Executive: (A) a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with Company and any Subsidiary which Executive held immediately prior to the Change in Control, (B) a reduction in Executive's Base Pay received from Company and any Subsidiary, (C) a reduction in Executive's Incentive Pay opportunity as compared with the Incentive Pay opportunity most recently paid prior to the Change in Control, or (D) the termination or denial of Executive's rights to Employee Benefits or a reduction in the scope or value thereof;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of Company under this Agreement pursuant to Section 10(a);

(iv) Company requires Executive to have Executive's principal location of work changed to any location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires Executive to travel away from Executive's office in the course of discharging Executive's responsibilities or duties hereunder at least 20% more (in

terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, Executive's prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by Company or any successor thereto.

(j) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of Company or a Subsidiary, or any successor thereto. "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.

(k) "Severance Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control, or (ii) Executive's death;

(l) "Subsidiary" means an entity in which Company directly or indirectly beneficially owns 50% or more of the outstanding voting stock of such entity.

(m) "Term" means the period commencing as of the Effective Date and expiring on the close of business on December 31, 2008; provided, however, that (i) commencing on January 1, 2008 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, Company or Executive shall have given notice that Company or Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term will expire on the last day of the Severance Period; and (iii) subject to Section 3(c), if, prior to a Change in Control, the Executive ceases for any reason to be a corporate officer or operating president of Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect; provided however, that this Section 1(m)(iii) shall not apply to terminate the Agreement with respect to any Executive who had a Severance Pay Agreement or Amended and Restated Severance Pay Agreement between Company and Executive in effect on February 20, 2007 and who entered into this Agreement effective February 21, 2007. For purposes of this Section 1(m), the Executive shall not be deemed to have ceased to be an employee of Company and any Subsidiary by reason of the transfer of the Executive's employment between Company and any Subsidiary, or among any Subsidiaries.

(n) "Termination Date" means the date on which Executive's employment is terminated (the effective date of which will be the date of termination, or such other date that may be specified by Executive if the termination is pursuant to Section 3(b)).

(o) "Voting Stock" means at any time, the then-outstanding securities entitled to vote generally in the election of directors of Company.

2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 3(c), this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement will become immediately operative.

3. Termination Following a Change in Control.

(a) In the event of the occurrence of a Change in Control, Executive's employment may be terminated by Company or a Subsidiary during the Severance Period (or pursuant to Section 3(c)) and Executive will be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) Executive's death;

(ii) If Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, Executive's employment is terminated by Company or any Subsidiary other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), Executive will be entitled to the benefits provided by Section 4.

(b) In the event of the occurrence of a Change in Control, Executive may terminate employment with Company and any Subsidiary during the Severance Period for Good Reason with the right to severance compensation as provided in Section 4 regardless of whether any other reason, other than Cause, for such termination exists or has occurred, including without limitation other employment.

(c) Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and not more than 90 days prior to the date on which the Change in Control occurs, Executive's employment with Company is terminated by Company, such termination of employment will be deemed to be a termination of employment immediately after a Change in Control for purposes of determining whether Executive is entitled to benefits under this Agreement if Executive has reasonably demonstrated that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or in anticipation of a Change in Control.

(d) A termination of employment pursuant to Section 3(a), 3(b) or 3(c) will not affect any rights that Executive may have pursuant to any agreement, policy, plan, program or arrangement of Company or Subsidiary providing Employee Benefits, which rights will be governed by the terms thereof. Notwithstanding the foregoing, any severance benefits received by Executive pursuant to Section 4 of this Agreement shall be in lieu of any severance benefits to which Executive would otherwise be entitled under any severance plan, program, policy or practice or contract or agreement of Company or its affiliates (other than a retirement plan or other deferred compensation arrangement, equity award, welfare benefit plan or any similar plan or agreement which may contain provisions that become operative on, or that may incidentally refer to accelerated vesting or accelerated payment upon, a termination of Executive's employment).

4. Severance Compensation.

(a) If, following the occurrence of a Change in Control, Company or Subsidiary terminates Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if Executive terminates Executive's employment pursuant to Section 3(b), Company will be obligated to make the following payments and provide the following benefits to Executive.

(i) Within ten business days after the occurrence of an event described in Section 4(a) above (or in the case of an event described in Section 3(c), within 10 business days after the Change in Control), Company shall pay, in a lump sum, an amount equal to three (3) times the sum of (A) Base Pay (at the highest rate in effect for any period within three years prior to the Termination Date), plus (B) an amount equal to the greater of: (x) the average of the Incentive Pay earned or received by Executive during the three year period immediately preceding the Termination Date, or (y) the Executive's target Incentive Pay for the year in which the Termination Date occurs (assuming the Executive achieves 100% of any stated goals); provided, however, that if payment to Executive would constitute a "deferral of compensation" under Section 409A of the Code, Executive (or Executive's beneficiary) will receive payment of the amounts described in this Section 4(a)(i) upon the earlier of (i) six (6) months following Executive's "separation from service" with Company (as such phrase is defined in Section 409A of the Code) or (ii) within 90 days after Executive's death.

(ii) For a period of eighteen (18) months following the Termination Date (the "Continuation Period"), Company shall arrange to provide Executive, at no cost to Executive, with medical and dental benefits substantially similar to those that Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(i)(ii)). The Continuation Period shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Code, and Company shall reimburse Executive for the amount of the premiums for such continuation coverage; provided, however that without otherwise limiting the purposes or effect of Section 6, the benefits otherwise receivable by Executive pursuant to this Section 4(a)(ii) will be reduced to the extent comparable welfare benefits are actually received by Executive from another employer during the Continuation Period following Executive's Termination Date, and any such benefits actually received by Executive shall be reported by Executive to Company. If any benefit described in this Section 4(a)(ii) is subject to tax, Company will pay to Executive an additional amount such that after payment by Executive or Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes.

(iii) Executive shall be entitled to outplacement services by a firm selected by Executive, at the expense of Company in an amount not to exceed ten percent (10%) of Base Pay; provided, however, that all such outplacement services must be completed, and all payments by Company must be made, by December 31 of the second calendar year following the calendar year in which the Termination Date occurs.

(b) Without limiting the rights of Executive at law or in equity, if Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as set forth from time to time during the relevant period in The Wall Street Journal "Money Rates" column. Such interest will be payable at the time the related payment or benefit is paid to Executive. Any change in such prime rate will be effective on and as of the date of such change.

(c) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control, Company will pay in cash to Executive a lump sum amount equal to the sum of (i) any unpaid Incentive Pay that would have been earned, accrued, allocated or awarded to Executive for any performance period ending prior to the Change in Control (regardless of whether (x) payment of such compensation is contingent on the continuing performance of services by Executive or (y) the bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement pursuant to which such Incentive Pay would otherwise be payable permits pro-rata), plus (ii) the value of any annual bonus or long-term Incentive Pay (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) payable pursuant to any performance period that is outstanding on the date of the Change in Control. Such payment will be made at the earlier of (x) the date prescribed for payment pursuant to the applicable plan, program or agreement, and (y) within five business days after the Change in Control. In the case of clauses (i) and (ii), any applicable vesting requirements will be disregarded. In the case of clause (ii), the amount will be calculated at the greater of (1) the plan target or payout rate and (2) the amount determined based on Company's actual results relative to the applicable performance criteria as if the performance period had ended on the date of the Change in Control, which amount will be prorated on the basis of the number of days of Executive's participation during the applicable performance period to which the incentive pay related divided by the aggregate number of days in such performance period, taking into account service rendered through the payment date.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Paragraph 7 of Annex A, in the event that this Agreement becomes operative and it is determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5 and Annex A) or distribution by Company or any of its affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no Gross-up Payment will be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO") granted prior to the execution of this Agreement, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment will be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) The obligations set forth in Section 5(a) will be subject to the procedural provisions described in Annex A.

6. No Mitigation Obligation. Company hereby acknowledges that it will be difficult and may be impossible for Executive to find reasonably comparable employment following Termination Date. Accordingly, the payment of the severance compensation by Company to Executive in accordance with

the terms of this Agreement is hereby acknowledged by Company to be reasonable, and Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of Executive hereunder or otherwise.

7. Legal Fees and Expenses .

(a) It is the intent of Company that Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights in connection with any dispute arising under this Agreement because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Company has failed to comply with any of its obligations under this Agreement or in the event that Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any proceeding designed to deny, or to recover from, Executive the benefits provided or intended to be provided to Executive hereunder, Company irrevocably authorizes Executive from time to time to retain counsel of Executive's choice, at the expense of Company as hereafter provided, to advise and represent Executive in connection with any such dispute or proceeding. Notwithstanding any existing or prior attorney-client relationship between Company and such counsel, Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel, and in that connection Company and Executive agree that a confidential relationship will exist between Executive and such counsel. Without respect to whether Executive prevails, in whole or in part, in connection with any of the foregoing, Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by Executive at any time from the Effective Date through Executive's remaining lifetime, (or, if longer, through the 20th anniversary of the Effective Date) in connection with any of the foregoing. Such payments will be made within five business days after delivery of Executive's written requests for payment, accompanied by such evidence of fees and expenses incurred as Company may reasonably require; provided that Executive shall have submitted all required documentation at least 14 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred.

(b) In order to secure the benefits to be received by Executive pursuant to this Agreement and similar arrangements with other executives, Company shall establish one or more trust funds (the "Trust"). Company will deposit in such Trust, within five (5) business days after the occurrence of an event that in the reasonable opinion of the Board will likely result in a Change in Control, an amount equal to approximately the maximum aggregate benefits that could be payable to Executive under the terms of this Agreement; provided, however, that (i) the Trust shall not be funded if the funding thereof would result in taxable income to Executive by reason of Section 409A(b) of the Code; and (ii) in no event shall any Trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code. Any funds which may be placed into the Trust under this Agreement shall continue for all purposes to be a part of the general funds of Company subject to the claims of Company's creditors in the event of Company's insolvency and no person shall by virtue of this Agreement have any interest in such funds. To the extent that any person acquires a right to receive payments from Company under this Agreement, such rights shall be no greater than the right of any unsecured general creditor of Company. Executive shall be entitled to receive distributions from the funds held in the Trust pursuant to the terms and conditions of this Agreement and the agreement establishing the Trust between Company and the trustee. If prior to the date of a Change in Control, the Board has actual knowledge that all third parties have abandoned or terminated their efforts to effect a Change in Control and a Change in Control at that time is unlikely and the Board so advises Executive, the trust funds and interest earned thereon, if any, shall be returned to Company by the trustee. Notwithstanding the provisions of this Section 6(b), failure by Company to place such funds in Trust in

no way relieves Company from its financial obligations and responsibilities to Executive under the terms of this Agreement.

(c) All benefits to be paid pursuant to this Agreement, including any amounts paid pursuant to Section 6(a) which were not paid through the Trust established pursuant to Section 6(b), shall be paid from the general assets of the Company.

8. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of Company or Executive to have Executive remain in the employment of Company or any Subsidiary prior to or following any Change in Control.

9. Withholding of Taxes. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling.

10. Successors and Binding Agreement.

(a) Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of Company, by agreement in form and substance reasonably satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of Company and any successor to Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by Company.

(b) This Agreement will inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 10(a) and 10(b). Without limiting the generality or effect of the foregoing, Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 10(c), Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

11. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to Company (to the attention of the Secretary of Company) at its principal executive office and to Executive at Executive's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio and federal law, without giving effect to the principles of conflict of laws of such State, except as expressly provided herein.

13. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid or otherwise unenforceable, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid or otherwise unenforceable will be reformed to the extent (and only to the extent) necessary to make it enforceable or valid.

14. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

15. Effect on Prior Agreements. This Agreement shall expressly supersede and render null, void and invalid any prior severance pay agreement or agreements of a similar nature previously entered into by and between Company and Executive with respect to the subject matter of this Agreement, including but not limited to any Amended and Restated Severance Pay Agreement, effective as of April 23, 1997, Severance Agreement between the Company and Executive dated as of February 21, 2007, or Severance Pay Agreement effective as of a subsequent date but prior to the effective date of this Agreement, between Company and Executive.

16. Dispute Resolution. Any dispute between the parties under this Agreement will be resolved (except as provided below) through informal arbitration by an arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes (located in the city in which Company's principal executive offices in the United States are based) and the arbitration will be conducted in that location under the rules of said Association. Each party will be entitled to present evidence and argument to the arbitrator. The arbitrator will have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 13. The arbitrator will permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator will be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator will give written notice to the parties stating the arbitrator's determination, and will furnish to each party a signed copy of such determination. The expenses of arbitration will be borne equally by Company and Executive or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that Executive's share of such expenses will not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 16 will be governed by and construed in accordance with the substantive laws of the State of Ohio and, where applicable, federal law, without giving effect to the principles of conflict of laws of such State.

17. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 3(d), 4, 5, 7, 9, 10(b), 16, 18 and 20 will survive any termination or expiration of this Agreement or the termination of Executive's employment following a Change in Control for any reason whatsoever.

18. Beneficiaries. Executive will be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving Company written notice thereof in accordance with Section 11. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to "Executive" will be deemed, where appropriate, to Executive's beneficiary, estate or other legal representative.

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

20. Section 409A of the Code.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies Company (with specificity as to the reason therefor) that Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause Executive to incur any additional tax or interest under Section 409A and Company concurs with such belief or Company (without any obligation whatsoever to do so) independently makes such determination, Company shall, after consulting with Executive, reform such provision in a manner that is economically neutral to Company to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and Executive is no longer providing services (at a level that would preclude the occurrence of a "separation from service" within the meaning of Section 409A) to Company or its affiliates as an employee or consultant, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as otherwise permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the calendar year immediately following the calendar year in which the expense occurred, or such earlier date as required hereunder.

(d) With regard to any provision herein that provides for a gross-up payment or other reimbursement for Executive's taxes (or audit or litigation expenses attributable to the tax gross-up or reimbursement), the applicable taxes or related expenses shall be reimbursed no later than the earlier of (i) the date specified for payment under the Arrangement, or (ii) the end of the calendar year immediately

following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation to which there is no remittance of taxes, the end of the calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

(e) Notwithstanding anything contained in this Agreement to the contrary, if Executive is a “specified employee,” as determined under Company’s policy for identifying specified employees on the Termination Date, then to the extent required in order to comply with Section 409A, all payments, benefits, tax gross-ups or other reimbursements paid or provided under this Agreement that constitute a “deferral of compensation” within the meaning of Section 409A, that are provided as a result of a “separation from service” within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such Termination Date shall be accumulated through and paid or provided (together with interest at the applicable federal rate under Section 7872(f)(2)(A) of the Code in effect on the Termination Date), within 30 days after the first business day that is more than six months after the date of his separation from service (or, if Executive dies during such six-month period, within 90 days after Executive’s death).

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (*e.g.* , “payment shall be made within 30 days after the Termination Date”), the actual date of payment within the specified period shall be within the sole discretion of Company. For purposes of Section 409A, Executive’s right to receive any “installment” payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

THE SHERWIN-WILLIAMS COMPANY

EXECUTIVE

Annex A

EXCISE TAX GROSS-UP PROCEDURAL PROVISIONS

(1) Subject to the provisions of Paragraph 5, all determinations required to be made under Section 5 and Annex A, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by Company to Executive and the amount of such Gross-Up Payment, if any, will be made by a nationally recognized accounting firm or benefits consulting firm (the "National Firm") selected by the Executive in Executive's sole discretion. Executive will direct the National Firm to submit its determination and detailed supporting calculations to both Company and Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by Company or Executive. If the National Firm determines that any Excise Tax is payable by Executive, Company will pay the required Gross-Up Payment to Executive within 5 business days after receipt of such determination and calculations with respect to any Payment to Executive. If the National Firm determines that no Excise Tax is payable by Executive with respect to any material benefit or amount (or portion thereof), it will, at the same time as it makes such determination, furnish Company and Executive with an opinion that Executive has substantial authority not to report any Excise Tax on Executive's federal, state or local income or other tax return with respect to such benefit or amount. As a result of the uncertainty in the application of Section 4999 of the Code and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the National Firm hereunder, it is possible that Gross-Up Payments that will not have been made by Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that Company exhausts or fails to pursue its remedies pursuant to Paragraph 5 and Executive thereafter is required to make a payment of any Excise Tax, Executive will direct the National Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by Company to, or for the benefit of, Executive within 5 business days after receipt of such determination and calculations.

(2) Company and Executive will each provide the National Firm access to and copies of any books, records and documents in the possession of Company or Executive, as the case may be, reasonably requested by the National Firm, and otherwise cooperate with the National Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Paragraph 1. Any determination by the National Firm as to the amount of the Gross-Up Payment will be binding upon Company and Executive.

(3) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the National Firm with respect to the Excise Tax payable by Executive. Executive will report and make proper payment of the amount of any Excise Tax, and at the request of Company, provide to Company true and correct copies (with any amendments) of Executive's federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the National Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within 5 business days pay to Company the amount of such reduction.

(4) The fees and expenses of the National Firm for its services in connection with the determinations and calculations contemplated by Paragraph 1 at any time from the Effective Date through Executive's remaining lifetime, (or, if longer, through the 20th anniversary of the Effective Date) will be borne by Company. If such fees and expenses are initially paid by Executive, Company will reimburse Executive the full amount of such fees and expenses within 5 business days after receipt from Executive

of a statement therefor and reasonable evidence of Executive's payment thereof; provided that Executive shall have submitted all required documentation at least 14 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred.

(5) Executive will notify Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after Executive actually receives notice of such claim and Executive will further apprise Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the expiration of the 30-calendar-day period following the date on which Executive gives such notice to Company or, if earlier, the date that any payment of amount with respect to such claim is due. If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(A) provide Company with any written records or documents in Executive's possession relating to such claim reasonably requested by Company;

(B) take such action in connection with contesting such claim as Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by Company;

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

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

provided, however, that Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income or other tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Paragraph 5, Company will control all proceedings taken in connection with the contest of any claim contemplated by this Paragraph 5 and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that Executive may participate therein at Executive's own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company determines; provided, however, that if Company directs Executive to pay the tax claimed and sue for a refund, Company will, as permitted by applicable law, advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(6) If, after the receipt by Executive of an amount advanced by Company pursuant to Paragraph 5, Executive receives any refund with respect to such claim, Executive will (subject to Company's complying with the requirements of Paragraph 5) promptly pay to Company the amount of

such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to Paragraph 5, a determination is made that Executive is not entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of any such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by Company to Executive pursuant to Section 5 and this Annex C.

(7) Notwithstanding any provision of this Agreement to the contrary, but giving effect to any redetermination of the amount of Gross-Up payments otherwise required by this Annex A, if (A) but for this sentence, Company would be obligated to make a Gross-Up Payment to Executive and (B) the aggregate "present value" of the "parachute payments" to be paid or provided to Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times Executive's "base amount," then the payments and benefits to be paid or provided under this Agreement will be reduced (or repaid to Company, if previously paid or provided) to the minimum extent necessary so that no portion of any payment or benefit to Executive, as so reduced or repaid, constitutes an "excess parachute payment." For purposes of this Paragraph 7, the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in or repayment of such payments or benefits to be provided under this Agreement is required pursuant to this Paragraph 7 will be made at the expense of Company, if requested by Executive or Company, by the National Firm. Appropriate adjustments will be made to amounts previously paid to Executive, or to amounts not paid pursuant to this Paragraph 7, as the case may be, to reflect properly a subsequent determination that Executive owes more or less Excise Tax than the amount previously determined to be due. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced or repaid pursuant to this Paragraph 7, the reduction shall be made by reducing the amounts to be paid or provided under the following sections of this Agreement in the following order: (i) Section 4(a)(i), (ii) Section 4(c), (iii) Section 4(a)(iii), and (iv) Section 4(a)(ii).

THE SHERWIN-WILLIAMS COMPANY
FORM B — AMENDED AND RESTATED
SEVERANCE AGREEMENT
(2.5 Times Base Pay Amount)

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of _____, _____, is made and entered into by and between **THE SHERWIN-WILLIAMS COMPANY**, an Ohio corporation (“Company”) and _____ (“Executive”).

RECITALS:

- A. Executive is a senior executive of Company or one or more of its Subsidiaries (as defined below) and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of Company.
- B. Company recognizes that the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of Company and its stockholders.
- C. Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including Executive, applicable in the event of a Change in Control.
- D. Company wishes to ensure that its senior executives are not unduly distracted by the circumstances attendant to the possibility of a Change in Control and to encourage the continued attention and dedication of such executives, including Executive, to their assigned duties with Company.
- E. Company desires to provide additional inducement for Executive to continue to remain in the employ of Company.
- F. Company and Executive are parties to a Severance Agreement dated as of February 21, 2007 (the “Effective Date”), which agreement is hereby amended, restated and replaced in its entirety with this Agreement in order to comply with the final regulations issued under Section 409A of the Code.

NOW, THEREFORE, Company and Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

- (a) “Base Pay” means Executive’s annual base salary rate as in effect from time to time.
- (b) “Board” means the Board of Directors of Company.
- (c) “Cause” means that, prior to any termination pursuant to Section 3(a)(iii), Executive shall have:

(i) been convicted of a criminal violation involving, in each case, fraud, embezzlement or theft in connection with Executive's duties or in the course of Executive's employment with Company or any Subsidiary;

(ii) committed intentional wrongful damage to property of Company or any Subsidiary; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of Company or any Subsidiary;

and any such act shall have been demonstrably and materially harmful to Company. For purposes of this Agreement, no act or failure to act on the part of Executive will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of Company. Notwithstanding the foregoing, Executive will not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board then in office (excluding Executive if Executive is then a member of the Board) at a meeting of the Board called and held for such purpose, after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel (if Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in reasonable detail. Nothing herein will limit the right of Executive or Executive's beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence during the Term of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Company; provided, however, that:

(1) for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any acquisition of Voting Stock directly from Company that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock by Company or any Subsidiary, (C) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, and (D) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii) below;

(2) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (A) of Section 1(d)(i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are

treated equally, such subsequent acquisition shall be treated as a Change in Control;

(3) a Change in Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Board a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change in Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries), (B) no Person (other than Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the shareholders of Company of a complete liquidation or dissolution of Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(v) For purposes of this Section 1(d), the term "Incumbent Directors" shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director) whose election by the Board or nomination for election by the Company's shareholders was

approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved.

(e) “Code” means the Internal Revenue Code of 1986, as amended.

(f) “Common Shares” means shares of common stock, no par value, of Company.

(g) “Employee Benefits” means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(h) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(i) “Good Reason” means the occurrence of one or more of the following events:

(ii) Failure to elect or reelect or otherwise to maintain Executive in the office or the position, or a substantially equivalent or better office or position, of or with Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which Executive held immediately prior to a Change in Control, or the removal of Executive as a Director of Company and/or a Subsidiary (or any successor thereto) if Executive shall have been a Director of Company and/or a Subsidiary immediately prior to the Change in Control;

(iii) Failure of Company to remedy any of the following within 10 calendar days after receipt by Company of written notice thereof from Executive: (A) a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with Company and any Subsidiary which Executive held immediately prior to the Change in Control, (B) a reduction in Executive’s Base Pay received from Company and any Subsidiary, (C) a reduction in Executive’s Incentive Pay opportunity as compared with the Incentive Pay opportunity most recently paid prior to the Change in Control, or (D) the termination or denial of Executive’s rights to Employee Benefits or a reduction in the scope or value thereof;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of Company under this Agreement pursuant to Section 10(a);

(v) Company requires Executive to have Executive’s principal location of work changed to any location that is in excess of 30 miles from the location thereof

immediately prior to the Change in Control, or requires Executive to travel away from Executive's office in the course of discharging Executive's responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, Executive's prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by Company or any successor thereto.

(i) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of Company or a Subsidiary, or any successor thereto. "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.

(j) "Severance Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control, or (ii) Executive's death;

(k) "Subsidiary" means an entity in which Company directly or indirectly beneficially owns 50% or more of the outstanding voting stock of such entity.

(l) "Term" means the period commencing as of the Effective Date and expiring on the close of business on December 31, 2008; provided, however, that (i) commencing on January 1, 2008 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, Company or Executive shall have given notice that Company or Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term will expire on the last day of the Severance Period; and (iii) subject to Section 3(c), if, prior to a Change in Control, the Executive ceases for any reason to be a corporate officer or operating president of Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect; provided however, that this Section 1(m)(iii) shall not apply to terminate the Agreement with respect to any Executive who had a Severance Pay Agreement or Amended and Restated Severance Pay Agreement between Company and Executive in effect on February 20, 2007 and who entered into this Agreement effective February 21, 2007. For purposes of this Section 1(m), the Executive shall not be deemed to have ceased to be an employee of Company and any Subsidiary by reason of the transfer of the Executive's employment between Company and any Subsidiary, or among any Subsidiaries.

(m) "Termination Date" means the date on which Executive's employment is terminated (the effective date of which will be the date of termination, or such other date that may be specified by Executive if the termination is pursuant to Section 3(b)).

(n) "Voting Stock" means at any time, the then-outstanding securities entitled to vote generally in the election of directors of Company.

2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 3(c), this Agreement will not be operative unless and until a Change in Control occurs. Upon the

occurrence of a Change in Control at any time during the Term, without further action, this Agreement will become immediately operative.

3. Termination Following a Change in Control.

(a) In the event of the occurrence of a Change in Control, Executive's employment may be terminated by Company or a Subsidiary during the Severance Period (or pursuant to Section 3(c)) and Executive will be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) Executive's death;

(ii) If Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, Executive's employment is terminated by Company or any Subsidiary other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), Executive will be entitled to the benefits provided by Section 4.

(b) In the event of the occurrence of a Change in Control, Executive may terminate employment with Company and any Subsidiary during the Severance Period for Good Reason with the right to severance compensation as provided in Section 4 regardless of whether any other reason, other than Cause, for such termination exists or has occurred, including without limitation other employment.

(c) Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and not more than 90 days prior to the date on which the Change in Control occurs, Executive's employment with Company is terminated by Company, such termination of employment will be deemed to be a termination of employment immediately after a Change in Control for purposes of determining whether Executive is entitled to benefits under this Agreement if Executive has reasonably demonstrated that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or in anticipation of a Change in Control.

(d) A termination of employment pursuant to Section 3(a), 3(b) or 3(c) will not affect any rights that Executive may have pursuant to any agreement, policy, plan, program or arrangement of Company or Subsidiary providing Employee Benefits, which rights will be governed by the terms thereof. Notwithstanding the foregoing, any severance benefits received by Executive pursuant to Section 4 of this Agreement shall be in lieu of any severance benefits to which Executive would otherwise be entitled under any severance plan, program, policy or practice or contract or agreement of Company or its affiliates (other than a retirement plan or other deferred compensation arrangement, equity award, welfare benefit plan or any similar plan or agreement which may contain provisions that become operative on, or that may incidentally refer to accelerated vesting or accelerated payment upon, a termination of Executive's employment).

4. Severance Compensation.

(a) If, following the occurrence of a Change in Control, Company or Subsidiary terminates Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if Executive terminates Executive's employment pursuant to Section 3(b),

Company will be obligated to make the following payments and provide the following benefits to Executive.

(i) Within ten business days after the occurrence of an event described in Section 4(a) above (or in the case of an event described in Section 3(c), within 10 business days after the Change in Control), Company shall pay, in a lump sum, an amount equal to two and one-half ($2\frac{1}{2}$) times the sum of (A) Base Pay (at the highest rate in effect for any period within three years prior to the Termination Date), plus (B) an amount equal to the greater of: (x) the average of the Incentive Pay earned or received by Executive during the three year period immediately preceding the Termination Date, or (y) the Executive's target Incentive Pay for the year in which the Termination Date occurs (assuming the Executive achieves 100% of any stated goals); provided, however, that if payment to Executive would constitute a "deferral of compensation" under Section 409A of the Code, Executive (or Executive's beneficiary) will receive payment of the amounts described in this Section 4(a)(i) upon the earlier of (i) six (6) months following Executive's "separation from service" with Company (as such phrase is defined in Section 409A of the Code) or (ii) within 90 days after Executive's death.

(ii) For a period of eighteen (18) months following the Termination Date (the "Continuation Period"), Company shall arrange to provide Executive, at no cost to Executive, with medical and dental benefits substantially similar to those that Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(i)(ii)). The Continuation Period shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Code, and Company shall reimburse Executive for the amount of the premiums for such continuation coverage; provided, however that without otherwise limiting the purposes or effect of Section 6, the benefits otherwise receivable by Executive pursuant to this Section 4(a)(ii) will be reduced to the extent comparable welfare benefits are actually received by Executive from another employer during the Continuation Period following Executive's Termination Date, and any such benefits actually received by Executive shall be reported by Executive to Company. If any benefit described in this Section 4(a)(ii) is subject to tax, Company will pay to Executive an additional amount such that after payment by Executive or Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes.

(iii) Executive shall be entitled to outplacement services by a firm selected by Executive, at the expense of Company in an amount not to exceed ten percent (10%) of Base Pay; provided, however, that all such outplacement services must be completed, and all payments by Company must be made, by December 31 of the second calendar year following the calendar year in which the Termination Date occurs.

(b) Without limiting the rights of Executive at law or in equity, if Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as set forth from time to time during the relevant period in The Wall Street Journal "Money Rates" column. Such interest will be payable at the time the related payment or benefit is paid to Executive. Any change in such prime rate will be effective on and as of the date of such change.

(c) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control, Company will pay in cash to Executive a lump sum amount equal to the sum of (i) any unpaid Incentive Pay that would have been earned, accrued, allocated or awarded to Executive for any performance period ending prior to the Change in Control (regardless of whether (x) payment of such compensation is contingent on the continuing performance of

services by Executive or (y) the bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement pursuant to which such Incentive Pay would otherwise be payable permits pro-ration), plus (ii) the value of any annual bonus or long-term Incentive Pay (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) payable pursuant to any performance period that is outstanding on the date of the Change in Control. Such payment will be made at the earlier of (x) the date prescribed for payment pursuant to the applicable plan, program or agreement, and (y) within five business days after the Change in Control. In the case of clauses (i) and (ii), any applicable vesting requirements will be disregarded. In the case of clause (ii), the amount will be calculated at the greater of (1) the plan target or payout rate and (2) the amount determined based on Company's actual results relative to the applicable performance criteria as if the performance period had ended on the date of the Change in Control, which amount will be prorated on the basis of the number of days of Executive's participation during the applicable performance period to which the incentive pay related divided by the aggregate number of days in such performance period, taking into account service rendered through the payment date.

5. Certain Additional Payments by the Company .

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Paragraph 7 of Annex A, in the event that this Agreement becomes operative and it is determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5 and Annex A) or distribution by Company or any of its affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no Gross-up Payment will be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO") granted prior to the execution of this Agreement, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment will be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) The obligations set forth in Section 5(a) will be subject to the procedural provisions described in Annex A.

6. No Mitigation Obligation. Company hereby acknowledges that it will be difficult and may be impossible for Executive to find reasonably comparable employment following Termination Date. Accordingly, the payment of the severance compensation by Company to Executive in accordance with the terms of this Agreement is hereby acknowledged by Company to be reasonable, and Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of Executive hereunder or otherwise.

7. Legal Fees and Expenses.

(a) It is the intent of Company that Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights in connection with any dispute arising under this Agreement because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Company has failed to comply with any of its obligations under this Agreement or in the event that Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any proceeding designed to deny, or to recover from, Executive the benefits provided or intended to be provided to Executive hereunder, Company irrevocably authorizes Executive from time to time to retain counsel of Executive's choice, at the expense of Company as hereafter provided, to advise and represent Executive in connection with any such dispute or proceeding. Notwithstanding any existing or prior attorney-client relationship between Company and such counsel, Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel, and in that connection Company and Executive agree that a confidential relationship will exist between Executive and such counsel. Without respect to whether Executive prevails, in whole or in part, in connection with any of the foregoing, Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by Executive at any time from the Effective Date through Executive's remaining lifetime, (or, if longer, through the 20th anniversary of the Effective Date) in connection with any of the foregoing. Such payments will be made within five business days after delivery of Executive's written requests for payment, accompanied by such evidence of fees and expenses incurred as Company may reasonably require; provided that Executive shall have submitted all required documentation at least 14 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred.

(b) In order to secure the benefits to be received by Executive pursuant to this Agreement and similar arrangements with other executives, Company shall establish one or more trust funds (the "Trust"). Company will deposit in such Trust, within five (5) business days after the occurrence of an event that in the reasonable opinion of the Board will likely result in a Change in Control, an amount equal to approximately the maximum aggregate benefits that could be payable to Executive under the terms of this Agreement; provided, however, that (i) the Trust shall not be funded if the funding thereof would result in taxable income to Executive by reason of Section 409A(b) of the Code; and (ii) in no event shall any Trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code. Any funds which may be placed into the Trust under this Agreement shall continue for all purposes to be a part of the general funds of Company subject to the claims of Company's creditors in the event of Company's insolvency and no person shall by virtue of this Agreement have any interest in such funds. To the extent that any person acquires a right to receive payments from Company under this Agreement, such rights shall be no greater than the right of any unsecured general creditor of Company. Executive shall be entitled to receive distributions from the funds held in the Trust pursuant to the terms and conditions of this Agreement and the agreement establishing the Trust between Company and the trustee. If prior to the date of a Change in Control, the Board has actual knowledge that all third parties have abandoned or terminated their efforts to effect a Change in Control and a Change in Control at that time is unlikely and the Board so advises Executive,

the trust funds and interest earned thereon, if any, shall be returned to Company by the trustee. Notwithstanding the provisions of this Section 6 (b), failure by Company to place such funds in Trust in no way relieves Company from its financial obligations and responsibilities to Executive under the terms of this Agreement.

(c) All benefits to be paid pursuant to this Agreement, including any amounts paid pursuant to Section 6(a) which were not paid through the Trust established pursuant to Section 6(b), shall be paid from the general assets of the Company.

8. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of Company or Executive to have Executive remain in the employment of Company or any Subsidiary prior to or following any Change in Control.

9. Withholding of Taxes. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling.

10. Successors and Binding Agreement.

(a) Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of Company, by agreement in form and substance reasonably satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of Company and any successor to Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by Company.

(b) This Agreement will inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 10(a) and 10(b). Without limiting the generality or effect of the foregoing, Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 10(c), Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

11. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to Company (to the attention of the Secretary of Company) at its principal executive office and to Executive at Executive's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio and federal law, without giving effect to the principles of conflict of laws of such State, except as expressly provided herein.

13. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid or otherwise unenforceable, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid or otherwise unenforceable will be reformed to the extent (and only to the extent) necessary to make it enforceable or valid.

14. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

15. Effect on Prior Agreements. This Agreement shall expressly supersede and render null, void and invalid any prior severance pay agreement or agreements of a similar nature previously entered into by and between Company and Executive with respect to the subject matter of this Agreement, including but not limited to any Amended and Restated Severance Pay Agreement, effective as of April 23, 1997, Severance Agreement between the Company and Executive dated as of February 21, 2007, or Severance Pay Agreement effective as of a subsequent date but prior to the effective date of this Agreement, between Company and Executive.

16. Dispute Resolution. Any dispute between the parties under this Agreement will be resolved (except as provided below) through informal arbitration by an arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes (located in the city in which Company's principal executive offices in the United States are based) and the arbitration will be conducted in that location under the rules of said Association. Each party will be entitled to present evidence and argument to the arbitrator. The arbitrator will have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 13. The arbitrator will permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator will be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator will give written notice to the parties stating the arbitrator's determination, and will furnish to each party a signed copy of such determination. The expenses of arbitration will be borne equally by Company and Executive or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that Executive's share of such expenses will not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 16 will be governed by and construed in accordance with the substantive laws of the State of Ohio and, where applicable, federal law, without giving effect to the principles of conflict of laws of such State.

17. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 3(d), 4, 5, 7, 9, 10(b), 16, 18 and 20 will survive any

termination or expiration of this Agreement or the termination of Executive's employment following a Change in Control for any reason whatsoever.

18. Beneficiaries. Executive will be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving Company written notice thereof in accordance with Section 11. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to "Executive" will be deemed, where appropriate, to Executive's beneficiary, estate or other legal representative.

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

20. Section 409A of the Code.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies Company (with specificity as to the reason therefore) that Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause Executive to incur any additional tax or interest under Section 409A and Company concurs with such belief or Company (without any obligation whatsoever to do so) independently makes such determination, Company shall, after consulting with Executive, reform such provision in a manner that is economically neutral to Company to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and Executive is no longer providing services (at a level that would preclude the occurrence of a "separation from service" within the meaning of Section 409A) to Company or its affiliates as an employee or consultant, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as otherwise permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the calendar year immediately following the calendar year in which the expense occurred, or such earlier date as required hereunder.

(d) With regard to any provision herein that provides for a gross-up payment or other reimbursement for Executive's taxes (or audit or litigation expenses attributable to the tax gross-up or reimbursement), the applicable taxes or related expenses shall be reimbursed no later than the earlier of (i) the date specified for payment under the Arrangement, or (ii) the end of the calendar year immediately following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation to which there is no remittance of taxes, the end of the

calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

(e) Notwithstanding anything contained in this Agreement to the contrary, if Executive is a “specified employee,” as determined under Company’s policy for identifying specified employees on the Termination Date, then to the extent required in order to comply with Section 409A, all payments, benefits, tax gross-ups or other reimbursements paid or provided under this Agreement that constitute a “deferral of compensation” within the meaning of Section 409A, that are provided as a result of a “separation from service” within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such Termination Date shall be accumulated through and paid or provided (together with interest at the applicable federal rate under Section 7872(f)(2)(A) of the Code in effect on the Termination Date), within 30 days after the first business day that is more than six months after the date of his separation from service (or, if Executive dies during such six-month period, within 90 days after Executive’s death).

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g. , “payment shall be made within 30 days after the Termination Date”), the actual date of payment within the specified period shall be within the sole discretion of Company. For purposes of Section 409A, Executive’s right to receive any “installment” payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

THE SHERWIN-WILLIAMS COMPANY

EXECUTIVE

Annex A

EXCISE TAX GROSS-UP PROCEDURAL PROVISIONS

(1) Subject to the provisions of Paragraph 5, all determinations required to be made under Section 5 and Annex A, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by Company to Executive and the amount of such Gross-Up Payment, if any, will be made by a nationally recognized accounting firm or benefits consulting firm (the “National Firm”) selected by the Executive in Executive’s sole discretion. Executive will direct the National Firm to submit its determination and detailed supporting calculations to both Company and Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by Company or Executive. If the National Firm determines that any Excise Tax is payable by Executive, Company will pay the required Gross-Up Payment to Executive within 5 business days after receipt of such determination and calculations with respect to any Payment to Executive. If the National Firm determines that no Excise Tax is payable by Executive with respect to any material benefit or amount (or portion thereof), it will, at the same time as it makes such determination, furnish Company and Executive with an opinion that Executive has substantial authority not to report any Excise Tax on Executive’s federal, state or local income or other tax return with respect to such benefit or amount. As a result of the uncertainty in the application of Section 4999 of the Code and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the National Firm hereunder, it is possible that Gross-Up Payments that will not have been made by Company should have been made (an “Underpayment”), consistent with the calculations required to be made hereunder. In the event that Company exhausts or fails to pursue its remedies pursuant to Paragraph 5 and Executive thereafter is required to make a payment of any Excise Tax, Executive will direct the National Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by Company to, or for the benefit of, Executive within 5 business days after receipt of such determination and calculations.

(2) Company and Executive will each provide the National Firm access to and copies of any books, records and documents in the possession of Company or Executive, as the case may be, reasonably requested by the National Firm, and otherwise cooperate with the National Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Paragraph 1. Any determination by the National Firm as to the amount of the Gross-Up Payment will be binding upon Company and Executive.

(3) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the National Firm with respect to the Excise Tax payable by Executive. Executive will report and make proper payment of the amount of any Excise Tax, and at the request of Company, provide to Company true and correct copies (with any amendments) of Executive’s federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by Company, evidencing such payment. If prior to the filing of Executive’s federal income tax return, or corresponding state or local tax return, if relevant, the National Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within 5 business days pay to Company the amount of such reduction.

(4) The fees and expenses of the National Firm for its services in connection with the determinations and calculations contemplated by Paragraph 1 at any time from the Effective Date through Executive’s remaining lifetime, (or, if longer, through the 20th anniversary of the Effective Date)

will be borne by Company. If such fees and expenses are initially paid by Executive, Company will reimburse Executive the full amount of such fees and expenses within 5 business days after receipt from Executive of a statement therefore and reasonable evidence of Executive's payment thereof; provided that Executive shall have submitted all required documentation at least 14 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred.

(5) Executive will notify Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after Executive actually receives notice of such claim and Executive will further apprise Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the expiration of the 30-calendar-day period following the date on which Executive gives such notice to Company or, if earlier, the date that any payment of amount with respect to such claim is due. If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(A) provide Company with any written records or documents in Executive's possession relating to such claim reasonably requested by Company;

(B) take such action in connection with contesting such claim as Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by Company;

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

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

provided, however, that Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income or other tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Paragraph 5, Company will control all proceedings taken in connection with the contest of any claim contemplated by this Paragraph 5 and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that Executive may participate therein at Executive's own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company determines; provided, however, that if Company directs Executive to pay the tax claimed and sue for a refund, Company will, as permitted by applicable law, advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(6) If, after the receipt by Executive of an amount advanced by Company pursuant to Paragraph 5, Executive receives any refund with respect to such claim, Executive will (subject to Company's complying with the requirements of Paragraph 5) promptly pay to Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to Paragraph 5, a determination is made that Executive is not entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of any such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by Company to Executive pursuant to Section 5 and this Annex C.

(7) Notwithstanding any provision of this Agreement to the contrary, but giving effect to any redetermination of the amount of Gross-Up payments otherwise required by this Annex A, if (A) but for this sentence, Company would be obligated to make a Gross-Up Payment to Executive and (B) the aggregate "present value" of the "parachute payments" to be paid or provided to Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times Executive's "base amount," then the payments and benefits to be paid or provided under this Agreement will be reduced (or repaid to Company, if previously paid or provided) to the minimum extent necessary so that no portion of any payment or benefit to Executive, as so reduced or repaid, constitutes an "excess parachute payment." For purposes of this Paragraph 7, the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in or repayment of such payments or benefits to be provided under this Agreement is required pursuant to this Paragraph 7 will be made at the expense of Company, if requested by Executive or Company, by the National Firm. Appropriate adjustments will be made to amounts previously paid to Executive, or to amounts not paid pursuant to this Paragraph 7, as the case may be, to reflect properly a subsequent determination that Executive owes more or less Excise Tax than the amount previously determined to be due. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced or repaid pursuant to this Paragraph 7, the reduction shall be made by reducing the amounts to be paid or provided under the following sections of this Agreement in the following order: (i) Section 4(a)(i), (ii) Section 4(c), (iii) Section 4(a)(iii), and (iv) Section 4(a)(ii).

THE SHERWIN-WILLIAMS COMPANY
FORM C — AMENDED AND RESTATED
SEVERANCE AGREEMENT
(2.5 Times Base Pay Amount)

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of _____, _____ (the “Effective Date”), is made and entered into by and between **THE SHERWIN-WILLIAMS COMPANY**, an Ohio corporation (“Company”) and _____ (“Executive”).

RECITALS:

- A. Executive is a senior executive of Company or one or more of its Subsidiaries (as defined below) and has made and is expected to continue to make major contributions to the short-and long-term profitability, growth and financial strength of Company.
- B. Company recognizes that the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of Company and its stockholders.
- C. Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including Executive, applicable in the event of a Change in Control.
- D. Company wishes to ensure that its senior executives are not unduly distracted by the circumstances attendant to the possibility of a Change in Control and to encourage the continued attention and dedication of such executives, including Executive, to their assigned duties with Company.
- E. Company desires to provide additional inducement for Executive to continue to remain in the employ of Company.

NOW, THEREFORE, Company and Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “Base Pay” means Executive’s annual base salary rate as in effect from time to time.

(b) “Board” means the Board of Directors of Company.

(c) “Cause” means that, prior to any termination pursuant to Section 3(a)(iii), Executive shall have:

(i) been convicted of a criminal violation involving, in each case, fraud, embezzlement or theft in connection with Executive’s duties or in the course of Executive’s employment with Company or any Subsidiary;

(ii) committed intentional wrongful damage to property of Company or any Subsidiary; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of Company or any Subsidiary;

and any such act shall have been demonstrably and materially harmful to Company. For purposes of this Agreement, no act or failure to act on the part of Executive will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of Company. Notwithstanding the foregoing, Executive will not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board then in office (excluding Executive if Executive is then a member of the Board) at a meeting of the Board called and held for such purpose, after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel (if Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in reasonable detail. Nothing herein will limit the right of Executive or Executive's beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence during the Term of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Company; provided, however, that:

(1) for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any acquisition of Voting Stock directly from Company that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock by Company or any Subsidiary, (C) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, and (D) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii) below;

(2) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (A) of Section 1(d)(i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change in Control;

(3) a Change in Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Board a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change in Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries), (B) no Person (other than Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the shareholders of Company of a complete liquidation or dissolution of Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(v) For purposes of this Section 1(d), the term "Incumbent Directors" shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were

directors at the beginning of the period or whose election or nomination for election was previously so approved.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Common Shares" means shares of common stock, no par value, of Company.

(g) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Good Reason" means the occurrence of one or more of the following events:

(i) Failure to elect or reelect or otherwise to maintain Executive in the office or the position, or a substantially equivalent or better office or position, of or with Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which Executive held immediately prior to a Change in Control, or the removal of Executive as a Director of Company and/or a Subsidiary (or any successor thereto) if Executive shall have been a Director of Company and/or a Subsidiary immediately prior to the Change in Control;

(ii) Failure of Company to remedy any of the following within 10 calendar days after receipt by Company of written notice thereof from Executive: (A) a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with Company and any Subsidiary which Executive held immediately prior to the Change in Control, (B) a reduction in Executive's Base Pay received from Company and any Subsidiary, (C) a reduction in Executive's Incentive Pay opportunity as compared with the Incentive Pay opportunity most recently paid prior to the Change in Control, or (D) the termination or denial of Executive's rights to Employee Benefits or a reduction in the scope or value thereof;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of Company under this Agreement pursuant to Section 10(a);

(iv) Company requires Executive to have Executive's principal location of work changed to any location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires Executive to travel away from

Executive's office in the course of discharging Executive's responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, Executive's prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by Company or any successor thereto.

(j) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of Company or a Subsidiary, or any successor thereto. "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.

(k) "Severance Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control, or (ii) Executive's death;

(l) "Subsidiary" means an entity in which Company directly or indirectly beneficially owns 50% or more of the outstanding voting stock of such entity.

(m) "Term" means the period commencing as of the Effective Date and expiring on the close of business on December 31, 2010; provided, however, that (i) commencing on January 1, 2011 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, Company or Executive shall have given notice that Company or Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term will expire on the last day of the Severance Period; and (iii) subject to Section 3(c), if, prior to a Change in Control, the Executive ceases for any reason to be a corporate officer or operating president of Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(m), the Executive shall not be deemed to have ceased to be an employee of Company and any Subsidiary by reason of the transfer of the Executive's employment between Company and any Subsidiary, or among any Subsidiaries.

(n) "Termination Date" means the date on which Executive's employment is terminated (the effective date of which will be the date of termination, or such other date that may be specified by Executive if the termination is pursuant to Section 3(b)).

(o) "Voting Stock" means at any time, the then-outstanding securities entitled to vote generally in the election of directors of Company.

2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 3(c), this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement will become immediately operative.

3. Termination Following a Change in Control.

(a) In the event of the occurrence of a Change in Control, Executive's employment may be terminated by Company or a Subsidiary during the Severance Period (or pursuant to Section 3(c)) and Executive will be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) Executive's death;

(ii) If Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, Executive's employment is terminated by Company or any Subsidiary other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), Executive will be entitled to the benefits provided by Section 4.

(b) In the event of the occurrence of a Change in Control, Executive may terminate employment with Company and any Subsidiary during the Severance Period for Good Reason with the right to severance compensation as provided in Section 4 regardless of whether any other reason, other than Cause, for such termination exists or has occurred, including without limitation other employment.

(c) Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and not more than 90 days prior to the date on which the Change in Control occurs, Executive's employment with Company is terminated by Company, such termination of employment will be deemed to be a termination of employment immediately after a Change in Control for purposes of determining whether Executive is entitled to benefits under this Agreement if Executive has reasonably demonstrated that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or in anticipation of a Change in Control.

(d) A termination of employment pursuant to Section 3(a), 3(b) or 3(c) will not affect any rights that Executive may have pursuant to any agreement, policy, plan, program or arrangement of Company or Subsidiary providing Employee Benefits, which rights will be governed by the terms thereof. Notwithstanding the foregoing, any severance benefits received by Executive pursuant to Section 4 of this Agreement shall be in lieu of any severance benefits to which Executive would otherwise be entitled under any severance plan, program, policy or practice or contract or agreement of Company or its affiliates (other than a retirement plan or other deferred compensation arrangement, equity award, welfare benefit plan or any similar plan or agreement which may contain provisions that become operative on, or that may incidentally refer to accelerated vesting or accelerated payment upon, a termination of Executive's employment).

4. Severance Compensation.

(a) If, following the occurrence of a Change in Control, Company or Subsidiary terminates Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if Executive terminates Executive's employment pursuant to Section 3(b), Company will be obligated to make the following payments and provide the following benefits to Executive.

(i) Within ten business days after the occurrence of an event described in Section 4(a) above (or in the case of an event described in Section 3(c), within 10 business days after the Change in Control), Company shall pay, in a lump sum, an amount equal to two and one-half ($2\frac{1}{2}$) times the sum of (A) Base Pay (at the highest rate in effect for any period within three years prior to the Termination Date), plus (B) an amount equal to the greater of: (x) the average of the Incentive Pay earned or received by Executive during the three year period immediately preceding the Termination Date, or (y) the Executive's target Incentive Pay for the year in which the Termination Date occurs (assuming the Executive achieves 100% of any stated goals); provided, however, that if payment to Executive would constitute a "deferral of compensation" under Section 409A of the Code, Executive (or Executive's beneficiary) will receive payment of the amounts described in this Section 4(a)(i) upon the earlier of (i) six (6) months following Executive's "separation from service" with Company (as such phrase is defined in Section 409A of the Code) or (ii) within 90 days after Executive's death.

(ii) For a period of eighteen (18) months following the Termination Date (the "Continuation Period"), Company shall arrange to provide Executive, at no cost to Executive, with medical and dental benefits substantially similar to those that Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(i)(ii)). The Continuation Period shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Code, and Company shall reimburse Executive for the amount of the premiums for such continuation coverage; provided, however that without otherwise limiting the purposes or effect of Section 6, the benefits otherwise receivable by Executive pursuant to this Section 4(a)(ii) will be reduced to the extent comparable welfare benefits are actually received by Executive from another employer during the Continuation Period following Executive's Termination Date, and any such benefits actually received by Executive shall be reported by Executive to Company. If any benefit described in this Section 4(a)(ii) is subject to tax, Company will pay to Executive an additional amount such that after payment by Executive or Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes.

(iii) Executive shall be entitled to outplacement services by a firm selected by Executive, at the expense of Company in an amount not to exceed ten percent (10%) of Base Pay; provided, however, that all such outplacement services must be completed, and all payments by Company must be made, by December 31 of the second calendar year following the calendar year in which the Termination Date occurs.

(b) Without limiting the rights of Executive at law or in equity, if Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as set forth from time to time during the relevant period in The Wall Street Journal "Money Rates" column. Such interest will be payable at the time the related payment or benefit is paid to Executive. Any change in such prime rate will be effective on and as of the date of such change.

(c) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control, Company will pay in cash to Executive a lump sum amount equal to the sum of (i) any unpaid Incentive Pay that would have been earned, accrued, allocated or awarded to Executive for any performance period ending prior to the Change in Control (regardless of whether (x) payment of such compensation is contingent on the continuing performance of services by Executive or (y) the bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement pursuant to which such Incentive Pay would otherwise be payable permits pro-ration), plus (ii) the value of any annual bonus or long-term Incentive Pay (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) payable pursuant to any performance period that is outstanding on the date of the Change in Control. Such payment will be made at the earlier of (x) the date prescribed for payment pursuant to the applicable plan, program or agreement, and (y) within five business days after the Change in Control. In the case of clauses (i) and (ii), any applicable vesting requirements will be disregarded. In the case of clause (ii), the amount will be calculated at the greater of (1) the plan target or payout rate and (2) the amount determined based on Company's actual results relative to the applicable performance criteria as if the performance period had ended on the date of the Change in Control, which amount will be prorated on the basis of the number of days of Executive's participation during the applicable performance period to which the incentive pay related divided by the aggregate number of days in such performance period, taking into account service rendered through the payment date.

5. Parachute Payments. In the event that the payments made to Executive under Section 4 of the Agreement constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code, and such parachute payments would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Excise Tax"), then the payments shall be made to the Executive based on an after-tax basis (taking into account the applicable federal, state, local taxes and the Excise Tax), of either:

(a) payments delivered in full (including Excise Tax), or

(b) payments delivered after reducing the payment \$1 below the safe harbor limit (as set forth in Section 280G(b)(2)(A)(ii) of the Internal Revenue Code) which would result in no portion of the payment being subject to the Excise Tax.

The determination of whether any reduction in or repayment of such payments or benefits to be provided under this Agreement is required will be made at the expense of the Company by a nationally recognized accounting firm or benefits consulting firm, if requested by Executive or Company. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced or repaid pursuant to this Section 5, the reduction shall be made by reducing the amounts to be paid or provided under the following section of this Agreement in the following order: (i) Section 4(a)(i), (ii) Section 4(c), (iii) Section 4(a)(iii), and (iv) Section 4(a)(ii).

6. No Mitigation Obligation. Company hereby acknowledges that it will be difficult and may be impossible for Executive to find reasonably comparable employment following Termination Date. Accordingly, the payment of the severance compensation by Company to Executive in accordance with the terms of this Agreement is hereby acknowledged by Company to be reasonable, and Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of Executive hereunder or otherwise.

7. Legal Fees and Expenses.

(a) It is the intent of Company that Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights in connection with any dispute arising under this Agreement because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Company has failed to comply with any of its obligations under this Agreement or in the event that Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any proceeding designed to deny, or to recover from, Executive the benefits provided or intended to be provided to Executive hereunder, Company irrevocably authorizes Executive from time to time to retain counsel of Executive's choice, at the expense of Company as hereafter provided, to advise and represent Executive in connection with any such dispute or proceeding. Notwithstanding any existing or prior attorney-client relationship between Company and such counsel, Company irrevocably consents to Executive's entering into an attorney-client relationship with such counsel, and in that connection Company and Executive agree that a confidential relationship will exist between Executive and such counsel. Without respect to whether Executive prevails, in whole or in part, in connection with any of the foregoing, Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by Executive at any time from the Effective Date through Executive's remaining lifetime, (or, if longer, through the 20th anniversary of the Effective Date) in connection with any of the foregoing. Such payments will be made within five business days after delivery of Executive's written requests for payment, accompanied by such evidence of fees and expenses incurred as Company may reasonably require; provided that Executive shall have submitted all required documentation at least 14 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred.

(b) In order to secure the benefits to be received by Executive pursuant to this Agreement and similar arrangements with other executives, Company shall establish one or more trust funds (the "Trust"). Company will deposit in such Trust, within five (5) business days after the occurrence of an event that in the reasonable opinion of the Board will likely result in a Change in Control, an amount equal to approximately the maximum aggregate benefits that could be payable to Executive under the terms of this Agreement; provided, however, that (i) the Trust shall not be funded if the funding thereof would result in taxable income to Executive by reason of Section 409A(b) of the Code; and (ii) in no event shall any Trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code. Any funds which may be placed into the Trust under this Agreement shall continue for all purposes to be a part of the general funds of Company subject to the claims of Company's creditors in the event of Company's insolvency and no person shall by virtue of this Agreement have any interest in such funds. To the extent that any person acquires a right to receive payments from Company under this Agreement, such rights shall be no greater than the right of any unsecured general creditor of Company. Executive shall be entitled to receive distributions from the funds held in the Trust pursuant to the terms and conditions of this Agreement and the agreement establishing the Trust between Company and the trustee. If prior to the date of a Change in Control, the Board has actual knowledge that all third parties have abandoned or terminated their efforts to effect a

Change in Control and a Change in Control at that time is unlikely and the Board so advises Executive, the trust funds and interest earned thereon, if any, shall be returned to Company by the trustee. Notwithstanding the provisions of this Section 6(b), failure by Company to place such funds in Trust in no way relieves Company from its financial obligations and responsibilities to Executive under the terms of this Agreement.

(c) All benefits to be paid pursuant to this Agreement, including any amounts paid pursuant to Section 6(a) which were not paid through the Trust established pursuant to Section 6(b), shall be paid from the general assets of the Company.

8. Employment Rights . Nothing expressed or implied in this Agreement will create any right or duty on the part of Company or Executive to have Executive remain in the employment of Company or any Subsidiary prior to or following any Change in Control.

9. Withholding of Taxes . Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling.

10. Successors and Binding Agreement .

(a) Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of Company, by agreement in form and substance reasonably satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of Company and any successor to Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by Company.

(b) This Agreement will inure to the benefit of and be enforceable by Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 10(a) and 10(b). Without limiting the generality or effect of the foregoing, Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 10(c), Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

11. Notices . For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to Company (to the attention of the Secretary of Company) at its principal executive office and to Executive at Executive’s principal residence, or to such other address as any party may have

furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio and federal law, without giving effect to the principles of conflict of laws of such State, except as expressly provided herein.

13. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid or otherwise unenforceable, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid or otherwise unenforceable will be reformed to the extent (and only to the extent) necessary to make it enforceable or valid.

14. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

15. Effect on Prior Agreements. This Agreement shall expressly supersede and render null, void and invalid any prior severance pay agreement or agreements of a similar nature previously entered into by and between Company and Executive with respect to the subject matter of this Agreement.

16. Dispute Resolution. Any dispute between the parties under this Agreement will be resolved (except as provided below) through informal arbitration by an arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes (located in the city in which Company's principal executive offices in the United States are based) and the arbitration will be conducted in that location under the rules of said Association. Each party will be entitled to present evidence and argument to the arbitrator. The arbitrator will have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 13. The arbitrator will permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator will be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator will give written notice to the parties stating the arbitrator's determination, and will furnish to each party a signed copy of such determination. The expenses of arbitration will be borne equally by Company and Executive or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that Executive's share of such expenses will not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 16 will be governed by and construed in accordance with the substantive laws of the State of Ohio and, where applicable, federal law, without giving effect to the principles of conflict of laws of such State.

17. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 3(d), 4, 5, 7, 9, 10(b), 16, 18 and 20 will survive any

termination or expiration of this Agreement or the termination of Executive's employment following a Change in Control for any reason whatsoever.

18. Beneficiaries. Executive will be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving Company written notice thereof in accordance with Section 11. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to "Executive" will be deemed, where appropriate, to Executive's beneficiary, estate or other legal representative.

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

20. Section 409A of the Code.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code ("Section 409A") or are exempt therefrom and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies Company (with specificity as to the reason therefore) that Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause Executive to incur any additional tax or interest under Section 409A and Company concurs with such belief or Company (without any obligation whatsoever to do so) independently makes such determination, Company shall, after consulting with Executive, reform such provision in a manner that is economically neutral to Company to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and Executive is no longer providing services (at a level that would preclude the occurrence of a "separation from service" within the meaning of Section 409A) to Company or its affiliates as an employee or consultant, and for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as otherwise permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the calendar year immediately following the calendar year in which the expense occurred, or such earlier date as required hereunder.

(d) With regard to any provision herein that provides for a gross-up payment or other reimbursement for Executive's taxes (or audit or litigation expenses attributable to the tax gross-up or reimbursement), the applicable taxes or related expenses shall be reimbursed no later than the earlier of (i) the date specified for payment under the Arrangement, or (ii) the end of the calendar year immediately following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation to which there is no remittance of taxes, the end of the

calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

(e) Notwithstanding anything contained in this Agreement to the contrary, if Executive is a “specified employee,” as determined under Company’s policy for identifying specified employees on the Termination Date, then to the extent required in order to comply with Section 409A, all payments, benefits, tax gross-ups or other reimbursements paid or provided under this Agreement that constitute a “deferral of compensation” within the meaning of Section 409A, that are provided as a result of a “separation from service” within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such Termination Date shall be accumulated through and paid or provided (together with interest at the applicable federal rate under Section 7872(f)(2)(A) of the Code in effect on the Termination Date), within 30 days after the first business day that is more than six months after the date of his separation from service (or, if Executive dies during such six-month period, within 90 days after Executive’s death).

(f) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g. , “payment shall be made within 30 days after the Termination Date”), the actual date of payment within the specified period shall be within the sole discretion of Company. For purposes of Section 409A, Executive’s right to receive any “installment” payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

THE SHERWIN-WILLIAMS COMPANY

EXECUTIVE

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, 2010

Form A of Severance Agreement

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

Form B of Severance Agreement

Robert J. Davisson
George E. Heath
Thomas E. Hopkins
Steven J. Oberfeld
Thomas W. Seitz
Louis E. Stellato
Robert J. Wells

Form C of Severance Pay Agreement

Allen J. Mistysyn

**THE SHERWIN-WILLIAMS COMPANY 2005
DEFERRED COMPENSATION SAVINGS AND PENSION EQUALIZATION PLAN
(AS AMENDED AND RESTATED)**

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 and vested under the Plan after December 31, 2004 and that are subject to Section 409A of the Code. Notwithstanding anything to the contrary contained herein, 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.
- 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.
- 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 take the form of an electronic communication followed by appropriate written confirmation from the Administration Committee according to specifications 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.

- 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 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 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 the first business day 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 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 the sum of the following:
 - (a) One hundred percent (100%) of the first three percent (3%) of the Participant's Eligible Compensation for the Plan Year; and
 - (b) Fifty percent (50%) of the next two percent (2%) of the Participant's Eligible Compensation for the Plan Year.
- (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 as follows:
- (i) For an Eligible Executive who is a Participant in the Plan as of December 31, 2009, in a single lump sum on the Settlement Date following Retirement unless, prior to January 1, 2009 the Participant made a timely election to have the benefits paid in substantially level annual installments over a specified period of not more than fifteen (15) years.
 - (ii) For an Eligible Executive who becomes a Participant in the Plan on or after January 1, 2010, in a single lump sum on the Settlement Date following Retirement.

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 shall be determined by dividing the Participant's Account balance, determined as of December 31 of the year last preceding the installment payment date, by the number of installment payments remaining, without regard to anticipated earnings.

- 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 SEPIP.
- 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 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 published in the Internal Revenue Bulletin.

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.

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 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.
- 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.

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 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 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.
- 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 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.

- (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 published in the Internal Revenue Bulletin.

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 to the application of Section 162(m) of the Code. If a payment is delayed pursuant to this Section 13.12(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 13.12(iii)(b). For purposes of this Section 13.12(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 published in the Internal Revenue Bulletin.

IN WITNESS WHEREOF, the Company has caused this Plan to be amended and restated this 31st day of December, 2010.

THE SHERWIN-WILLIAMS COMPANY

By /s/
Louis E. Stellato, Senior Vice President,
General Counsel and Secretary

EXHIBIT A
DESIGNATED PARTICIPANTS
ELIGIBLE TO RECEIVE BENEFITS UNDER SECTION 2.4

- Tom Coy
- Tom Seitz

THE SHERWIN-WILLIAMS COMPANY

**2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AMENDED AND RESTATED AS OF APRIL 21, 2010)**

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THE SHERWIN-WILLIAMS COMPANY

**2006 Equity and Performance Incentive Plan
(Amended and Restated as of April 21, 2010)**

1. **Purpose.** The purpose of this 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010) is to attract and retain officers and other employees of The Sherwin-Williams Company and its Subsidiaries and to provide to such persons incentives and rewards for performance.
2. **Definitions.** As used in this Plan,
 - (a) “Appreciation Right” means a right granted pursuant to Section 5 of this Plan, and will include both Free-Standing Appreciation Rights and Tandem Appreciation Rights.
 - (b) “Assumed” has the meaning provided in Section 12 of this Plan.
 - (c) “Base Price” means the price to be used as the basis for determining the Spread upon the exercise of a Free-Standing Appreciation Right or a Tandem Appreciation Right.
 - (d) “Board” means the Board of Directors of the Company and, to the extent of any delegation by the Board to a committee (or subcommittee thereof) pursuant to Section 10 of this Plan, such committee (or subcommittee).
 - (e) “Cause” has the meaning provided in Section 12 of this Plan.
 - (f) “Change of Control” means, except as may be otherwise prescribed by the Board in any Evidence of Award, the occurrence of any of the following events:
 - (i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Company; provided, however, that:
 - (A) for purposes of this Section 2(f)(i), the following acquisitions will not constitute a Change in Control: (1) any acquisition of Voting Stock directly from Company that is approved by a majority of the Incumbent Directors, (2) any acquisition of Voting Stock by Company or any Subsidiary, (3) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Company or any Subsidiary, and (4) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 2(f)(iii) below;

- (B) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (1) of Section 2(f)(i)(A) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change in Control; or
 - (C) a Change in Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Company in which all holders of Voting Stock are treated equally; and
 - (D) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Board a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change in Control shall have occurred as a result of such Person's acquisition; or
- (ii) a majority of the Board ceases to be comprised of Incumbent Directors; or
 - (iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Company or all or substantially all of Company's assets either directly or through one or more subsidiaries), (B) no Person (other than Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting

power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

- (iv) approval by the shareholders of Company of a complete liquidation or dissolution of Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 2(f)(iii).
- (v) For purposes of this Section 2(f), the term “Incumbent Directors” shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved.
- (g) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
- (h) “Common Stock” means Common Stock, par value \$1.00 each, of the Company or any security into which such shares of Common Stock may be changed by reason of any transaction or event of the type referred to in Section 11 of this Plan.
- (i) “Company” means The Sherwin-Williams Company, an Ohio corporation, and its successors.
- (j) “Covered Employee” means a Participant who is, or is determined by the Board to be likely to become, a “covered employee” within the meaning of Section 162(m) of the Code (or any successor provision).
- (k) “Date of Grant” means the date specified by the Board on which a grant of Option Rights, Appreciation Rights, Performance Shares, Performance Units or Other Awards, or a grant or sale of Restricted Stock, Restricted Stock Units or Other Awards, will become effective (which date will not be earlier than the date on which the Board takes action with respect thereto).
- (l) “Director” means a member of the Board of Directors of the Company.
- (m) “Effective Date” means the date immediately following the date that this Plan is approved by the shareholders of the Company.
- (n) “Evidence of Award” means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Board that sets forth the terms and conditions of Option Rights, Appreciation Rights, Performance Shares, Performance

Units or Other Awards granted, or a grant or sale of Restricted Stock, Restricted Stock Units or Other Awards. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Board, need not be signed by a representative of the Company or a Participant.

- (o) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.
- (p) “Free-Standing Appreciation Right” means an Appreciation Right granted pursuant to Section 5 of this Plan that is not granted in tandem with an Option Right.
- (q) “Good Reason” has the meaning provided in Section 12 of this Plan.
- (r) “Incentive Stock Options” means Option Rights that are intended to qualify as “incentive stock options” under Section 422 of the Code or any successor provision.
- (s) “Management Objectives” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares or Performance Units or, when so determined by the Board, Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Awards or dividend credits pursuant to this Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, region or function within the Company or Subsidiary in which the Participant is employed. The Management Objectives may be made relative to the performance of one or more other companies or subsidiaries, divisions, departments, regions or functions within such other companies, and may be made relative to an index or one or more of the performance criteria themselves. The Board may grant awards subject to Management Objectives that are either Qualified Performance-Based Awards or are not Qualified Performance-Based Awards. The Management Objectives applicable to any Qualified Performance-Based Award to a Covered Employee will be based on one or more, or a combination, of the following criteria:
 - (i) Appreciation in value of shares;
 - (ii) Total shareholder return;
 - (iii) Earnings per share;
 - (iv) Operating income;
 - (v) Net income;
 - (vi) Pretax earnings;
 - (vii) Earnings before interest, taxes, depreciation and amortization;

- (viii) Pro forma net income;
- (ix) Return on equity;
- (x) Return on designated assets;
- (xi) Return on capital;
- (xii) Economic value added;
- (xiii) Revenues;
- (xiv) Expenses;
- (xv) Operating profit margin;
- (xvi) Operating cash flow;
- (xvii) Free cash flow;
- (xviii) Cash flow return on investment;
- (xix) Operating margin or net profit margin; or
- (xx) Any of the above criteria as compared to the performance of a published or a special index deemed applicable by the Board, including, but not limited to, the Standard & Poor's 500 Stock Index.

If the Board determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Board may in its discretion modify such Management Objectives or the related level or levels of achievement, in whole or in part, as the Board deems appropriate and equitable, except in the case of a Qualified Performance-Based Award (other than in connection with a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Board will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Covered Employee.

- (t) "Market Value Per Share" means, as of any particular date, the average of the highest and lowest reported sales prices of the Common Stock during normal trading hours on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Common Stock is listed. If there is no regular public trading market for such Common Stock, the Market Value Per Share of the Common Stock shall be determined by the Board. The Board is authorized to adopt another fair market value pricing method, provided such method is stated in the Evidence of Award, and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.

- (u) "Optionee" means the optionee named in an Evidence of Award evidencing an outstanding Option Right.
- (v) "Option Price" means the purchase price payable on exercise of an Option Right.
- (w) "Option Right" means the right to purchase shares of Common Stock upon exercise of an option granted pursuant to Section 4 of this Plan.
- (x) "Other Award" means an award granted pursuant to Section 9 of this Plan.
- (y) "Participant" means a person who is selected by the Board to receive benefits under this Plan and who is at the time an officer or other employee of the Company or any one or more of its Subsidiaries, or who has agreed to commence serving in any of such capacities within 90 days of the Date of Grant. The term "Participant" shall also include any person who provides services to the Company or a Subsidiary that are substantially equivalent to those typically provided by an employee.
- (z) "Performance Period" means, in respect of a Performance Share or Performance Unit, a period of time established pursuant to Section 8 of this Plan within which the Management Objectives relating to such Performance Share or Performance Unit are to be achieved.
- (aa) "Performance Share" means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to Section 8 of this Plan.
- (bb) "Performance Unit" means a bookkeeping entry awarded pursuant to Section 8 of this Plan that records a unit equivalent to \$1.00 or such other value as is determined by the Board.
- (cc) "Plan" means The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 21, 2010), as may be further amended from time to time.
- (dd) "Post-CIC Period" has the meaning provided in Section 12 of this Plan.
- (ee) "Qualified Performance-Based Award" means any award of Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units or Other Awards, or portion of such award, to a Covered Employee that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code.
- (ff) "Restricted Stock" means shares of Common Stock granted or sold pursuant to Section 6 of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfer has expired.
- (gg) "Restriction Period" means the period of time during which Restricted Stock Units are subject to restrictions, as provided in Section 7 of this Plan.

- (hh) "Restricted Stock Unit" means an award made pursuant to Section 7 of this Plan of the right to receive shares of Common Stock or cash at the end of a specified period.
- (ii) "Spread" means the excess of the Market Value Per Share on the date when an Appreciation Right is exercised over the Option Price or Base Price provided for in the related Option Right or Free-Standing Appreciation Right, respectively.
- (jj) "Subsidiary" means a corporation, company or other entity (i) at least 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation in which at the time the Company owns or controls, directly or indirectly, at least 50 percent of the total combined voting power represented by all classes of stock issued by such corporation.
- (kk) "Tandem Appreciation Right" means an Appreciation Right granted pursuant to Section 5 of this Plan that is granted in tandem with an Option Right.

3. **Shares Subject to this Plan .**

(a) Maximum Shares Available Under Plan.

- (i) Subject to adjustment as provided in Section 11 of this Plan, the number of shares of Common Stock that may be issued or transferred (A) upon the exercise of Option Rights or Appreciation Rights; (B) as Restricted Stock and released from substantial risks of forfeiture thereof; (C) in payment of Restricted Stock Units; (D) in payment of Performance Shares or Performance Units that have been earned; (E) as Other Awards or in payment of Other Awards, or (F) in payment of dividend equivalents paid with respect to awards made under this Plan will not exceed in the aggregate 19,200,000 shares of Common Stock (10,000,000 of which were approved by shareholders in 2006 and 9,200,000 of which will be added upon approval by shareholders in 2010), plus any shares of Common Stock relating to awards that expire or are forfeited or are cancelled under this Plan. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.
- (ii) Each share of Common Stock issued or transferred pursuant to an award of Option Rights or Appreciation Rights will reduce the aggregate plan limit described above in Section 3(a)(i) by one share of Common Stock. Each share of Common Stock issued or transferred (and in the case of Restricted Shares, released from all substantial risk of forfeiture) pursuant to an award other than Option Rights or Appreciation Rights shall reduce the aggregate plan limit described above in Section 3(a)(i) by (A) one share of Common Stock if issued

or transferred pursuant to an award granted prior to the Effective Date and (B) 2 shares of Common Stock if issued or transferred pursuant to an award granted on or after the Effective Date. Any shares of Common Stock that again become available for issuance pursuant to this Section 3 shall be added back to the aggregate plan limit in the same manner such shares were originally deducted from the aggregate plan limit pursuant to this Section 3(a)(ii).

- (iii) Shares of Common Stock covered by an award granted under this Plan shall not be counted as used unless and until they are actually issued and delivered to a Participant and, therefore, the total number of shares available under this Plan as of a given date shall not be reduced by any shares relating to prior awards that have expired or have been forfeited or cancelled. Upon payment in cash of the benefit provided by any award granted under this Plan, any shares of Common Stock that were covered by that award will be available for issue or transfer hereunder. Notwithstanding anything to the contrary contained herein: (A) if shares of Common Stock are tendered or otherwise used in payment of the Option Price of a Option Right, the total number of shares covered by the Option Right being exercised shall count against the aggregate plan limit described above; (B) shares of Common Stock withheld by the Company to satisfy the tax withholding obligation shall count against the aggregate plan limit described above; (C) the number of shares of Common Stock that are repurchased by the Company with Option Right proceeds shall not increase the aggregate plan limit described above; and (D) the number of shares of Common Stock covered by an Appreciation Right, to the extent that it is exercised and settled in shares of Common Stock, whether or not all shares of Common Stock covered by the award are actually issued to the Participant upon exercise of the Appreciation Right, shall be considered issued or transferred pursuant to this Plan. If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for shares of Common Stock based on fair market value, such shares of Common Stock shall not count against the aggregate plan limit described above.
- (b) Incentive Stock Option Limit. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 11 of this Plan, the aggregate number of shares of Common Stock actually issued or transferred by the Company upon the exercise of Incentive Stock Options shall not exceed 19,200,000.
- (c) Individual Participant Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 11 of this Plan:
 - (i) No Participant shall be granted Option Rights or Appreciation Rights, in the aggregate, for more than 500,000 shares of Common Stock during any calendar year.
 - (ii) No Participant will be granted Qualified Performance-Based Awards of Restricted Stock, Restricted Stock Units or Performance Shares or in the form

of Other Awards payable in Common Stock, in the aggregate, for more than 200,000 shares of Common Stock during any calendar year.

- (iii) No Participant will receive in any calendar year a Qualified Performance-Based Award of Performance Units having an aggregate maximum value as of their respective Dates of Grant in excess of \$5,000,000.
 - (iv) No Participant will receive in any calendar year a Qualified Performance-Based Award in the form of Other Awards payable in cash under Section 9(b) having an aggregate maximum value in excess of \$5,000,000.
 - (v) Exclusion from Certain Restrictions . Notwithstanding anything in this Plan to the contrary, up to 5% of the maximum number of shares of Common Stock provided for in Section 3(a)(i) above may be used for awards granted under Sections 6 through 9 of this Plan that do not comply with the three-year requirements set forth in Sections 6(c), 7(c) and 9(d) of this Plan and the one-year requirements of Sections 6(e), 7(a), 8(b) and 9(d) of this Plan.
4. **Option Rights.** The Board may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of options to purchase shares of Common Stock. Each such grant will be subject to all of the requirements contained in the following provisions:
- (a) Each grant will specify the number of shares of Common Stock to which it pertains subject to the limitations set forth in Section 3 of this Plan.
 - (b) Each grant will specify an Option Price per share, which may not be less than the Market Value Per Share on the Date of Grant.
 - (c) Each grant will specify whether the Option Price will 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 of shares of Common Stock owned by the Optionee having a value at the time of exercise equal to the total Option Price, (iii) by a combination of such methods of payment, or (iv) by such other methods as may be approved by the Board.
 - (d) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the shares to which such exercise relates.
 - (e) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised.
 - (f) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary that is necessary before the Option Rights or installments thereof will become exercisable. A grant of Option Rights may provide for the earlier exercise of such Option Rights in the event of the retirement, death or disability of the Participant or a Change of Control.

- (g) Any grant of Option Rights may specify Management Objectives that must be achieved as a condition to the exercise of such rights. The grant of such Option Rights will specify that, before the exercise of such rights, the Board must determine that the Management Objectives have been satisfied.
- (h) Option Rights granted under this Plan may be (i) options, including, without limitation, Incentive Stock Options, that are intended to qualify under particular provisions of the Code, (ii) options that are not intended so to qualify, or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of “employees” under Section 3401(c) of the Code.
- (i) The exercise of an Option Right will result in the cancellation on a share- for-share basis of any Tandem Appreciation Right authorized under Section 5 of this Plan.
- (j) No Option Right will be exercisable more than 10 years from the Date of Grant.
- (k) Each grant of Option Rights will be evidenced by an Evidence of Award. Each Evidence of Award shall be subject to this Plan and shall contain such terms and provisions, consistent with this Plan, as the Board may approve.

5. Appreciation Rights .

- (a) The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting (i) to any Optionee, of Tandem Appreciation Rights in respect of Option Rights granted hereunder, and (ii) to any Participant, of Free-Standing Appreciation Rights. A Tandem Appreciation Right will be a right of the Optionee, exercisable by surrender of the related Option Right, to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise. Tandem Appreciation Rights may be granted at any time prior to the exercise or termination of the related Option Rights; provided, however, that a Tandem Appreciation Right awarded in relation to an Incentive Stock Option must be granted concurrently with such Incentive Stock Option. A Free-Standing Appreciation Right will be a right of the Participant to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise.
- (b) Each grant of Appreciation Rights may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
 - (i) Any grant may specify that the amount payable on exercise of an Appreciation Right may be paid by the Company in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.
 - (ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Board at the Date of Grant.

- (iii) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.
 - (iv) Any grant may specify that such Appreciation Right may be exercised only in the event of, or earlier in the event of, the retirement, death or disability of the Participant or a Change of Control.
 - (v) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the exercise of such Appreciation Rights. The grant of such Appreciation Rights will specify that, before the exercise of such Appreciation Rights, the Board must determine that the Management Objectives have been satisfied.
 - (vi) Each grant of Appreciation Rights will be evidenced by an Evidence of Award, which Evidence of Award will describe such Appreciation Rights, identify the related Option Rights (if applicable), and contain such other terms and provisions, consistent with this Plan, as the Board may approve.
- (c) Any grant of Tandem Appreciation Rights will provide that such Tandem Appreciation Rights may be exercised only at a time when the related Option Right is also exercisable and at a time when the Spread is positive, and by surrender of the related Option Right for cancellation. Successive grants of Tandem Appreciation Rights may be made to the same Participant regardless of whether any Tandem Appreciation Rights previously granted to the Participant remain unexercised.
- (d) Regarding Free-Standing Appreciation Rights only:
- (i) Each grant will specify in respect of each Free-Standing Appreciation Right a Base Price, which may not be less than the Market Value Per Share on the Date of Grant;
 - (ii) Successive grants may be made to the same Participant regardless of whether any Free-Standing Appreciation Rights previously granted to the Participant remain unexercised; and
 - (iii) No Free-Standing Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant.
6. **Restricted Stock.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Stock to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
- (a) Each such grant or sale will constitute an immediate transfer of the ownership of shares of Common Stock to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

- (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value Per Share at the Date of Grant.
- (c) Each such grant or sale will provide that the Restricted Stock covered by such grant or sale that vests upon the passage of time will be subject to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code for a period to be determined by the Board at the Date of Grant or upon achievement of Management Objectives referred to in Section 6(e) below. If the elimination of restrictions is based only on the passage of time rather than the achievement of Management Objectives, the period of time will be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis during the three-year period as determined by the Board at the Date of Grant.
- (d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Stock will be prohibited or restricted in the manner and to the extent prescribed by the Board at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture in the hands of any transferee).
- (e) Any grant of Restricted Stock may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Stock; provided, however, that restrictions relating to Restricted Stock that vests upon the achievement of Management Objectives may not terminate sooner than one year from the Date of Grant. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of shares of Restricted Stock on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of Restricted Stock will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock, the Board must determine that the Management Objectives have been satisfied.
- (f) Notwithstanding anything to the contrary contained in this Plan, any grant or sale of Restricted Stock may provide for the earlier lapse of the substantial risk of forfeiture for such Restricted Stock in the event of the retirement, death or disability of the Participant or a Change of Control.
- (g) Any such grant or sale of Restricted Stock may require that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and reinvested in additional shares of Restricted Stock, which may be subject to the same restrictions as the underlying award; provided, however, that dividends or other distributions on Restricted Stock subject to restrictions that lapse as a result of the achievement of Management Objectives shall be deferred until and paid contingent upon the achievement of the applicable Management Objectives.

- (h) Each grant or sale of Restricted Stock will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Board may approve. Unless otherwise directed by the Board, (i) all certificates representing shares of Restricted Stock will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such Shares, or (ii) all shares of Restricted Stock shall be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such shares of Restricted Stock.
7. **Restricted Stock Units.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
- (a) Each such grant or sale will constitute the agreement by the Company to deliver shares of Common Stock or cash to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include the achievement of Management Objectives) during the Restriction Period as the Board may specify. If a grant of Restricted Stock Units specifies that the Restriction Period will terminate upon the achievement of Management Objectives, such Restriction Period may not terminate sooner than one year from the Date of Grant. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of shares of Restricted Stock Units on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of such Restricted Stock Units will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock Units, the Board must determine that the Management Objectives have been satisfied.
 - (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value Per Share at the Date of Grant.
 - (c) If the Restriction Period lapses only by the passage of time rather than the achievement of Management Objectives, each such grant or sale will be subject to a Restriction Period of not less than three years, except that a grant or sale may provide that the Restriction Period shall expire not sooner than ratably on an annual basis during the three-year period as determined by the Board at the Date of Grant.
 - (d) Notwithstanding anything to the contrary contained in this Plan, any grant or sale of Restricted Stock Units may provide for the earlier lapse or other modification of the Restriction Period in the event of the retirement, death or disability of the Participant or a Change of Control.
 - (e) During the Restriction Period, the Participant will have no right to transfer any rights under his or her award and will have no rights of ownership in the shares of Common

Stock deliverable upon payment of the Restricted Stock Units and shall have no right to vote them, but the Board may at the Date of Grant, authorize the payment of dividend equivalents on such Restricted Stock Units on either a current, deferred or contingent basis, either in cash or in additional shares of Common Stock; provided, however, that dividend equivalents on Restricted Stock Units subject to a Restriction Period that lapses as a result of the achievement of Management Objectives shall be deferred until and paid contingent upon the achievement of the applicable Management Objectives.

- (f) Each grant or sale will specify the time and manner of payment of Restricted Stock Units that have been earned. Any grant or sale may specify that the amount payable with respect thereto may be paid by the Company in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.
 - (g) Each grant or sale of Restricted Stock Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Board may approve.
8. **Performance Shares and Performance Units.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting of Performance Shares and Performance Units that will become payable to a Participant upon achievement of specified Management Objectives during the Performance Period. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
- (a) Each grant will specify the number of Performance Shares or Performance Units to which it pertains, which number may be subject to adjustment to reflect changes in compensation or other factors; provided, however, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.
 - (b) The Performance Period with respect to each Performance Share or Performance Unit will be such period of time (not less than one year), commencing with the Date of Grant as will be determined by the Board at the time of grant which may be subject to earlier lapse or other modification in the event of the retirement, death or disability of the Participant or a Change of Control.
 - (c) Any grant of Performance Shares or Performance Units will specify Management Objectives which, if achieved, will result in payment or early payment of the award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level or levels of achievement and will set forth a formula for determining the number of Performance Shares or Performance Units that will be earned if performance is at or above the level(s), but falls short of full achievement of the specified Management Objectives. The grant of Performance Shares or Performance Units will specify that, before the Performance Shares or Performance

Units will be earned and paid, the Board must determine that the Management Objectives have been satisfied.

- (d) Each grant will specify the time and manner of payment of Performance Shares or Performance Units that have been earned. Any grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.
- (e) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Board at the Date of Grant. Any grant of Performance Units may specify that the amount payable or the number of shares of Common Stock issued with respect thereto may not exceed maximums specified by the Board at the Date of Grant.
- (f) The Board may at the Date of Grant of Performance Shares, provide for the payment of dividend equivalents to the holder thereof, either in cash or in additional shares of Common Stock, on a deferred basis contingent upon the achievement of the applicable Management Objectives.
- (g) Each grant of Performance Shares or Performance Units will be evidenced by an Evidence of Award and will contain such other terms and provisions, consistent with this Plan, as the Board may approve.

9. Other Awards.

- (a) The Board may, subject to limitations under applicable law, grant to any Participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Common Stock or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Common Stock, purchase rights for shares of Common Stock, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Board, and awards valued by reference to the book value of shares of Common Stock or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Board shall determine the terms and conditions of such awards. Shares of Common Stock delivered pursuant to an award in the nature of a purchase right granted under this Section 9 shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, shares of Common Stock, other awards, notes or other property, as the Board shall determine.
- (b) Cash awards, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this Section 9 of this Plan.
- (c) The Board may grant shares of Common Stock as a bonus, or may grant other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other

property under this Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Board in a manner that complies with Section 409A of the Code.

- (d) If the earning or vesting of, or elimination of restrictions applicable to, Other Awards is based only on the passage of time rather than the achievement of Management Objectives, the period of time shall be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis during the three-year period as determined by the Board at the Date of Grant. If the earning or vesting of, or elimination of restrictions applicable to, Other Awards is based on the achievement of Management Objectives, the earning, vesting or restriction period may not terminate sooner than one year from the Date of Grant.

10. Administration of this Plan .

- (a) This Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Plan to the Compensation and Management Development Committee or any other committee of the Board (or a subcommittee thereof), as constituted from time to time. To the extent of any such delegation, references in this Plan to the Board will be deemed to be references to such committee or subcommittee.
- (b) The interpretation and construction by the Board of any provision of this Plan or of any agreement, notification or document evidencing the grant of Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards and any determination by the Board pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive.
- (c) To the extent permitted by Ohio law, the Board may, from time to time, delegate to one or more officers of the Company the authority of the Board to grant and determine the terms and conditions of awards granted under this Plan. In no event shall any such delegation of authority be permitted with respect to awards to any executive officer or any person subject to Section 162(m) of the Code or who is an officer, director or more than 10% beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.

- 11. Adjustments.** The Board shall make or provide for such adjustments in the numbers of shares of Common Stock covered by outstanding Option Rights, Appreciation Rights, Restricted Stock Units, Performance Shares, Performance Units and, if applicable, in the number of shares of Common Stock covered by outstanding Other Awards granted hereunder, in the Option Price and Base Price provided in outstanding Appreciation Rights, and in the kind of shares covered thereby, as the Board, in its sole discretion, may determine is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or

complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Board, in its discretion, may provide in substitution for any or all outstanding awards under this Plan such alternative consideration (including cash), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each Option Right or Appreciation Right with an Option Price or Base Price greater than the consideration offered in connection with any such transaction or event or change of control, the Board may in its sole discretion elect to cancel such Option Right or Appreciation Right without any payment to the person holding such Option Right or Appreciation Right. The Board shall also make or provide for such adjustments in the numbers of shares specified in Section 3 of this Plan as the Board in its sole discretion may determine is appropriate to reflect any transaction or event described in this Section 11; provided, however, that any such adjustment to the number specified in Section 3(b)(i) will be made only if and to the extent that such adjustment would not cause any option intended to qualify as an Incentive Stock Option to fail to so qualify.

12. **Change of Control.** Notwithstanding anything to the contrary in this Plan, the following provisions shall apply in connection with a Change of Control:

(a) Awards Assumed by Successor

- (i) Upon the occurrence of a Change of Control, any awards made under this Plan that are Assumed (as defined in Section 12(a)(v) below) by the entity effecting the Change of Control shall continue to vest and become exercisable in accordance with the terms of the original grant unless, during the three-year period commencing on the date of the Change of Control (“Post-CIC Period”):
 - (A) the Participant is involuntarily terminated for reasons other than for Cause (as defined in Section 12(a)(iii) below); or
 - (B) the Participant terminates his or her employment for Good Reason (as defined in Section 12(a)(iv) below).
- (ii) If a Participant’s employment is terminated as described in Section 12(a)(i) above, any outstanding Option Rights and Appreciation Rights shall become fully vested and exercisable, any restrictions that apply to awards made pursuant to this Plan shall lapse, and awards made pursuant to this Plan that are subject to Management Objectives shall immediately be earned or vest and shall become immediately payable in accordance with their terms as if 100% of the Management Objectives have been achieved, on the date of termination; provided, that any Participant who terminates his or her employment for Good Reason must:
 - (A) provide the Company with a written notice of his her or her intent to terminate employment for Good Reason within 60 days after the

Participant becomes aware of the circumstances giving rise to Good Reason; and

(B) allow the Company thirty days to remedy such circumstances to the extent curable.

(iii) Solely for purposes of this Section 12(a), "Cause" shall mean that the Participant shall have:

(A) been convicted of a criminal violation involving, in each case, fraud, embezzlement or theft in connection with Participant's duties or in the course of Participant's employment with Company or any subsidiary;

(B) committed intentional wrongful damage to property of Company or any Subsidiary; or

(C) committed intentional wrongful disclosure of secret processes or confidential information of Company or any Subsidiary;

and any such act shall have been demonstrably and materially harmful to Company. For purposes of this Plan, no act or failure to act on the part of Participant will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by Participant not in good faith and without reasonable belief that Participant's action or omission was in the best interest of Company.

(iv) Solely for purposes of this Section 12(a), "Good Reason" shall mean the occurrence, during the Post-CIC Period, of any of the following events without the Participant's written consent:

(A) failure to elect or reelect or otherwise to maintain Participant in the office or the position, or a substantially equivalent or better office or position, of or with Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which Participant held immediately prior to a Change in Control, or the removal of Participant as a Director of Company and/or a Subsidiary (or any successor thereto) if Participant shall have been a Director of Company and/or a Subsidiary immediately prior to the Change in Control;

(B) failure of Company to remedy any of the following within 10 calendar days after receipt by Company of written notice thereof from Participant: 1) a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with Company and any Subsidiary which Participant held immediately prior to the Change in Control, 2) a reduction in Participant's Base Pay received from Company and any Subsidiary; 3) a reduction in Participant's Incentive Pay opportunity as compared with the Incentive Pay opportunity most recently paid prior to the Change in Control, or 4) the termination or

denial of Participant's rights to Employee Benefits or a reduction in the scope or value thereof;

- (C) the liquidation, dissolution, merger, consolidation or reorganization of Company or the transfer of all or substantially all of its business and/or assets, unless the successor (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligation of Company under; or
- (D) Company requires Participant to have Participant's principal location of work changed to any location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires Participant to travel away from Participant's office in the course of discharging Participant's responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Participant in any of the three full years immediately prior to the Change in Control.
- (E) Definitions. As used in this Section 12(a),
 - 1) "Base Pay" means Participant's annual base salary rate as in effect from time to time.
 - 2) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of Company or a Subsidiary, or any successor thereto. "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.
 - 3) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Participant is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee

benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(iv) For purposes of this Section 12(a), an award shall be considered assumed (“Assumed”) if each of the following conditions are met:

- (A) Option Rights, Appreciation Rights and Other Awards (to the extent such Other Awards are payable in cash and not subject to Management Objectives) are converted into replacement awards in a manner that complies with Section 409A of the Code;
- (B) Restricted Stock Unit and Restricted Stock awards that are not subject to Management Objectives are converted into replacement awards covering a number of shares of the entity effecting the Change of Control (or a successor or parent corporation), as determined in a manner substantially similar to the treatment of an equal number of shares of Common Stock covered by the awards; provided, that to the extent that any portion of the consideration received by holders of shares of Common Stock in the Change Control transaction is not in the form of the common stock of such entity (or a successor or parent corporation), the number of shares covered by the replacement awards shall be based on the average of the high and low selling prices of the common stock of such entity (or a successor or parent corporation) on the established stock exchange on the trading day immediately preceding the date of the Change of Control;
- (C) Performance Shares, Performance Units and all other awards subject to Management Objectives are converted into replacement awards that preserve the value of such awards at the time of the Change of Control;
- (D) the replacement awards contain provisions for scheduled vesting and treatment on termination of employment (including the definition of Cause and Good Reason) that are no less favorable to the Participant than the underlying awards being replaced, and all other terms of the replacement awards (other than the security and number of shares represented by the replacement awards) are substantially similar to, or more favorable to the Participant than, the terms of the underlying awards; and
- (E) the security represented by the replacement awards, if any, is of a class that is publicly held and widely traded on an established stock exchange.

(b) Awards Not Assumed by Successor

- (i) Upon the occurrence of a Change of Control, any awards made under this Plan that are not Assumed by the entity effecting the Change of Control shall

become fully vested and exercisable on the date of the Change of Control or shall immediately vest and become immediately payable in accordance with their terms as if 100% of the applicable Management Objectives have been achieved, and any restrictions that apply to such awards shall lapse.

- (ii) For each Option Right and Appreciation Right, the Participant shall receive a payment equal to the difference between the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) received by holders of Common Stock in the Change of Control transaction and the exercise price of the applicable Option Right or Appreciation Right, if such difference is positive. Such payment shall be made in the same form as the consideration received by holders of Common Stock. Any Option Rights or Appreciation Rights with an exercise price that is higher than the per share consideration received by holders of Common Stock in connection with the Change of Control shall be cancelled for no additional consideration.
 - (iii) The Participant shall receive the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) that such Participant would have received in the Change of Control transaction had he or she been, immediately prior to such transaction, a holder of the number of shares of Common Stock equal to the number of Restricted Stock Units and/or shares of Restricted Stock covered by the award and the number of shares of Common Stock payable under Section 12(b)(i) for awards subject to Management Objectives.
 - (iv) The payments contemplated by Sections 12(b)(ii) and 12(b)(iii) shall be made at the same time as consideration is paid to the holders of the Common Stock in connection with the Change of Control.
 - (v) Notwithstanding anything to the contrary in this Plan, if the Change of Control does not constitute a 409A Change of Control and the payment or benefit constitutes a deferral of compensation under Section 409A of the Code, then to the extent necessary to comply with Section 409A of the Code payment or delivery shall be made on the date of payment or delivery originally provided for such payment or benefit.
13. **Recapture Provisions** . Any Evidence of Award may provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Board in accordance with the Company's Executive Adjustment and Recapture Policy, as may be amended from time to time, any successor policy or otherwise.
14. **Non U.S. Participants**. In order to facilitate the making of any grant or combination of grants under this Plan, the Board may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Board may consider necessary or

appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Board may approve such supplements to or amendments, restatements or alternative versions of this Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

15. Transferability .

- (a) No Option Right or Appreciation Right granted under this Plan shall be transferable by the Participant except by will or the laws of descent and distribution, and in no event shall any award granted under this Plan be transferred for value. Except as otherwise determined by the Board, Option Rights and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law and / or court supervision.
- (b) The Board may specify at the Date of Grant that part or all of the shares of Common Stock that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares, Performance Units or Other Awards or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6 of this Plan, will be subject to further restrictions on transfer.

- 16. Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Board) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of Common Stock, and such Participant fails to make arrangements for the payment of tax, the Company shall withhold such shares of Common Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, unless otherwise provided by the Board, when a Participant is required to pay the Company an amount required to be withheld under applicable income and employment tax laws, the Participant may elect to satisfy the obligation, in whole or in part, by electing to have withheld, from the shares required to be delivered to the Participant, shares of Common Stock having a value equal to the amount required to be withheld (except in the case of Restricted Stock where an election under Section 83(b) of the Code has been made), or by delivering to the Company other shares of Common Stock held by such Participant. The shares used for tax withholding will

be valued at an amount equal to the Market Value Per Share of such Common Stock on the date the benefit is to be included in Participant's income. In no event shall the Market Value Per Share of the shares of Common Stock to be withheld and/or delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld. Participants shall also make such arrangements as the Company may require for the payment of any withholding tax obligation that may arise in connection with the disposition of shares of Common Stock acquired upon the exercise of Option Rights.

17. Compliance with Section 409A of the Code.

- (a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder shall be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.
- (b) Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants of deferred compensation hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants of deferred compensation hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates.
- (c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant 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 (ii) 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 payment 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 pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the first business day of the month after such six-month period.
- (d) For purposes of the Plan and its underlying agreements, a "409A Change in Control" means the date on which any one of the following occurs: (i) any one person, or more than one person acting as a group (as determined under Code Section 409A and the regulations promulgated thereunder), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company; or (ii) a majority of the members of the

Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of such appointment or election; or (iii) any one person, or more than one person acting as a group (as determined under Code Section 409A and the regulations promulgate thereunder), 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; or (iv) any one person, or more than one person acting as a group (as determined under Code Section 409A and the regulation thereunder), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company before such acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

- (e) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. Additional Restrictions with Respect to Qualified Performance-Based Awards .

- (a) Qualified Performance-Based Awards shall be granted by a committee, which may be the Compensation and Management Development Committee or any other committee of the Board (or a subcommittee thereof), provided that such committee consists solely of two or more "outside directors" within the meaning of Section 162(m) of the Code.
- (b) To the extent that a Qualified Performance-Based Award shall be based on achievement of Management Objectives, the committee shall establish and approve the Management Objectives in writing prior to the latest possible date, but in no event more than 90 days after the commencement of services to which the Management Objectives relates, that will not jeopardize the award as qualifying as "qualified performance-based compensation" under Section 162(m) of the Code.
- (c) Other than in connection with the Participant's death or disability, or a Change in Control, the terms of a Qualified Performance-Based Award may not be amended where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

- (d) In no event shall a Participant's Qualified Performance-Based Awards exceed the Individual Participant Limits described in Section 3(c).
 - (e) Qualified Performance-Based Awards are intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code and the terms relating to such awards are to be interpreted and operated accordingly.
19. **Effective Date.** The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan first became effective on April 20, 2006, the date immediately following the date it was approved by shareholders. No grants have been or are permitted under The Sherwin-Williams Company 2003 Stock Plan on or after April 20, 2006. This Plan shall be effective as of the Effective Date.
20. **Amendments.**
- (a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan or (iv) must otherwise be approved by the shareholders of the Company in order to comply with applicable law or the rules of the New York Stock Exchange or, if the shares of Common Stock are not traded on the New York Stock Exchange, the principal national securities exchange upon which the shares of Common Stock are traded or quoted, then, such amendment will be subject to shareholder approval and will not be effective unless and until such approval has been obtained.
 - (b) Except in connection with a corporate transaction or event described in Section 11 of this Plan, the terms of outstanding awards may not be amended to reduce the Option Price of outstanding Option Rights or the Base Price of outstanding Appreciation Rights, or cancel outstanding Option Rights or Appreciation Rights in exchange for cash, other awards or Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, that is less than the Option Price of the original Option Rights or Base Price of the original Appreciation Rights, as applicable, without shareholder approval. This Section 20(b) is intended to prohibit the repricing of "underwater" Option Rights and Appreciation Rights and will not be construed to prohibit the adjustments provided for in Section 11 of this Plan. Notwithstanding any provision of this Plan to the contrary, this Section 20(b) may not be amended without shareholder approval.
 - (c) If permitted by Section 409A of the Code, but subject to the paragraph that follows, in case of termination of employment by reason of death, disability or normal or early retirement of a Participant who holds an Option Right or Appreciation Right not immediately exercisable in full, or any shares of Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or any Other Awards that have not been fully earned or that are subject

to any vesting schedule or transfer restriction, or who holds shares of Common Stock subject to any transfer restriction imposed pursuant to Section 15 of this Plan, or in the case of a Change of Control, the Board may, in its sole discretion, accelerate the time at which such Option Right, Appreciation Right or other award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such Other Awards shall be deemed to have been fully earned or vested or that such transfer restriction will terminate or may waive any other limitation or requirement under any such award.

Subject to Section 17(b) hereof, the Board may amend the terms of any award theretofore granted under this Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award (other than in connection with the Participant's death or disability, or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Board will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Qualified Performance-Based Award. Subject to Section 11 above, no such amendment shall impair the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

21. **Termination.** No grant will be made under this Plan after April 20, 2020 (more than 10 years after the date on which this Plan is approved by the shareholders of the Company), but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.
22. **Governing Law.** This Plan and all grants and awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the State of Ohio.
23. **Miscellaneous Provisions .**
 - (a) The Company will not be required to issue any fractional shares of Common Stock pursuant to this Plan. The Board may provide for the elimination of fractions or for the settlement of fractions in cash.
 - (b) This Plan will not confer upon any Participant 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 such Participant's employment or other service at any time.
 - (c) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision,

however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.

- (d) No award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Board, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.
- (e) Absence on leave approved by a duly constituted officer of the Company or any of its Subsidiaries shall not be considered interruption or termination of service of any employee for any purposes of this Plan or awards granted hereunder; however, in no event will an award be granted to a Participant whom is on a long term leave of absence.
- (f) No Participant shall have any rights as a stockholder with respect to any shares subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Company.
- (g) The Board may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.
- (h) Participants shall provide the Company with a written election form setting forth the name and contact information of the person who will have beneficial ownership rights upon the death of the Participant.
- (i) If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Board, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Board, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

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The Sherwin-Williams Company
2010 Annual Report



ABOUT US



THE SHERWIN-WILLIAMS COMPANY WAS FOUNDED BY Henry Sherwin and Edward Williams in 1866. Today, we are a

global leader in the development, manufacture and sale of coatings and related products with more than 32,000 employees and business in 109 countries. We market our products under such well-known brands as Sherwin-Williams®, Dutch Boy®, Krylon®, Minwax® and Thompson's® WaterSeal.® We go to market through 3,954 company-operated paint stores and branches around the world, as well as leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers, and industrial distributors. With annual sales of \$7.8 billion, we are the largest coatings manufacturer in the United States and third largest worldwide. For more information, visit www.sherwin.com.

◀ ON THE COVER

Artist Matthew Sporzynski built a paper sculpture version of our logo using Sherwin-Williams paint chips. It's the same technique he used in creating paint chip sculptures for a 2010 Sherwin-Williams print advertising campaign inspired by our animated paint chips television commercials. (Photo by Peter Ross.)

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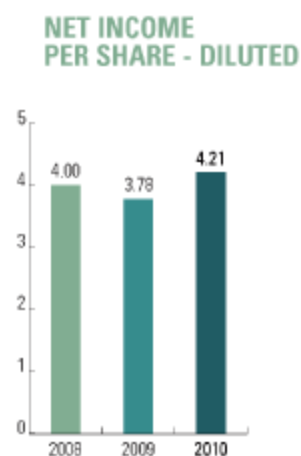
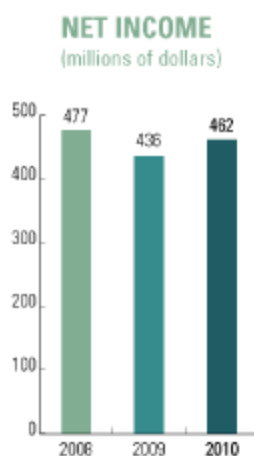
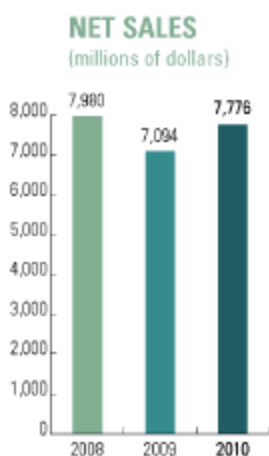
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The Sherwin-Williams Company is an equal opportunity employer that recruits, selects and hires on the basis of individual qualifications and prohibits unlawful discrimination based on race, color, religion, sex, national origin, protected veteran status,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

	2010	2009	2008
Net sales (thousands)	\$7,776,424	\$7,094,249	\$7,979,727
Net income (thousands)	\$ 462,485	\$ 435,848	\$ 476,876
Per common share:			
Net Income — diluted (1)	\$ 4.21	\$ 3.78	\$ 4.00
Net income — basic (1)	\$ 4.28	\$ 3.80	\$ 4.04
Cash dividends	\$ 1.44	\$ 1.42	\$ 1.40
Book value	\$ 15.04	\$ 13.62	\$ 13.72
Average common shares outstanding (thousands)	107,022	113,514	116,835
Return on sales	5.9%	6.1%	6.0%
Return on assets	8.9%	10.1%	10.8%
Return on beginning shareholders' equity	31.0%	27.1%	26.7%
Total debt to capitalization	39.4%	35.4%	34.2%
Interest coverage (2)	10.6x	16.6x	11.9x
Net operating cash (thousands)	\$ 706,590	\$ 859,186	\$ 876,233

(1) Presented using the two-class method.

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



LETTER TO SHAREHOLDERS



From left to right:

John G. Morikis,
President and
Chief Operating Officer

Christopher M. Connor,
Chairman and Chief
Executive Officer

Sean P. Hennessy
Senior Vice President – Finance
and Chief Financial Officer

2010 WAS A YEAR OF GROWTH AND PROGRESS FOR THE Sherwin-Williams Company. We finished the year with consolidated sales of \$7.78 billion, an increase of 9.6 percent over 2009. For the first time in several years, all three of our reportable operating segments achieved organic sales growth. Consolidated net income increased 6.1 percent to \$462.5 million from \$435.8 million in 2009, and diluted net income per common share increased 11.4 percent to \$4.21 from \$3.78 per share in 2009.

These results were achieved in the face of some very significant challenges. The moderate increase in domestic paint and coatings demand early in the year combined with growing momentum in many markets outside the U.S. strained global raw material capacity, causing severe shortages, rapid cost increases and manufacturer-imposed allocation of some key materials such as acrylic latex.

Our people reacted quickly and decisively to help minimize the impact of these shortages on our customers and our business. We redistributed raw materials and finished goods between plants, distribution centers and stores, implemented priority production plans and bought certain materials on the spot market to maintain acceptable service levels. The resulting increase in operating costs combined with rising raw material costs put pressure on our margins and we responded with appropriate price increases.

These stopgap measures were disruptive, but we remained focused on helping our customers succeed, growing market share, generating cash and deploying it in ways that enhance shareholder value. Cash from operations for the year was \$707 million, or just

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over 9 percent of net sales. Our working capital ratio — accounts receivable plus inventories less accounts payable to sales — increased to 11.9 percent of sales at year-end from 10.7 percent at the end of 2009. If you adjust for the working capital from three acquisitions completed during the year, working capital was essentially flat to last year. Free cash flow, which is operating cash minus capital expenditures and dividends, was \$425 million.

We completed three important acquisitions in 2010 for a total investment of approximately \$300 million. Sayerlack and Becker Acroma, two industrial wood finishes businesses with combined annual revenues of more than \$440 million, strengthen our position in the global wood finishing market and provide research and development, manufacturing and distribution capabilities to support our growth in Eastern and Western Europe and Asia. Pinturas Cóndor, a diversified coatings supplier with approximately \$60 million in annual sales, establishes us as the market leader in architectural paint in Ecuador.

During the year, we returned more than \$530 million in cash to shareholders through treasury stock purchases and quarterly dividends. The Company acquired 5 million shares of its common stock on the open market at an average cost of \$75.14 per share. At year-end, we had remaining authorization to purchase an additional 5.75 million shares. We also increased our annual dividend two cents to \$1.44, keeping our string of 32 consecutive years of increased dividends intact.

Our strong balance sheet and free cash flow enabled us to repurchase approximately \$137 million in Sherwin-Williams bonds that mature in 2097. The cost of the call option warrants to purchase these bonds increased our interest expense for the year by approximately \$22 million, which the Company will recoup through interest savings in just over two years. Repurchasing these bonds will reduce the average rate we pay on debt in the future and provide greater flexibility to take advantage of changing rate structures, fluctuating currencies and favorable terms.

Across all divisions we recruited more than 700 high-caliber people into our respected Management Training Programs and invested over \$100 million in research, development and commercialization of new product technologies. We are confident these investments will benefit the Company in the near term and deliver appropriate returns in the long term.

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 alike. Net sales for the Group finished the year at \$4.38 billion, an increase of 4.1 percent from 2009. Comparable-store sales — sales by stores open more than 12 months — increased 3.8 percent in the year. Profit for the Group increased 3.2 percent to \$619.6 million, but decreased as a percent of sales to 14.1 percent from 14.3 percent in 2009. The slight decline in profit margin was primarily the result of higher raw material costs.

Early signs of recovery in the domestic paint market were most evident in the repaint segments. Sales to do-it-yourself homeowners and painting contractors who specialize in repainting existing homes showed the greatest improvement during the year. Painting contractors who perform maintenance painting in non-residential buildings also reported a moderate increase in activity in the second half of 2010.

During the year, we opened 49 stores in new markets and consolidated an additional 13 redundant store locations, for a net increase of 36 new stores. Our store count in the U.S., Canada and the Caribbean now stands at 3,390 compared to 3,354 a year ago. In 2011, we expect our pace of new store openings to accelerate to between 50 and 60 net new locations.

We completed three important acquisitions in 2010 for a total investment of approximately \$300 million and revenues of \$500 million.

CONSUMER GROUP

Our Consumer Group fulfills a dual mission for the Company — supplying branded and private label products to retailers throughout North America and supporting our Paint Stores Group with new product research and development, manufacturing, distribution and logistics. The group manages a highly efficient North American supply chain consisting of 35 manufacturing plants and seven distribution centers and maintains one of the safest transport operations in the country. Under the direction of our Consumer Group, the Breen Technology Center in downtown Cleveland leads our world-wide architectural coatings research and development effort.

External net sales for our Consumer Group increased 5.9 percent to \$1.30 billion from \$1.23 billion in 2009, reflecting moderately higher demand at some of the Segment's retail, industrial and institutional customers. Profit for the year increased 29.6 percent to \$204.0 million and profit margin improved to 15.7 percent from 12.8 percent in 2009. The improvement in Consumer Group's profitability was due primarily to higher sales, good expense control and cost savings resulting from manufacturing plant and warehouse closings completed during the prior year.

During the year we opened 42 net new paint stores and branches worldwide, bringing our total to 3,954.

GLOBAL FINISHES GROUP

Our Global Finishes Group manufactures and sells industrial coatings, automotive finishes, protective and marine coatings and architectural coatings to a growing customer base around the world. We go to market through independent retailers, jobbers, licensees and other third party distributors, as well as through our company-operated branches. With the addition of the three acquisitions completed in 2010, our Global Finishes Group is leading Sherwin-Williams' expansion overseas with sales in more than 100 countries.

Net sales for our Global Finishes Group increased 26.5 percent to \$2.09 billion. Acquisitions increased the Group's sales in U.S. dollars by 14.8 percent and currency translation rate changes before acquisitions increased sales in U.S. dollars by 4.5 percent. Profit for the full year increased to \$123.7 million from \$65.0 million last year, primarily as a result of higher sales volume, good expense control and favorable currency rate changes that more than offset dilution from acquisitions and higher raw material costs. Acquisitions reduced profit \$10.5 million in the year and currency translation increased profit \$8.0 million. As a percent of net sales, the Global Finishes Group's operating profit increased to 5.9 percent from 3.9 percent in 2009.

MANAGEMENT CHANGES

In November, Steve Oberfeld was appointed to the position of Senior Vice President, Corporate Planning and Development. In this role, Steve will be responsible for managing and implementing the Company's merger and acquisition strategy and for supervising our strategic and operating planning process. Steve joined Sherwin-Williams in 1984 and served as President of the Paint Stores Group since 2006. Thanks to Steve's leadership, Paint Stores Group is emerging from this historic recession with higher market share, a larger store base and is well prepared to capitalize on the domestic market recovery when it does occur.

Jay Davisson was appointed to succeed Steve as President of the Paint Stores Group. Jay is a twenty-four year veteran of the Company and served as President and General Manager, Southeastern Division of the Paint Stores Group since 1999. Through an aggressive store opening program and emphasis on the fastest growing customer segments, Jay led the Southeastern Division through a rapid period of expansion, outpacing the growth of the market and building Sherwin-Williams' share in this important geographic region.

Tim Knight was appointed President of our Latin America Coatings Group. Tim joined Sherwin-Williams in 1998 and has held a variety of leadership positions, including President and General Manager of the Diversified Brands Division, President of our International Coatings Group and, most recently, Senior Vice President, Corporate Planning and Development.

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Since 2006, as head of our mergers and acquisitions effort, Tim completed 14 transactions representing nearly \$800 million in annual revenues.

These executives have proven themselves to be capable business managers and outstanding leaders over their tenures with the Company. Each brings an impressive record of accomplishments to his new role.

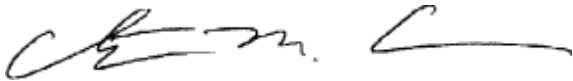
OUTLOOK FOR 2011

If 2010 did mark the end of the four-year slide in U.S. coatings industry volume, we believe the recovery from here is likely to be slow and erratic. Most forecasts for new domestic construction in the coming year call for modest increases from the low base established in 2010. Home maintenance and remodeling activity, which was a relative bright spot in 2010, should continue to improve with the overall economy and consumer confidence. Industrial coatings volumes will grow in line with the somewhat more robust recovery in manufacturing and infrastructure investment.

Over the past three years, we have worked hard to make Sherwin-Williams a leaner, financially stronger and more profitable company. We have fine-tuned our capital structure, reduced fixed costs, managed our SG&A expense and expanded our distribution platform domestically and abroad. These actions, along with our continued focus on serving a diverse and increasingly global customer base, have positioned us to perform well through the balance of this recession and outperform in a recovery. We are confident that 2011 will be another year of improvement for the Company.

Across all divisions we recruited more than 700 high caliber people into our respected Management Training Programs.

On behalf of the men and women of The Sherwin-Williams Company around the world, we offer our thanks and appreciation to our customers, suppliers and shareholders for their continued trust and confidence.



CHRISTOPHER M. CONNOR
CHAIRMAN AND CHIEF EXECUTIVE OFFICER





SHERWIN-WILLIAMS PAINT STORES ARE THE EXCLUSIVE OUTLETS FOR Sherwin-Williams® branded paints, stains, painting tools, equipment and floorcovering. In 2010, the Paint Stores Group recorded sales of \$4.38 billion and generated \$619.6 million in profit.

Because we believe the professional painter will be the fastest growing customer segment in the coatings market, and pros prefer to shop at specialty paint stores for supplies and equipment, we continued to invest in new store locations in 2010. We opened 49 new store locations during the year and closed 13 for a net increase of 36 and a total of 3,390 stores in the U.S., Canada and the Caribbean. These stores serve a diverse customer base that includes architectural and industrial painting contractors, residential and commercial builders and remodelers, property owners and managers, OEM product finishers and do-it-yourself homeowners.

The temporary shortage of acrylic latex and other key raw materials reached a critical stage mid-year and the entire industry scrambled for materials to keep plants running. Our large store base enabled us to maintain relatively high service levels by moving finished goods between stores and distribution centers to align inventory with order volume. These steps were inefficient and expensive, but they helped to strengthen our relationships with professional customers who



were also feeling the pinch of tight raw material supply, and we grew our domestic market share as a result.

In April of 2010, the Environmental Protection Agency enacted a new rule called the Renovation, Repair and Painting (RRP) Rule. It requires contractors working in homes, child care facilities, and schools built before 1978 to be certified and follow specific work practices to prevent lead dust contamination of the property during surface preparation. In a nationwide effort to help our contractor customers comply with this new rule, we conducted 670 training classes, certifying more than 32,000 contractors, making it the largest private-sector RRP Rule training effort in the nation.

During the year, we introduced some important new product lines to address the growing demand for environmentally favorable “green” products. Our new Property Solution™ Interior Latex is a low odor, low-VOC interior paint ideal for larger builders and property management firms in search of a uniform nationwide specification. ProMar® and ProClassic® Waterborne Acrylic Alkyds offer the application and finish of an oil-based paint, the non-yellowing properties of an acrylic with a VOC content of less than 50 grams per liter. To support the fast-growing need for concrete and masonry coatings, we launched several new products including Loxon® 40% Silane Water Repellant, Sher-Crete® Flexible Concrete Waterproofer, and Modac® F-100 and Modur™ F solvent-based acrylic coatings.

Designers, do-it-yourselfers and contractors alike embrace color and faux finishing as a way to create a unique, personalized space. In 2010, we introduced Faux Impressions™, a new best-in-class line with a complete assortment of faux finishing coatings and tools that make it easier than ever to get consistently beautiful results and take advantage of the growth opportunities in this niche.

Participation in our Preferred Customer Program grew by more than 30 percent last year reaching millions of customers with decorating tips and exclusive offers. We also continue to grow our specifications and share of the designer market. For the fourth year in a row, we won multiple Pearl Awards for our designer-targeted communications.



PRODUCTS SOLD: Paints, stains, coatings, caulks, applicators, wallcoverings, floorcoverings, spray equipment and related products

MARKETS SERVED: Do-it-yourselfers, professional painting contractors, home builders, property managers, architects, interior designers, industrial, marine, flooring and original equipment manufacturer (OEM) product finishes

MAJOR BRANDS SOLD:

Sherwin-Williams®, ProMar®, SuperPaint®, A-100®, Duron®, MAB®, PrepRite®, Duration®, ProGreen®, Harmony®, ProClassic®, WoodScapes®, DeckScapes®, Cashmere®, Classic 99® and Columbia™

OUTLETS: 3,390 Sherwin-Williams stores in the United States, Canada, Jamaica, Puerto Rico, St. Maarten, Trinidad and Tobago and the Virgin Islands





CONSUMER GROUP CONTRIBUTES TO THE SUCCESS OF SHERWIN-WILLIAMS in two important ways: by selling one of the industry’s strongest portfolios of branded and private label products through retailers across North America and by running one of the industry’s most efficient and productive research and development, manufacturing and distribution operations.

We supply well-known, nationally branded products like Dutch Boy® and Pratt & Lambert® paints, Minwax® interior wood finishing products, Krylon® aerosol paints, Thompson’s® WaterSeal® exterior waterproofing products, Purdy® paint brushes and rollers and Dupli-Color® automotive specialty products to a majority of paint and automotive retailers in the United States and Canada. In 2010, the Consumer Group recorded net sales of \$1.3 billion and generated more than \$204 million in profit.

Widespread raw materials shortages throughout the year threatened to disrupt our supply of many popular products, but the combination of deft production and logistics planning and the advantages of our controlled distribution helped to minimize the impact on our customers. Our dedicated fleet of tractor-trailers expedited raw material deliveries from suppliers to our plants and optimized raw material and finished goods availability across facilities and geographies.



We instituted flexible production scheduling and prioritized certain high-volume product lines. Where practical, we consolidated production in facilities close to key raw material suppliers and accelerated approvals of alternative materials. These steps, along with our ability to manage inventory down to the store level in our Paint Stores Group, helped to ensure adequate product availability for our customers and minimize the impact of raw material shortages on our sales.

Pratt & Lambert® brand paint ranked highest in customer satisfaction in J.D. Power and Associates' 2010 report on interior paint, the first year the brand was included in the annual survey. Respondents rated Pratt & Lambert® paint particularly strong on application characteristics, which the study found to be the most important factors contributing to overall satisfaction. Application characteristics included ease of application, level of fumes, spatter and drip resistance, and adequacy of coverage.

Dutch Boy® brand has long been associated with innovative products that simplify home improvement projects. In 2009, we introduced Dutch Boy® Refresh®, a zero-VOC interior paint with Arm & Hammer® odor-eliminating technology. In 2010, we followed that successful launch with Dutch Boy® Dura Weather® MAX-BOND™, an exterior paint with a unique Interpenetrating Polymer Technology (IPT) that provides superior adhesion on chalky, dirty or glossy surfaces. Homeowners can now skip powerwashing, sanding or priming and get lifetime protection in a single coat application.

In 2010, we also introduced Minwax® Express Color, an easy, one-step wiping stain and finish available in a wide array of colors. Minwax® Express Color is water-based so it's low odor, fast drying and cleans up with soap and water.

For truck owners, our new Dupli-Color® Bed Armor® is a tough, water-based, rubberized polyurethane coating that provides maximum truck bed protection. The only do-it-yourself truck bed liner formulated with DuPont™ Kevlar®, it provides maximum protection against chipping, fading or flaking.

PRODUCTS SOLD: Branded, private label and licensed brand paints, stains, varnishes, industrial products, wood finishing products, wood preservatives, applicators, corrosion inhibitors, aerosols and related products

MARKETS SERVED: Do-it-yourselfers, professional painting contractors, industrial maintenance and flooring contractors

MAJOR BRANDS SOLD: Dutch Boy®, Krylon®, Minwax®, Cuprinol®, Thompson's® WaterSeal®, Pratt & Lambert®, Martin Senour®, H&C®, White Lightning®, Dupli-Color®, Rubberset®, Purdy®, Dobco™, Bestt Liebco®, Accurate Dispersions™, Uniflex®, VHT®, Kool Seal®, Snow Roof®, Altax™, Tri-Flow®, Sprayon® and Ronseal™

OUTLETS: 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





GLOBAL FINISHES GROUP MANUFACTURES AND SELLS OEM PRODUCT finishes, automotive finishes, protective and marine coatings and architectural coatings to a growing customer base in 109 countries. In 2010, the Group recorded sales of \$2.09 billion and generated \$123.7 million in profit.

We serve architectural paint customers in markets outside North America through company-operated paint stores, home centers, discount stores and independent paint dealers. Our product finishes, automotive finishes and protective and marine coatings are sold globally through a mix of company-operated branches, wholesale distributors and jobbers.

The Global Finishes Group is a leading supplier of waterborne and solvent-based liquid, powder, and UVcurable coatings to original equipment manufacturers around the world. Our coatings beautify and protect many of the products sold under such well-known brands as Fender® guitars, IKEA® and Ethan Allen® furniture, and Jeld-Wen® and Masonite® building materials.

In 2010, we acquired Sayerlack Industrial Coatings, headquartered in Pianoro, Italy, and Becker Acroma based in Stockholm, Sweden. These two businesses establish Sherwin-Williams as a market leader in high-



performance wood finishes in Europe and provide product technologies and manufacturer specifications to help drive our growth in other geographic markets. Together they expand our reach to 21 countries in which we previously had little or no presence and generate export sales in 42 additional countries in the Middle East, Africa and Asia.

Our automotive finishes business focuses primarily on collision repair, fleet owners and vehicle refinishers, auto and truck dealerships, production shops and auto body builders, and tier suppliers. Customers rely on Sherwin-Williams for innovations that help drive efficiency and productivity. For example, our new LeanStock™ shop inventory management system, a scanner-based, online ordering and next-day delivery system, helps collision shops increase profitability by reducing inventories and increasing turns. Our EcoLean™ workshops help collision repair customers adopt lean production and environmentally favorable practices into their operations.

Innovation drives our protective and marine coatings business. Sherwin-Williams supplies high-technology coatings for high-profile projects ranging from airports to oil rigs, bridges to mining facilities throughout the Americas, Asia and the Middle East. Graffiti is a global epidemic that costs municipalities and property owners tens of millions of dollars to control. The introduction of our Pro Industrial Anti-Graffiti Coating is revolutionizing graffiti removal. Once applied to a substrate, this coating creates a permanent barrier that prevents graffiti from bonding, so it can be removed with water from a powerwasher or spray nozzle.

In 2010, we completed the acquisition of Pinturas Cóndor, the leading paint company in Ecuador. This transaction brings the Cóndor™ brand to the Sherwin-Williams portfolio and establishes a controlled distribution platform consisting of four company-owned Expocolor stores and 15 dedicated Expocolor dealers. In addition to the Cóndor™ brand, these stores also provide a new distribution channel for our Sherwin-Williams® and Lazzuril® automotive finishes brands. The addition of the company-owned Expocolor stores along with six organic store openings during the year brings out total store count in Latin America to 245.

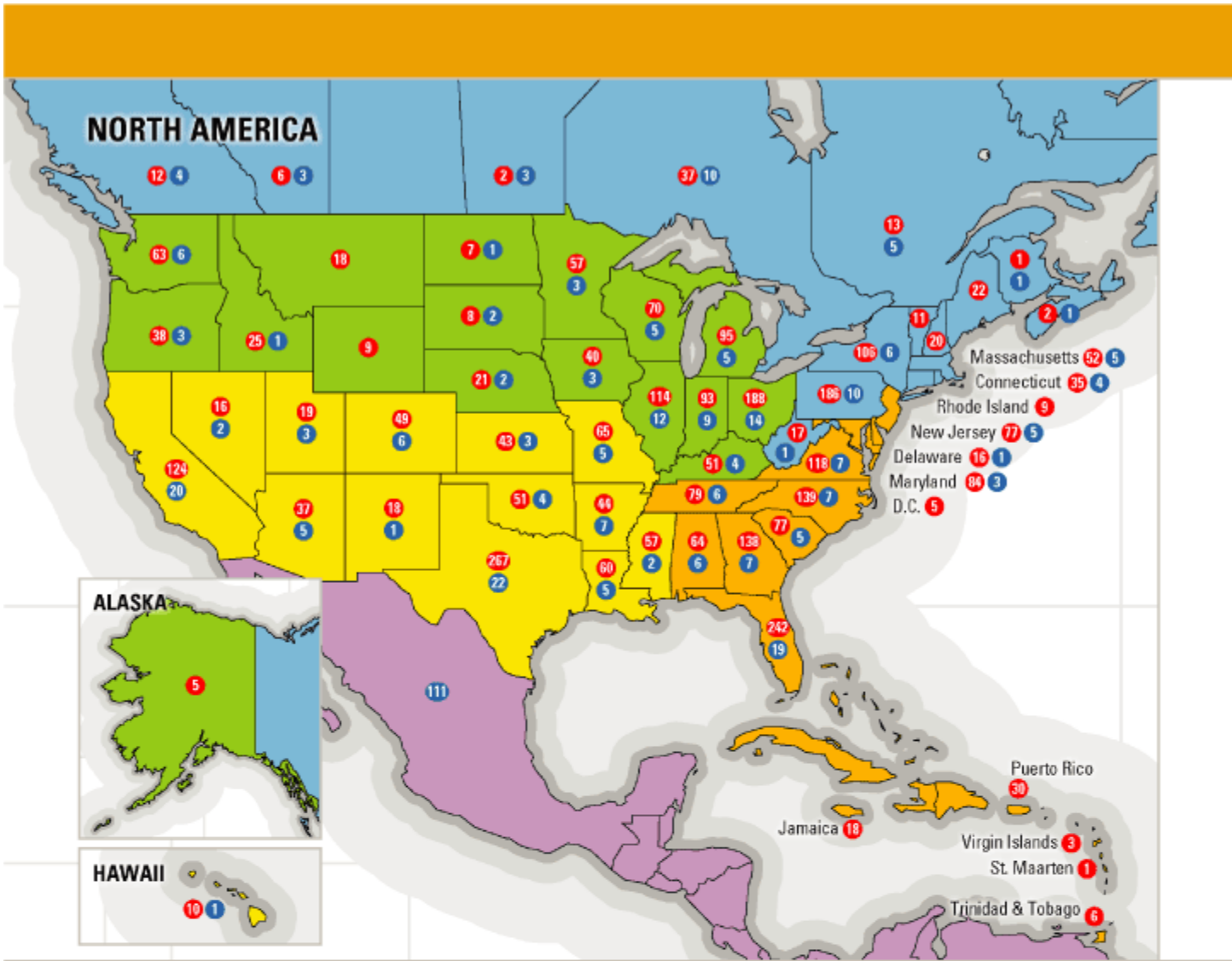
PRODUCTS SOLD: Architectural paints, stains, coatings, varnishes, industrial maintenance products, wood finishing products, applicators, aerosols, high performance interior and exterior coatings for the automotive, aviation, fleet and heavy truck markets, OEM product finishes and related products

MARKETS SERVED: Do-it-yourselfers, professional painting contractors, independent paint dealers, industrial maintenance, automotive jobbers, automotive wholesale distributors, collision repair facilities, automotive dealerships, fleet owners and refinishers, automotive production shops, body builders, aviation and OEM product finishers

MAJOR BRANDS SOLD: Sherwin-Williams®, Marson™, Metalatex®, Novacor®, Loxon®, Colorgin™, Andina™, Lazzuril®, Excelo®, Napko™, Baco®, Planet Color®, AWX®, Ultra™, Ultra-Cure®, Martin Senour®, Kem Aqua®, Sher-Wood®, Powdura®, Polane®, Euronavy®, Inchem™, Sumare™, Sayerlack®, Becker Acroma™, Condor™, Dutch Boy®, Krylon®, Kem Tone®, Minwax®, Thompson's® Waterseal® and Pratt & Lambert®

OUTLETS: 564 company-operated architectural, automotive, industrial and chemical coatings branches and other operations in the United States, Argentina, Belarus, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Ecuador, Finland, France, Germany, India, Ireland, Italy, Lithuania, Malaysia, Mexico, Norway, Peru, Philippines, Poland, Portugal, Romania, Russia, Singapore, Sweden, Spain, Thailand, Ukraine, United Kingdom, Uruguay and Vietnam. Distribution in 10 other countries through wholly owned subsidiaries, joint ventures and licensees of technology, trademarks and trade names.



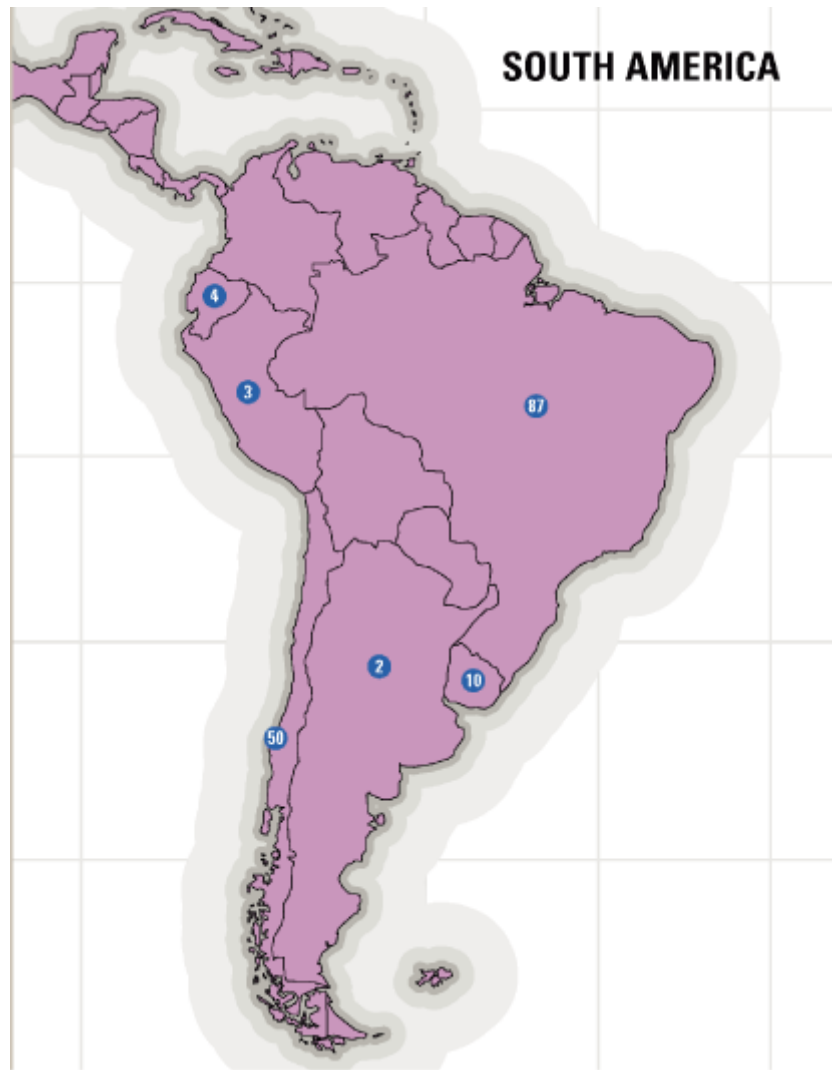


PAINT STORES GROUP DIVISIONAL ORGANIZATION	STORE TYPE
■ EASTERN DIVISION	● PAINT STORES GROUP STORES
■ MID WESTERN DIVISION	● GLOBAL FINISHES GROUP BRANCHES
■ SOUTHEASTERN DIVISION	
■ SOUTH WESTERN DIVISION	

DOMESTIC SUBSIDIARIES

- Contract Transportation Systems Co.
- Life Shield Engineered Systems LLC
- Omega Specialty Products & Services LLC
- Sherwin-Williams Realty Holdings, Inc.
- SWIMC, Inc.
- The Sherwin-Williams Acceptance Corporation





◀ TODAY, THE PAINT STORES

Group has 3,390 company-operated specialty paint stores in the United States, Canada and the Caribbean region. More than 90% of the U.S. population lives within a 50-mile radius of a Sherwin-Williams paint store. The Global Finishes Group has 564 company-operated architectural, automotive, industrial and chemical coatings branches primarily in North and South America.

FOREIGN SUBSIDIARIES

Becker Acroma ARTI GmbH
 Becker Acroma A/S
 Becker Acroma AS
 Becker Acroma Balkan S.R.L.
 Becker Acroma Bel
 Becker Acroma Benelux NV
 Becker Acroma China Limited
 Becker Acroma (Ireland) Limited
 Becker Acroma Italia S.p.A.
 Becker Acroma KB
 Becker Acroma Limited
 Becker Acroma Polska Sp. z o.o
 Becker Acroma Qingdao Co. Ltd.
 Becker Acroma Qingdao Trading Co. Ltd.
 Becker Acroma SAS
 Becker Acroma spol s.r.o
 Becker Acroma (Thailand) Co., Ltd.
 Becker Acroma Vietnam Co. Ltd.

Colorman Coatings Pte. Ltd.
Compania Sherwin-Williams, S.A. de C.V.
Euronavy-Tintas Maritimas e Industriais S.A.
Kuhn & Klemmer GmbH
OY Becker Acroma Ab
Pinturas Condor S.A.
Pinturas Industriales S.A.
Productos Quimicos y Pinturas, S.A. de C.V.
Przedsiębiorstwo Altax Sp. z o.o
Quetzal Pinturas, S.A. de C.V.
Ronseal (Ireland) Limited
Ronseal Limited
Sayerlack S.r.l.
Sayerlack Color S.r.l.
Sayerlack Singapore Pte. Ltd.
Sherwin-Williams Argentina l.y C.S.A.
Sherwin-Williams Aruba VBA
Sherwin-Williams Automotive Europe S.r.l.
Sherwin-Williams Automotive Mexico S. de R.L. de C.V.
Sherwin-Williams (Belize) Limited
Sherwin-Williams Canada Inc.
Sherwin-Williams (Caribbean) N.V.
Sherwin-Williams Cayman Islands Limited
Sherwin-Williams Chile S.A.
Sherwin-Williams Coatings S.R.L.
Sherwin-Williams do Brasil Industria e Comercio Ltda.
Sherwin-Williams France Coatings SAS
Sherwin-Williams Japan Co., Ltd.
Sherwin-Williams (Malaysia) Sdn. Bhd.
Sherwin-Williams Management (Shanghai) Co., Ltd.
Sherwin-Williams Paints (Dongguan) Co. Limited
Sherwin-Williams Paints India Private Limited
Sherwin-Williams Paints LLC
Sherwin-Williams (Philippines), Inc.
Sherwin-Williams Pinturas de Venezuela S.A.
Sherwin-Williams (S) Pte. Ltd.
Sherwin-Williams (Shanghai) Limited
Sherwin-Williams Spain Coatings S.L.
Sherwin-Williams UK Automotive Limited
Sherwin-Williams Uruguay S.A.
Sherwin-Williams (Vietnam) Limited
Sherwin-Williams (West Indies) Limited
The Sherwin-Williams Company Resources Limited
UAB Becker Acroma
ZAO Becker Acroma
Zhao Qing Sherwin-Williams Coatings Co., Ltd

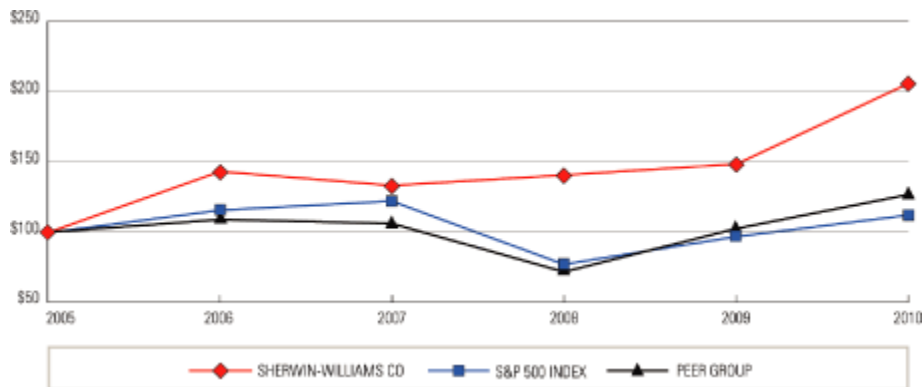
SHAREHOLDER RETURNS



FIVE YEAR RETURN ▶

The graph at right 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, 2005 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, 2010.

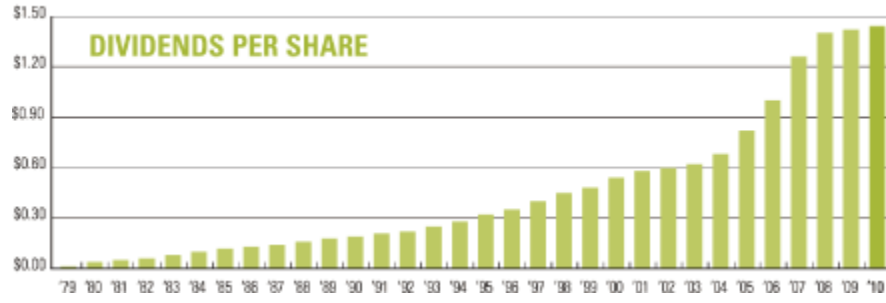
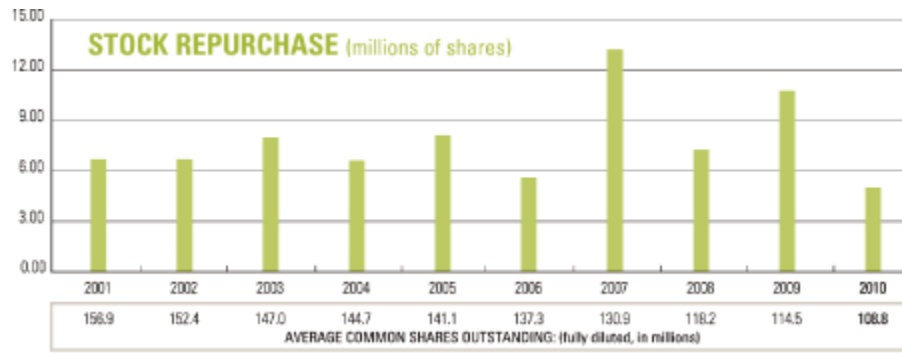
COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



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

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 2010, the Company paid a cash dividend of \$1.44 per share, marking the 32nd consecutive year we increased our dividend. Share repurchases are also an efficient way of returning cash to shareholders in that it returns sellers' investment at market value and maximizes the value of the remaining shares outstanding. In 2010, we purchased 5 million shares on the open market. Over the past 10 years we have reduced our average diluted common shares outstanding by 48 million shares.





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FINANCIAL SUMMARY

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

	2010	2009	2008	2007	2006
Operations					
Net sales	\$ 7,776	\$ 7,094	\$ 7,980	\$ 8,005	\$ 7,810
Cost of goods sold	4,295	3,831	4,481	4,406	4,395
Selling, general and administrative expenses	2,728	2,535	2,644	2,597	2,512
Impairments and dissolution	4	36	55	16	1
Interest expense	71	40	66	72	67
Income before income taxes	678	623	714	913	834
Net income	462	436	477	616	576
Financial Position					
Accounts receivable — net	\$ 917	\$ 696	\$ 770	\$ 871	\$ 865
Inventories	918	738	864	887	825
Working capital — net	150	376	(28)	(72)	375
Property, plant and equipment — net	952	819	860	899	829
Total assets	5,169	4,324	4,416	4,855	4,995
Long-term debt	648	783	304	293	292
Total debt	1,045	818	834	965	875
Shareholders' equity	1,609	1,491	1,606	1,786	1,992
Per Common Share Information					
Average shares outstanding (thousands)	107,022	113,514	116,835	127,222	133,579
Book value	\$ 15.04	\$ 13.62	\$ 13.72	\$ 14.54	\$ 14.92
Net income — diluted (1)	4.21	3.78	4.00	4.70	4.19
Net income — basic (1)	4.28	3.80	4.04	4.80	4.27
Cash dividends	1.44	1.42	1.40	1.26	1.00
Financial Ratios					
Return on sales	5.9%	6.1%	6.0%	7.7%	7.4%
Asset turnover	1.5x	1.6x	1.8x	1.6x	1.6x
Return on assets	8.9%	10.1%	10.8%	12.7%	11.5%
Return on equity (2)	31.0%	27.1%	26.7%	30.9%	33.3%
Dividend payout ratio (3)	38.1%	35.5%	29.8%	30.1%	30.5%
Total debt to capitalization	39.4%	35.4%	34.2%	35.1%	30.5%
Current ratio	1.1	1.3	1.0	1.0	1.2
Interest coverage (4)	10.6x	16.6x	11.9x	13.7x	13.4x
Net working capital to sales	1.9%	5.3%	(0.3)%	(0.9)%	4.8%
Effective income tax rate (5)	31.8%	30.0%	33.3%	32.6%	31.0%
General					
Capital expenditures	\$ 125	\$ 91	\$ 117	\$ 166	\$ 210
Total technical expenditures (6)	103	102	106	102	101
Advertising expenditures	218	218	234	256	281
Repairs and maintenance	76	69	76	73	69
Depreciation	140	145	143	139	123
Amortization of intangible assets	35	26	22	24	23
Shareholders of record (total count)	8,706	9,151	9,469	9,803	10,173
Number of employees (total count)	32,228	29,220	30,677	31,572	30,767
Sales per employee (thousands of dollars)	\$ 241	\$ 243	\$ 260	\$ 254	\$ 254
Sales per dollar of assets	1.50	1.64	1.81	1.65	1.56

(1) All earnings per share amounts are presented using the two-class method. See Note 16.

(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 three reportable operating segments — Paint Stores Group, Consumer Group and Global Finishes Group (collectively, the "Reportable Operating 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 6 through 13 of this report and Note 19, on pages 74 through 77 of this report, for more information concerning the Reportable Operating Segments.

The weak U.S. and global economic conditions that affected architectural paint sales volume in 2008 challenged operations in 2009. The Company continued to manage through an overall sluggish domestic economy in 2010 while working hard to maintain customer service in this uncertain environment. Economic conditions continued to improve throughout the second half of 2010 for domestic architectural and global markets the Company serves. However, rising raw material costs had a negative effect on operating results. Selected selling price increases have been implemented to offset the current raw material cost increases. Raw material supply shortages in the second and third quarters adversely impacted results for the first nine months of 2010. Management of the Company continues to use the latest information available while performing valuation procedures to ensure the Company's assets and liabilities are properly stated throughout this period of uncertain economic conditions and changing business environment. For more information concerning management's periodic reviews conducted in respect to the current economic environment, see the discussion of critical accounting policies and estimates in the following section.

The Company's financial condition, liquidity and cash flow remained strong in 2010 in spite of the uncertain economic and raw material environments. Net working capital decreased \$226.6 million at December 31, 2010 compared to 2009 due primarily to a larger proportional increase in current liabilities than current assets. Short-term borrowings increased \$365.9 million, Accounts payable increased \$234.9 million and all other current liabilities increased \$69.5 million. Accounts receivable and Inventories were up \$399.8 million. The remaining current assets increased \$43.9 million. The Company's current ratio decreased to 1.07 at December 31, 2010 from 1.27 at December 31, 2009. Total debt at December 31, 2010 increased \$227.2 million to \$1.04 billion from \$817.6 million at December 31, 2009. Total debt increased as a percentage of total capitalization to 39.4 percent from 35.4 percent at the end of 2009. At December 31, 2010, the Company had remaining borrowing ability of \$1.17 billion. Net operating cash decreased \$152.6 million to \$706.6 million in 2010 from \$859.2 million in 2009 due primarily to an increase in working capital of \$191.8 million partially offset by an increase in net income of \$26.6 million. Net operating cash decreased as a percent to sales to 9.1 percent in 2010 compared to 12.1 percent in 2009. Strong Net operating cash provided the funds necessary to acquire businesses, invest in new stores, manufacturing and distribution facilities, maintain financial stability and return cash to shareholders through dividends and treasury stock purchases. In 2010, the Company used Net operating cash along with funds from increased total debt of \$227.2 million to invest \$298.2 million in acquisitions, spend \$125.2 million in capital additions and improvements, purchase \$375.7 million in treasury stock, and pay \$156.4 million in cash dividends to its shareholders of common stock.

Results of operations for the Company in 2010 were impacted by an uncertain raw material environment with respect to supply as well as cost increases. The Company continues to focus on controlling costs and implementing price increases to offset current raw material cost increases while maintaining customer service and gaining new business. Consolidated net sales increased 9.6 percent in 2010 to \$7.78 billion from \$7.09 billion in 2009 due primarily to higher paint sales volume, acquisitions, and selling price increases. Acquisitions increased consolidated net sales 3.4 percent in 2010. Net sales in the Paint Stores Group increased 4.1 percent in the year to \$4.38 billion due primarily to selling price increases and improving domestic architectural paint sales to residential repaint contractors and DIY customers. Net sales in the Paint Stores Group from stores open more than twelve calendar months increased 3.8 percent. Net sales in the Consumer Group increased 5.9 percent to \$1.30 billion due primarily to improving demand at some of the Segment's retail, industrial and institutional customers. Net sales in the Global Finishes Group increased 26.5 percent in the year to \$2.09 billion when stated in U.S. dollars due primarily to acquisitions, higher paint sales volume, and favorable currency translation rate changes. Acquisitions increased net sales 14.8 percent, and favorable currency translation rate changes increased net sales 4.5 percent in the Global Finishes Group. Gross profit as a percent of consolidated net sales decreased to 44.8 percent in 2010 from 46.0 percent in 2009 due primarily to increasing raw material costs partially offset by selling price increases, increased paint volume, and cost

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

savings realized from prior year site rationalizations. Selling, general and administrative expenses (SG&A) increased \$193.3 million dollars in 2010 compared to 2009 due primarily to acquisitions and increased expenses to support higher sales levels in the Paint Stores Group and Global Finishes Group. SG&A decreased as a percent of consolidated net sales to 35.1 percent in 2010 as compared to 35.7 percent in 2009 due primarily to higher sales levels and good cost control in all Reportable Operating Segments. Other general expense — net decreased \$29.8 million due to decreased accruals for environmental-related matters and net expense (income) of exit or disposal activities. Trademark impairment charges of \$4.5 million occurred in 2010 due to the anticipated shortfall in sales of certain domestic and foreign trademarks. Impairments of trademarks were \$14.1 million in 2009. In 2009, the Company dissolved a European subsidiary resulting in a pre-tax expense of \$21.9 million. The Company restructured other business units in 2009 to maintain service to the majority of its European customers. Interest expense increased \$30.6 million in 2010 due to costs related to the repurchase of a majority of the Company's 7.45% debentures and increased total average debt levels partially offset by lower borrowing rates. The effective income tax rate for 2010 was 31.8 percent, including a one-time increase in income tax expense of \$11.4 million relating to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Acts") passed by Congress in March 2010, compared to 30.0 percent in 2009. Diluted net income per common share, including charges relating to the Acts \$.10 per share, repurchase of a majority of the Company's 7.45% debentures \$.12 per share, and dilution from acquisitions \$.10 per share in 2010 and a loss on the dissolution of a foreign subsidiary and impairment charges totaling \$.13 per share in 2009, increased 11.4 percent to \$4.21 per share for 2010 from \$3.78 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 considered the impact of the current global economic conditions and utilized certain outside economic sources of information when developing the bases for their estimates and assumptions. The impact of the current global economic conditions on the estimates and assumptions used by management was believed to be reasonable under the circumstances. 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 50 of this report. The following procedures and assumptions utilized by management directly impacted many of the reported amounts in the consolidated financial statements.

Non-Traded Investments

The Company has invested in the U. S. affordable housing and historic renovation real estate markets. These investments have been identified as variable interest entities. However, the Company is not the primary beneficiary and did not consolidate the operations of the investments. The carrying amounts of these non-traded investments, which approximate market value, were determined based on cost less related income tax credits determined by the effective yield method. The Company's risk of loss from these non-traded investments is limited to the amount of its contributed capital. 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 28 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 related to the creditworthiness 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. As of December 31, 2010, 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, 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 4, on page 51 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. Effective January 1, 2009, costs incurred in connection with business combinations, such as legal fees, bank fees and valuation fees as well as indirect costs such as recurring internal costs, are no longer capitalized as part of the purchase price and are expensed as incurred.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performs impairment tests of goodwill and indefinite-lived intangible assets whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Also, as required, management performs impairment testing of goodwill and indefinite-lived intangible assets at least annually during the fourth quarter of each year.

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 a reportable operating segment per the Segment Reporting Topic of the ASC or one level below the reportable 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 a reportable operating segment having similar economic characteristics. At the time of goodwill impairment testing, 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

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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 discounted cash flow valuation methodology and calculations used in 2010 impairment testing are consistent with prior years.

The Company had 9 reporting units with goodwill as of October 1, 2010, the date of the annual impairment test. The fair values of each of the reporting units exceeded their respective carrying values by more than 10 percent, and no goodwill impairment was recorded. The Company performed a sensitivity analysis on the discount rate, which is a significant assumption in the calculation of the fair values. With a 1 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 2010 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 5, on pages 50 through 53 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, 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 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 5. See Notes 5 and 6, on pages 51 through 56 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. During 2010 and 2009, management revised some of its

long-term strategic goals in line with the continuing weak economic conditions and product demand that are expected to exist globally resulting in the shutdown, closure and potential disposition of certain manufacturing and distribution facilities, administrative offices, stores and branches. 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 represent post-closure rent expenses, incremental post-closure costs 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, 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 6, on pages 53 through 56 of this report, for information concerning impairment of property, plant and equipment and accrued qualified exit costs.

Other Liabilities

The Company is self-insured for certain liabilities, primarily worker's compensation claims, employee medical and disability 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 over-funded plans and as a liability for unfunded or under-funded 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 2009 and 2010. An increase in market value of equity securities held by the plans during 2009 and 2010 will decrease the future amortization of actuarial losses recognized in Cumulative comprehensive loss, but not enough to offset the full extent of losses experienced in 2008. This amortization, combined with the change in the domestic salaried defined benefit pension plan and the increase in estimated returns on assets of the plans due to the higher level of asset values, will decrease net pension costs in 2011. See Note 7, on pages 56 through 62 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

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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 8, on pages 62 through 64 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 pages 26 and 27 and Note 9, on pages 64 and 65 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 litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial and contractual 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 pages 30 through 32 of this report and Note 10, on pages 65 through 67 of this report, for information concerning litigation.

In addition, the Company may be subject to potential liabilities for which a loss was not deemed probable at this time and a fair value was not available or an amount could not be reasonably estimated due to uncertainties involved. See pages 29 and 30 of this report for more information concerning contingent liabilities.

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 15, on pages 71 through 73 of this report, for information concerning the Company's unrecognized tax benefits, interest and penalties and current and deferred tax expense.

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 and for all unvested awards granted prior to January 1, 2006.

The Company estimates the fair value of all share-based payments 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 13, on pages 69 and 70 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 remained strong in 2010 in spite of the uncertain economic and raw material environments. Net working capital decreased \$226.6 million at December 31, 2010 compared to 2009 due primarily to a larger proportional increase in current liabilities than current assets. Short-term borrowings increased \$365.9 million, Accounts payable increased \$234.9 million and all other current liabilities increased \$69.5 million. Accounts receivable and Inventories were up \$399.8 million. The remaining current assets increased \$43.9 million. The Company's current ratio decreased to 1.07 at December 31, 2010 from 1.27 at December 31, 2009. Total debt at December 31, 2010 increased \$227.2 million to \$1.04 billion from \$817.6 million at December 31, 2009. Total debt increased as a percentage of total capitalization to 39.4 percent from 35.4 percent at the end of 2009. At December 31, 2010, the Company had remaining borrowing ability of \$1.17 billion. Net operating cash decreased \$152.6 million to \$706.6 million in 2010 from \$859.2 million in 2009 due primarily to an increase in working capital of \$191.8 million partially offset by an increase in net income of \$26.6 million. Net operating cash decreased as a percent to sales to 9.1 percent in 2010 compared to 12.1 percent in 2009. Strong Net operating cash provided the funds necessary to acquire businesses, invest in new stores, manufacturing and distribution facilities, maintain financial stability and return cash to shareholders through dividends and treasury stock purchases. In 2010, the Company used Net operating cash along with funds from increased total debt of \$227.2 million to invest \$298.2 million in acquisitions, spend \$125.2 million in capital additions and improvements, purchase \$375.7 million in treasury stock, and pay \$156.4 million in cash dividends to its shareholders of common stock.

Net Working Capital

Total current assets less Total current liabilities (net working capital) decreased \$226.6 million to a surplus of \$149.8 million at December 31, 2010 from a surplus of \$376.4 million at December 31, 2009. The decrease in net working capital related to an increase in Total current liabilities of \$670.3 million due primarily to an increase in Short-term borrowings of \$365.9 million and Accounts payables of \$234.9 million. The Company has sufficient total available borrowing capacity to fund its current operating needs. A corresponding increase in Total current assets of \$443.7 million was due primarily to an increase in Accounts receivable and Inventories of \$399.8 million while the remaining current assets increased \$43.9 million. The increase in Total current liabilities that exceeded the increase in Total current assets caused the Company's current ratio to decrease to 1.07 at December 31, 2010 from 1.27 at December 31, 2009. Accounts receivable as a percent of Net sales increased to 11.8 percent in 2010 from 9.8 percent in 2009 as accounts receivables increased more than sales due primarily to a partial year of sales for businesses acquired during 2010. Accounts receivable days outstanding increased to 56 days in 2010 from 53 days in 2009. In 2010, provisions for allowance for doubtful collection of accounts increased \$14.6 million, or 32.5 percent, primarily due to acquisitions. Inventories increased as a percent of Net sales to 11.8 percent in 2010 from 10.4 percent in 2009 due primarily to rising raw material costs and a partial year of sales for businesses acquired during 2010. Inventory days outstanding decreased to 94 days in 2010 from 96 days in 2009. Accounts payable increased in 2010 to \$909.6 million compared to \$674.8 million last year due primarily to increased material requirements for higher manufactured paint volumes, rising raw material costs and acquisitions.

Goodwill and Intangible Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired in purchase business combinations, increased \$87.6 million in 2010 due primarily to \$79.9 million additional goodwill resulting from acquisitions

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and other adjustments, primarily currency translation rate changes, of \$7.7 million.

Intangible assets increased \$41.1 million during 2010. Acquired indefinite-lived intangible assets of \$18.0 million and finite-lived intangible assets of \$36.3 million, \$17.2 million of capitalized software costs, and other adjustments of \$9.1 million, primarily currency translation rate changes, more than offset impairments of definite-lived intangible assets of \$4.5 million and amortization of finite-lived intangible assets of \$35.0 million. 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 5, on pages 50 through 53 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 \$248.3 million at December 31, 2010 represent the excess of the fair market value of assets over the actuarially determined projected benefit obligations, primarily of the domestic salaried defined benefit pension plan. The increase in Deferred pension assets during 2010 of \$3.0 million, from \$245.3 million last year, was due primarily to an increase in the fair market value of equity securities held by the salaried defined benefit pension plan. In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the increase 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 7, on pages 56 through 62 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 \$136.5 million to \$332.1 million at December 31, 2010 due primarily to additional investments related to the affordable housing and historic renovation real estate properties.

Property, Plant and Equipment

Net property, plant and equipment increased \$133.4 million to \$952.1 million at December 31, 2010 due primarily to acquired assets of \$155.3 million and capital expenditures of \$125.2 million. Depreciation expense of \$140.3 million and impairments and disposal of assets with remaining net book value partially offset the increases in property, plant and equipment. Capital expenditures during 2010 in the Paint Stores Group were primarily attributable to the opening of new paint stores and improvements in existing stores. In the Consumer Group, capital expenditures during 2010 were primarily related to efficiency improvements and maintenance items in existing production and distribution facilities. Capital expenditures in the Global Finishes Group were primarily attributable to the opening of new branches and improvements in existing manufacturing and distribution facilities. The Administrative segment incurred capital expenditures primarily for upgrading the Company's headquarters building and information systems hardware. In 2011, the Company expects to spend more for capital expenditures than in 2010 due to expected modest improvement in market demand. The predominant share of the capital expenditures in 2011 is expected to be for various productivity improvement and maintenance projects at existing manufacturing and distribution 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

Borrowings outstanding under the domestic commercial paper program were \$173.5 million and \$83.1 million with weighted-average interest rates of 0.2 percent and 2.6 percent at December 31, 2010 and December 31, 2008, respectively. At December 31, 2009, there were no borrowings outstanding under the domestic commercial paper program. Borrowings outstanding under various foreign programs at December 31, 2010 were \$215.1 million with a weighted-average interest rate of 2.9 percent. At December 31, 2009 and December 31, 2008, foreign borrowings were \$22.7 million and \$33.4 million with weighted-average interest rates of 8.8 percent and 9.5 percent, respectively. Long-term debt, including the current portion, decreased a net \$138.7 million during 2010 due primarily to the repurchase of a majority of the Company's 7.45% debentures.

On July 19, 2010, Sherwin-Williams Luxembourg S.à r.l., a wholly-owned subsidiary of the Company, entered into a €200.0 million (Euro) credit facility. On December 28, 2010 the Company reduced the aggregate amount of this credit facility to €150.0 million (Euro). On July 19, 2010, Sherwin-Williams Canada Inc., a wholly-owned subsidiary of the Company, entered into a CAD 75.0 million credit facility. The credit facilities are being used for general corporate purposes, including refinancing indebtedness and for acquisitions.

During 2006, the Company entered into an additional five-year credit agreement that 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 \$250.0 million. In 2007, the Company entered into two additional five-year credit agreements giving 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 \$500.0 million. At December 31, 2010 and 2009, there were no borrowings outstanding under any of these agreements. At December 31, 2008, \$400.0 million was outstanding with a weighted average interest rate of 2.8 percent.

On January 8, 2010, the Company terminated its existing \$845.0 million credit agreement scheduled to expire on July 20, 2010 and entered into a new \$500.0 million three-year senior unsecured revolving credit agreement. The new credit agreement allows the Company to increase the facility to an aggregate amount of \$750.0 million, subject to the discretion of each lender to participate in such increase. The new credit agreement will mature on January 8, 2013 and provides the Company with the right to request that the lenders extend the maturity date for two additional periods of one year each. This agreement will be used primarily to support commercial paper borrowings. The maximum borrowing capacity of the Company's commercial paper program was reduced to \$500.0 million effective January 8, 2010.

See Note 8, on pages 62 through 64 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 under-funded defined benefit pension plans decreased \$2.6 million to \$24.2 million. Postretirement benefits other than pensions increased \$15.0 million to \$315.6 million at December 31, 2010. The increase in the liability was due to the increase in the actuarially determined postretirement benefit obligation due primarily to changes in the actuarial assumptions and unfavorable claims experience and other demographics.

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.

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 decreased from 5.5 percent to 5.0 percent at December 31, 2010 due to decreased rates of high-quality, long-term investments and was slightly higher for foreign defined benefit pension plans. The rate of compensation increases used to determine the projected benefit obligations remained at 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 7.5 percent for 2010 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 2010, 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 2010 were 8.0 percent for medical and 9.0 percent for prescription drug cost increases, both decreasing gradually to 5.0 percent in 2014 for prescription drug cost increases and in 2015 for health care. The assumed health care cost trend rates used to determine the benefit obligation at December 31, 2010 were 7.5 percent for medical and 8.0 percent for 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 2011 Net pension cost and Net periodic benefit cost recognition for domestic plans, the Company will use a discount rate of 5.0 percent, an expected long-term rate of return on assets of 7.5 percent, a rate of compensation increase of 4.0 percent and cost trend rates of 7.5 percent for health care and 8.0 percent for prescription drug cost increases. Slightly higher discount rates and rates of compensation increases and lower expected long-term rates of return on plan assets will be used for most foreign plans. Use of these assumptions, a change in the domestic salaried defined benefit pension plan, and amortization of actuarial gains will result in a domestic Net pension cost in 2011 that is expected to be approximately \$3.7 million lower than in 2010 and a Net periodic benefit cost for postretirement benefits other

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than pensions that is expected to increase slightly in 2011 compared to 2010. See Note 7, on pages 56 through 62 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 increased \$178.9 million during 2010 due primarily to an increase in long-term commitments related to the affordable housing and historic renovation real estate properties of \$108.2 million and an increase of \$76.5 million in non-current and deferred tax liabilities. Accruals for extended environmental-related liabilities included in Other long-term liabilities decreased \$16.6 million in 2010. See below and Note 9, on pages 64 and 65 of this report, for further information on environmental-related long-term liabilities.

Environmental-Related Liabilities

The operations of the Company, like those of other companies in the same industry, are subject to various federal, state and local 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 with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures were included in the normal operating expenses of conducting business. The Company's capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, liquidity, cash flow or results of operations during 2010. Management does not expect that such capital expenditures, depreciation and other expenses will be material to the Company's financial condition, liquidity, cash flow or results of operations in 2011.

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 accrues for estimated costs of investigation and remediation activities at its currently or formerly owned sites 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 based on currently available facts regarding each site. The Company accrues a specific estimated amount when such an amount and a time frame in which the costs will be incurred can be reasonably determined. 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 accrued by the Company in accordance with applicable accounting rules and interpretations. The Company continuously assesses its potential liability for investigation and remediation activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated. At December 31, 2010, 2009 and 2008, the Company had total current and long-term accruals for environmental-related activities of \$149.6 million, \$170.9 million and \$180.7 million, respectively.

Due to the uncertainties of the scope and magnitude of contamination and the degree of investigation and remediation activities that may be necessary at certain currently or formerly owned sites and third-party sites, it is reasonably likely that further extensive investigations may be required and that extensive remedial actions may be necessary not only on such sites but on adjacent properties. Depending on the extent of the additional investigations and remedial actions necessary, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. If the Company's future loss contingency is ultimately determined to be at the maximum of the range of possible outcomes for every site for which costs can be reasonably estimated, the Company's aggregate accruals for environmental-related activities would be \$105.7 million higher than the accruals at December 31, 2010.

Four of the Company's currently and formerly owned sites, described below, accounted for the majority of the accruals for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2010, 2009 and 2008. At December 31, 2010, \$110.6 million, or 73.9 percent, of the total accrual

for environmental-related activities related directly to these four sites. Of the aggregate unaccrued exposure at December 31, 2010, \$75.2 million, or 71.2 percent, related to these four sites. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and/or monitoring will likely be required at each site.

Two of the four sites are formerly owned manufacturing facilities in New Jersey that are in various stages of the environmental-related process. Although contamination determined to be associated with historical operations of the Company exists at the sites and adjacent areas, the extent and magnitude of the contamination has not yet been fully quantified, a final remedial action plan has not yet been formulated or no clean up goals have been approved by the lead governmental agency. It is reasonably likely that further extensive investigations may be required or that extensive remedial actions may be necessary at the formerly owned sites, in adjacent areas or along adjacent waterways. Depending on the extent of the additional investigations or remedial actions necessary, the ultimate liability for these sites may exceed the amounts currently accrued and the maximum of the ranges of reasonably possible outcomes currently estimated by management.

One additional site is located in Illinois. Two previously separate sites for environmental investigation and remediation have been combined due to similar and concurrent activities taking place at the contiguous properties. The environmental issues at this site have been determined to be associated with historical operations of the Company. The majority of the investigative activities have been completed at the site and some remedial measures have been taken. Agreement has been obtained from the appropriate governmental agency on a proposed remedial action plan for a portion of the site, and further development of that plan is underway for the remaining portion of the site. At December 31, 2009, all non-operating structures on the site had been demolished, and a proposed remedial action plan had been formulated for the remaining portion of the site. At December 31, 2010, a remedial action plan was approved by the lead government agency.

The fourth site is a currently owned non-operating former manufacturing site located in California. The environmental issues at this site have been determined to be associated with historical manufacturing operations of the Company. The majority of the investigative activities have been completed at this site, some interim remedial actions have been taken and a proposed remedial action plan has been formulated. During 2010, a Remedial Action Plan was approved by the state regulatory agency. Planning for remedial activities including contractor bidding began in late 2010 and had not been completed by the end of 2010. Due to the uncertainties of the scope and magnitude of contamination and the degree of remediation that may be required relating to this site, it is reasonably likely that extensive remedial actions may be necessary.

Management cannot presently estimate the ultimate potential loss contingencies related to these four sites or other less significant sites until such time as a substantial portion of the investigative activities at each site is completed and remedial action plans are developed.

In accordance with the Asset Retirement and Environmental Obligations Topic of the ASC, the Company has identified certain conditional asset retirement obligations at various current manufacturing, distribution and store facilities. These obligations relate primarily to asbestos abatement and closures of hazardous waste containment devices. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated cost of these obligations is not significant.

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 or 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 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 and conditional asset retirement obligations 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 governmental agency approval, as necessary, with respect to investigation and remediation activities, and the indefinite amount of time necessary to conduct remediation activities.

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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, 2010:

(thousands of dollars)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Long-term debt	\$ 656,201	\$ 7,875	\$ 12,620	\$501,877	\$133,829
Operating leases	1,058,226	238,806	381,952	249,057	188,411
Short-term borrowings	388,592	388,592			
Interest on Long-term debt	242,892	26,630	51,670	35,247	129,345
Purchase obligations ^a	115,640	115,640			
Other contractual obligations ^b	261,507	72,956	63,189	34,638	90,724
Total contractual cash obligations	<u>\$2,723,058</u>	<u>\$850,499</u>	<u>\$509,431</u>	<u>\$820,819</u>	<u>\$542,309</u>

^a Relate to open purchase orders for raw materials at December 31, 2010.

^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.

Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Standby letters of credit	\$ 22,300	\$ 22,300			
Surety bonds	43,664	43,664			
Other commercial commitments	203,034	203,034			
Total commercial commitments	<u>\$268,998</u>	<u>\$268,998</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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 2010, 2009 and 2008, including customer satisfaction settlements during the year, were as follows:

(thousands of dollars)	2010	2009	2008
Balance at January 1	\$ 22,214	\$ 18,029	\$ 19,596
Charges to expense	23,092	31,367	31,339
Settlements	(22,203)	(27,182)	(32,906)
Balance at December 31	<u>\$ 23,103</u>	<u>\$ 22,214</u>	<u>\$ 18,029</u>

Shareholders' Equity

Shareholders' equity increased \$118.5 million to \$1.61 billion at December 31, 2010 from \$1.49 billion last year. The increase in Shareholders' equity resulted primarily from an increase in retained earnings of \$306.1 million, an increase in Other capital of \$153.9 million, due primarily to stock options exercised, and a decrease in Cumulative other comprehensive loss of \$39.1 million. These increases to Shareholder's equity were partially offset by the purchase of treasury stock for \$375.7 million. The Company purchased 5.00 million shares of its common stock during 2010 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. The Company had remaining authorization from its Board of Directors at December 31, 2010 to purchase 5.75 million shares of its common stock. The decrease of \$39.1 million in Cumulative other comprehensive loss was due primarily to favorable foreign currency translation effects of \$25.1 million attributable to the strengthening of most foreign operations' functional currencies against the U.S. dollar and the recognition, net of taxes, of \$13.5 million in net actuarial gains and prior service costs of defined benefit pension and other postretirement benefit plans.

Total increases in Common stock and Other capital of \$156.6 million were due primarily to the recognition of stock-based compensation expense, stock option exercises and related income tax effect and the tax impact of certain employee stock ownership plan (ESOP) transactions. In 2010, no changes occurred in Preferred stock and Unearned ESOP compensation as the Company elected to fund the ESOP with cash rather than redeeming Preferred stock. Retained earnings increased \$306.1 million during 2010 due to net income of \$462.5 million partially offset by \$156.4 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 2010 annual cash dividend of \$1.44 per common share represented 38.1 percent of 2009 diluted net income per common share. The 2010 annual dividend represented the thirty-second consecutive year of



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dividend payments since the dividend was suspended in 1978. At a meeting held on February 16, 2011, the Board of Directors increased the quarterly cash dividend to \$.365 per common share. This quarterly dividend, if approved in each of the remaining quarters of 2011, would result in an annual dividend for 2011 of \$1.46 per common share or a 34.7 percent payout of 2010 diluted net income per common share. See the Statements of Consolidated Shareholders' Equity and Comprehensive Income, on page 45 of this report, and Notes 11, 12 and 13, on pages 67 through 70 of this report, for more information concerning Shareholders' equity.

Cash Flow

Net operating cash decreased \$152.6 million to \$706.6 million in 2010 from \$859.2 million in 2009 and decreased as a percent to sales to 9.1 percent in 2010 from 12.1 percent in 2009 due primarily to an increase in working capital of \$191.8 million partially offset by an increase in net income of \$26.6 million. In addition, changes in Costs incurred for environmental-related matters and qualified exit costs and other items increased net operating cash \$23.0 million. Net operating cash provided the funds necessary to support the Company's acquisitions, sustain its remaining manufacturing and distribution capabilities, maintain its financial stability and return a portion of the cash generated to its shareholders through dividends and treasury stock purchases. In 2010, the Company used Net operating cash along with funds from increased total debt of \$227.2 million to invest \$298.2 million in acquisitions, spend \$125.2 million in capital additions and improvements, purchase \$375.7 million in treasury stock, and pay \$156.4 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:

<i>(thousands of dollars)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net operating cash	\$ 706,590	\$ 859,186	\$ 876,233
Capital expenditures	(125,162)	(91,328)	(117,203)
Cash dividends	(156,424)	(162,561)	(165,111)
Free cash flow	<u>\$ 425,004</u>	<u>\$ 605,297</u>	<u>\$ 593,919</u>

Contingent Liabilities

Life Shield Engineered Systems, LLC (Life Shield) is a wholly owned subsidiary of the Company. Life Shield develops and manufactures blast and fragment mitigating systems. The blast and fragment mitigating systems create a potentially higher level of product liability for the Company (as an owner of and supplier to Life Shield) than is normally associated with coatings and related products currently manufactured, distributed and sold by the Company.

Certain of Life Shield's technology has been designated as Qualified Anti-Terrorism Technology and granted a Designation under the Support Anti-Terrorism by Fostering Effective Technologies Act of 2002 (SAFETY Act) and the regulations adopted pursuant to the SAFETY Act. Under the SAFETY Act, the potentially higher level of possible product liability for Life Shield relating to the technology granted the Designation is limited to \$6.0 million per occurrence in the event any such liability arises from an Act of Terrorism (as defined in the SAFETY Act). The limitation of liability provided for under the SAFETY Act does not apply to any technology not granted a designation or certification as a Qualified Anti-Terrorism Technology, nor in the event that any such liability arises from an act or event other than an Act of Terrorism. Life Shield maintains insurance for liabilities up to the \$6.0 million per occurrence limitation caused by failure of its products in the event of an Act of Terrorism.

Management of the Company has reviewed the potential increased liabilities associated with Life Shield's systems and determined that potential liabilities arising from an Act of Terrorism that could ultimately affect the Company will be appropriately insured or limited by current regulations. However, due to the uncertainties involved in the future development, usage and application of Life Shield's systems, the number or nature of possible future claims and legal proceedings, or the effect that any change in legislation and/ or administrative regulations may have on the limitations of potential liabilities, management cannot reasonably determine the scope or amount of any potential costs and liabilities for the Company related to Life Shield or to Life Shield's systems. Any potential liability for the Company that may result from Life Shield or Life Shield's systems cannot reasonably be estimated. However, based upon, among other things, the limitation of liability under the SAFETY Act

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in the event of an Act of Terrorism, management does not currently believe that the costs or potential liability ultimately determined to be attributable to the Company through its ownership of Life Shield or as a supplier to Life Shield arising from the use of Life Shield's systems will have a material adverse effect on the Company's results of operations, liquidity or financial conditions.

Litigation

In the course of its business, the Company is subject to a variety of claims and lawsuits, including 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 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 if even the possibility may be remote.

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 is also 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 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. Any potential liability that may result from such litigation or such 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 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 and purports to be a class action on behalf of all public entities in the State of California other than the State and its agencies. 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. On March 3, 2006, the Court of Appeal, Sixth Appellate District, among other determinations, reversed the dismissal of the public nuisance claim for abatement brought by the cities of Santa Clara and Oakland and the City and County of San Francisco, and affirmed the dismissal of the public nuisance claim for damages to the plaintiffs' properties. The plaintiffs have filed a motion for leave to file a fourth amended complaint. On April 4, 2007, the trial court entered an order granting the defendants' motion to bar payment of contingent fees to private attorneys. The contingency fee issue was eventually appealed to the California Supreme Court and, on July 26, 2010, the Supreme Court upheld the plaintiffs' right to retain private counsel on a contingency fee basis subject to certain requirements set forth in the Supreme Court's opinion. The defendants filed a petition for writ of certiorari with the United States Supreme Court regarding the constitutional validity of the plaintiffs' contingency fee arrangements. The petition was denied on January 10, 2011. The proceedings in the trial court were stayed pending the United States Supreme Court's decision.

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, claims for damages allegedly incurred by the children's parents or guardians, and claims for damages allegedly incurred by professional painting contractors. 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 include 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) 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.

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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.

Insurance coverage litigation. The Company and its liability insurers, including certain Underwriters at Lloyd's of London, initiated legal proceedings against each other to 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. 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. The Company's action, an Ohio state court action, has been stayed and the liability insurers action, a New York state court action has been dismissed.

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. In 2009, the Company entered into foreign currency option and forward currency exchange contracts with maturity dates of less than twelve months to hedge against value changes in foreign currency. The Company also entered into swaps in 2009 to partially hedge forecasted future commodity purchases. These hedging contracts were designated as cash flow hedges. There were no currency option or exchange contracts or commodity swaps outstanding at December 31, 2010. 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 the Company's financial condition, results of operations or cash flows. See Notes 1 and 14 on pages 46 and 71 of this report.

Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states the Company's leverage ratio is not to exceed 3.00 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, 2010, 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 8 on pages 62 through 64 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. Prior to July 1, 2009, the Company matched one hundred percent of all contributions up to six percent of eligible employee contributions. Effective July 1, 2009, the ESOP was amended to change the Company match to one-hundred percent on the first three percent of eligible employee contributions and fifty percent on the next two percent of eligible contributions. The Company's matching contributions to the ESOP charged to operations were \$37.9 million in 2010 compared to \$44.6 million in 2009. The Company can fund the ESOP by redeeming a portion of the Preferred stock held by the ESOP or with cash. At December 31, 2010, there were 16,845,158 shares

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

of the Company's common stock being held by the ESOP, representing 15.7 percent of the total number of voting shares outstanding. See Note 12 on page 68 of this report for more information concerning the Company's stock purchase plan and preferred stock.

RESULTS OF OPERATIONS — 2010 vs. 2009

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2010 and 2009:

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2010	2009	Change
Net Sales:			
Paint Stores Group	\$4,381,238	\$4,209,353	4.1%
Consumer Group	1,297,731	1,225,167	5.9%
Global Finishes Group	2,092,317	1,653,475	26.5%
Administrative	5,138	6,254	-17.8%
Net sales	<u>\$7,776,424</u>	<u>\$7,094,249</u>	<u>9.6%</u>

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2010	2009	Change
Income Before Income Taxes:			
Paint Stores Group	\$ 619,578	\$ 600,176	3.2%
Consumer Group	203,974	157,354	29.6%
Global Finishes Group	123,680	65,014	90.2%
Administrative	(269,448)	(199,727)	-34.9%
Income before income taxes	<u>\$ 677,784</u>	<u>\$ 622,817</u>	<u>8.8%</u>

Consolidated net sales for 2010 increased due primarily to higher paint sales volume, acquisitions and selling price increases. Three acquisitions completed throughout 2010 and one acquisition completed in 2009 increased consolidated net sales 3.4 percent. Favorable currency translation rate changes increased 2010 consolidated net sales 1.2 percent. Net sales of all consolidated foreign subsidiaries were up 43.1 percent to \$1.47 billion for 2010 versus \$1.03 billion for 2009 due primarily to acquisitions. Of the increase in net sales for all consolidated foreign subsidiaries during 2010, 7.8 percent related to favorable foreign currency translation rates. Net sales of all operations other than consolidated foreign subsidiaries were up 4.0 percent to \$6.31 billion for 2010 versus \$6.07 billion for 2009.

Net sales in the Paint Stores Group in 2010 increased primarily due to selling price increases and improving domestic architectural paint sales to residential repaint contractors and DIY customers. Net sales from stores open for more than twelve calendar months increased 3.8 percent for the full year. During 2010, the Paint Stores Group opened 49 new stores and closed 13 redundant locations for a net increase of 36 stores, increasing the total number of stores in operation at December 31, 2010 to 3,390 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. Selling price increases throughout the year drove the increase in sales as paint sales volume was essentially flat for the year as compared to 2009. Sales of products other than paint increased approximately 4.2 percent for the year over 2009. 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 improving demand at some of the segment's retail, industrial and institutional customers. Paint volume sales percentage change in the Consumer Group compared to last year was an increase in the low single digits. Sales of aerosols, brushes, rollers, caulk and other paint related products was essentially flat as compared to 2009. 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 aggressive promotions of new and existing products in 2011 and continue expanding its customer base and product assortment at existing customers to partially offset the negative impact of the loss of a paint program at a large retail customer.

The Global Finishes Group's net sales in 2010, when stated in U.S. dollars, increased due primarily to acquisitions, higher paint sales volume and favorable currency translation rate changes. Acquisitions increased this Group's net sales in U.S. dollars by 14.8 percent. Paint sales volume percentage, excluding acquisitions, increased in the mid-single digits. Favorable currency translation rate changes in the year increased net sales by 4.5 percent for 2010. In 2010, the Global Finishes Group opened or acquired 35 new branches and closed 10 locations for a net increase of 25 branches increasing the total to 564 branches open in the United States, Canada, Mexico, South America, Europe and Asia at year-end. In 2011, the Global Finishes Group expects to continue expanding its worldwide 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, decreased by an insignificant amount in 2010.

Consolidated gross profit increased \$217.9 million related primarily to higher sales in 2010, but decreased as a percent to net sales to 44.8 percent from 46.0 percent in 2009 due primarily to increasing raw material costs partially offset

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

by selling price increases, increased paint volume and cost savings realized from prior year site rationalizations in the Consumer Group. The Paint Stores Group's gross profit for 2010 increased \$49.4 million compared to 2009, but decreased as a percent of sales due primarily to increasing raw material costs partially offset by selling price increases throughout 2010 and increased paint volume. The Consumer Group's gross profit increased \$27.7 million for 2010 over 2009 due primarily to increased sales volume. As a percent of sales, Consumer Group's gross profit decreased primarily due to increasing raw material costs partially offset by increased sales volume and cost savings realized from prior year site rationalizations. The Global Finishes Group's gross profit for 2010 increased \$138.7 million and increased as a percent of sales due primarily to increased sales volumes, acquisitions, and favorable foreign currency translation exchange rate changes. Acquisitions increased Global Finishes Group's gross profit by \$58.8 million, or 24.1 percent of acquisition net sales, and foreign currency translation rate fluctuations increased gross profit by \$26.4 million for 2010. The Administrative segment's gross profit increased by an insignificant amount.

SG&A increased by \$193.3 million due primarily to acquisitions and increased expenses to support higher sales levels in the Paint Stores Group and Global Finishes Group. Acquisitions added \$69.3 million of SG&A in 2010, representing 28.4 percent of acquisition net sales. SG&A decreased as a percent of sales to 35.1 percent in 2010 from 35.7 percent in 2009. In the Paint Stores Group, SG&A increased \$42.6 million for the year due primarily to increased spending due to the number of new store openings and increased expenses to support higher sales levels. The Consumer Group's SG&A decreased by \$8.2 million for the year due to good expense control. The Global Finishes Group's SG&A increased by \$108.3 million for the year relating primarily to acquisitions SG&A of \$69.3 million, or 28.4 percent of acquisition net sales, foreign currency translation rate fluctuations of \$17.5 million and increased expenses to support higher sales levels. The Administrative segment's SG&A increased \$50.6 million primarily due to an increase in compensation, including stock-based compensation expense. See Note 13, on page 69 and 70 of this report, for more information concerning stock-based compensation.

Other general expense — net decreased \$29.8 million in 2010 compared to 2009. The decrease was mainly caused by a decrease of \$19.8 million in the Administrative segment, primarily due to a decrease in provisions for environmental matters of \$17.6 million. In addition, Other general expense — net decreased \$8.6 million in the Consumer Group, resulting from adjustments and reduced costs associated with exit or disposal activities as compared to 2009, while insignificant changes occurred in Other general expense — net of the remaining Reportable Operating Segments mainly related to decreases in net losses on the disposition of assets. See Note 14, on page 71 of this report, for more information concerning Other general expense — net.

Impairments of trademarks decreased \$9.7 million in 2010 compared to 2009. 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, 2010. The impairment test in 2010 resulted in no material changes in goodwill and indefinite-lived intangible assets carrying values. However, reductions in the carrying value of \$4.5 million were recorded for definite-lived intangible assets whose undiscounted cash flows were lower than the assets carrying values in the Global Finishes Group. The impairment charges are shown as a separate line in the Statements of consolidated income in accordance with the Goodwill and Other Intangibles Topic of the ASC. See Note 5, on pages 51 through 53 of this report, for more information concerning the impairment of intangible assets.

The \$21.9 million Loss on dissolution of a foreign subsidiary in 2009 was a pre-tax expense charged in the Global Finishes Group related to a European subsidiary that was dissolved in the fourth quarter of 2009. See Note 3, on page 51 of this report, for more information concerning the Loss on dissolution of a foreign subsidiary.

Interest expense, included in the Administrative segment, increased \$30.6 million in 2010 versus 2009 due primarily to increased total average debt levels and costs related to the repurchase of a majority of the Company's 7.45% debentures partially offset by lower borrowing rates.

Interest and net investment income increased \$0.5 million and was not material in any segment.

Other (income) expense — net fluctuated to \$0.8 million income from \$1.7 million income in 2009. This change was due primarily to a decrease in unfavorable foreign currency related transactions across all segments from a loss of \$4.9 million in 2009, to an immaterial loss in 2010. Partially offsetting the reduction in foreign currency transaction losses was an increase in Net expense from financing and investing activities of \$4.0 million primarily in the Administrative segment and increased dividend and royalty income of \$0.6 million primarily in the Administrative segment. A decrease in other miscellaneous income and expense items of \$2.5 million, primarily in the Administrative segment, accounted for the remaining fluctuation in Other (income) expense - net. See Note 14, on page 71 of this report, for more information concerning Other (income) expense - net.

Consolidated Income before income taxes in 2010 increased \$55.0 million due primarily to an increase in gross profit of \$217.9 million, the impact of a loss on dissolution of

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

a foreign subsidiary of \$21.9 million in 2009, and a decrease in trademark and goodwill impairment charges of \$9.7 million partially offset by an increase in SG&A of \$193.3 million, and an increase of \$1.2 million in interest expense, interest and net investment income and other expenses. Income before income taxes increased \$19.4 million in the Paint Stores Group, \$46.6 million in the Consumer Group, and \$58.7 million in the Global Finishes Group while the Administrative segment had a negative impact on Income before income taxes of \$69.7 million when compared to 2009. Segment profit of all consolidated foreign subsidiaries increased 221.7 percent to \$87.0 million for 2010 versus \$27.0 million for 2009 due primarily to an increase in gross profit of \$131.7 million and the loss on the dissolution of a foreign subsidiary of \$21.9 million in 2009. Acquisitions, partially offset by favorable foreign currency translation rates, decreased segment profit of all consolidated foreign subsidiaries by 14.2 percent. Segment profit of all operations other than consolidated foreign subsidiaries decreased 0.8 percent to \$590.8 million for 2010 versus \$595.8 million for 2009.

Net income increased \$26.6 million in 2010 due to the increase in Income before income taxes partially offset by an increase in the effective tax rate to 31.8 percent in 2010 from 30.0 percent last year. The effective tax rate increase in 2010 compared to 2009 was due primarily to the one-time increase in income tax expense of \$11.4 million relating to the Acts. Diluted net income per common share, including charges relating to the Acts \$.10 per share, repurchase of a majority of the Company's 7.45% debentures \$.12 per share, and dilution from acquisitions \$.10 per share in 2010 and a loss on the dissolution of a foreign subsidiary and impairment charges totaling \$.13 per share in 2009, increased 11.4 percent to \$4.21 per share for 2010 from \$3.78 per share a year ago.

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:

<i>(thousands of dollars)</i>	2010	2009	2008
Net income	\$462,485	\$435,848	\$476,876
Interest expense	70,595	40,026	65,684
Income taxes	215,299	186,969	237,599
Depreciation	140,347	145,186	143,191
Amortization	34,964	25,718	22,320
EBITDA	<u>\$923,690</u>	<u>\$833,747</u>	<u>\$945,670</u>

RESULTS OF OPERATIONS — 2009 vs. 2008

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2009 and 2008:

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2009	2008	Change
Net Sales:			
Paint Stores Group	\$4,209,353	\$4,834,897	-12.9%
Consumer Group	1,225,167	1,272,068	-3.7%
Global Finishes Group	1,653,475	1,865,964	-11.4%
Administrative	6,254	6,798	-8.0%
Net sales	<u>\$7,094,249</u>	<u>\$7,979,727</u>	<u>-11.1%</u>

<i>(thousands of dollars)</i>	Year Ended December 31,		
	2009	2008	Change
Income Before Income Taxes:			
Paint Stores Group	\$ 600,176	\$ 647,926	-7.4%
Consumer Group	157,354	140,226	12.2%
Global Finishes Group	65,014	152,216	-57.3%
Administrative	(199,727)	(225,893)	-11.6%
Income before income taxes	<u>\$ 622,817</u>	<u>\$ 714,475</u>	<u>-12.8%</u>

Consolidated net sales for 2009 decreased due primarily to volume declines resulting from continuing weak U.S. and foreign economic conditions. One acquisition completed during 2009 and four acquisitions completed throughout 2008 increased consolidated net sales 0.5 percent. Unfavorable currency translation rate changes decreased 2009 consolidated net sales 1.3 percent. Net sales of all consolidated foreign subsidiaries decreased 8.4 percent to \$1.03 billion for 2009 versus \$1.12 billion for 2008. Of the decrease in net sales for all consolidated foreign subsidiaries during 2009, 10.0 percent related to unfavorable foreign currency translation rates. Net sales of all operations other than consolidated foreign subsidiaries decreased 11.5 percent to \$6.07 billion for 2009 versus \$6.86 billion for 2008.

Net sales in the Paint Stores Group in 2009 decreased primarily due to lower paint volume sales that were partially

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

offset by the remaining impact of 2008 selling price increases. Net sales from stores open for more than twelve calendar months decreased 12.9 percent for the full year. During 2009, the Paint Stores Group opened 53 new stores and closed 45 redundant locations for a net increase of 8 stores, increasing the total number of stores in operation at December 31, 2009 to 3,354 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. The percentage change in total paint sales volume was a decrease in the mid-teens for the year over 2008 partially offset by impact of selling price increases in the first half of 2008. Sales of products other than paint decreased approximately 15.2 percent for the year versus 2008. 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 decreased due primarily to sluggish DIY demand at most of the Group's retail customers. Paint volume sales percentage change in the Consumer Group compared to last year was a decrease in the mid-single digits. Sales of aerosols, brushes, rollers, caulk and other paint related products decreased approximately 7.4 percent for the year versus 2008. 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 aggressive promotions of new and existing products in 2010 and continue expanding its customer base and product assortment at existing customers.

The Global Finishes Group's net sales in 2009, when stated in U.S. dollars, decreased due primarily to volume decreases and unfavorable currency translation rate changes partially offset by selling price increases and acquisitions. Paint sales volume percentage decreased in the mid-single digits. Acquisitions increased this Group's net sales in U.S. dollars by 1.5 percent. Unfavorable currency translation rate changes in the year decreased net sales by 4.8 percent for 2009. In 2009, the Global Finishes Group opened 18 new branches and closed 20 locations for a net decrease of 2 branches decreasing the total to 539 branches open in the United States, Canada, Mexico, South America and Asia at year-end. In 2010, the Global Finishes Group expects to continue expanding its worldwide 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, decreased by an insignificant amount in 2009.

Consolidated gross profit decreased \$235.6 million due to lower sales volume but increased as a percent to net sales to 46.0 percent from 43.8 percent in 2008 due primarily to selling price increases initiated over the past 18 months, cost control efforts primarily in the Consumer Group and improved freight and other distribution costs partially offset by incremental site closing costs and higher fixed costs related to reduced manufacturing and distribution volume. The Paint Stores Group's gross profit for 2009 decreased \$163.2 million compared to 2008, but increased as a percent of sales due primarily to lower volume sales that were partially offset by higher selling prices initiated in 2008. The Consumer Group's gross profit increased \$14.4 million and as a percent of sales for 2009 over 2008 due primarily to cost control efforts and reductions in freight and related distribution costs partially offset by lower sales, lower volume throughput in the manufacturing and distribution facilities and incremental costs related to site closings. The Global Finishes Group's gross profit for 2009 decreased \$78.9 million and decreased as a percent of sales due primarily to decreased sales volumes, unfavorable foreign currency translation exchange rate changes, and increased manufacturing and distribution costs relating to lower production volumes. Acquisitions increased Global Finishes Group's gross profit by \$9.3 million, or 32.3 percent of acquisition net sales, and foreign currency translation rate fluctuations decreased gross profit by \$29.6 million for 2009. The Administrative segment's gross profit decreased by an insignificant amount.

SG&A decreased by \$108.8 million due primarily to good expense control. Acquisitions added \$15.9 million of SG&A in 2009, representing 40.1 percent of acquisition net sales. SG&A increased as a percent of sales to 35.7 percent in 2009 from 33.1 percent in 2008. In the Paint Stores Group, SG&A decreased \$75.9 million for the year due primarily to good SG&A spending control partially offset by increased spending due to the number of new store openings. The Consumer Group's SG&A increased by \$14.7 million for the year due to the impact of acquisition SG&A of \$4.3 million, or 39.7 percent of acquisition net sales, and increased spending on customer programs. The Global Finishes Group's SG&A decreased by \$22.1 million for the year relating primarily to foreign currency translation rate fluctuations of \$23.7 million and good SG&A spending control that was partially offset by acquisition SG&A of \$11.7 million, or 40.3 percent of acquisition net sales. Administrative SG&A expenses decreased \$25.5 million in 2009 due primarily to a decrease of \$13.6 million in administrative expenses and a decrease in compensation, including stock-based compensation, of \$8.2 million.

Other general expense — net increased \$14.3 million in 2009 compared to 2008. The increase was mainly caused

by an increase in provisions for environmental matters of \$17.8 million in 2009 in the Administrative segment and a \$2.0 million increase in costs associated with exit or disposal activities primarily in the Administrative segment. Partially offsetting the increases in general expenses was a decrease in net losses on the disposition of assets of \$5.5 million primarily in the Consumer segment. See Note 14, on page 71 of this report, for more information concerning Other general expense — net.

Management performed an annual impairment test of goodwill and indefinite-lived intangible assets as of October 1, 2009. The impairment test in 2009 resulted in reductions in the carrying value of trademarks with indefinite lives of \$14.1 million and no reductions in value of goodwill. The impairment charges are shown as a separate line in the Statements of consolidated income in accordance with the Goodwill and Other Intangibles Topic of the ASC. The impairment of trademarks with indefinite lives was charged to the Paint Stores Group (\$11.0 million), the Global Finishes Group (\$3.0 million), and the Consumer Group (\$0.1 million). The impairments related primarily to lower-than-anticipated projected sales of certain acquired brands. In addition, the Company also records impairments due to changes in circumstances for long-lived assets in accordance with the Property, Plant and Equipment Topic of the ASC. In 2009, a reduction of \$6.0 million in the carrying value of the property, plant and equipment associated with certain manufacturing facilities closed during the year or held for disposal was recorded in Cost of goods sold in the Consumer Group (\$5.6 million) and Global Finishes Group (\$0.4 million). See Notes 5 and 6, on pages 51 through 56 of this report, for more information concerning the impairment of intangible and long-lived assets.

The \$21.9 million Loss on dissolution of a foreign subsidiary in 2009 was a pre-tax expense charged in the Global Finishes Group related to a European subsidiary that was dissolved in the fourth quarter of 2009. See Note 3, on page 51 of this report, for more information concerning the Loss on dissolution of a foreign subsidiary.

Interest expense, included in the Administrative segment, decreased \$25.7 million in 2009 versus 2008 due primarily to decreased short-term borrowings at rates that were lower than 2008. Interest and net investment income, not material in any segment, decreased \$1.5 million due to a lower level of short-term investments in 2009 when compared to 2008 at lower overall rates. The net of the two combined for an overall decrease of \$24.1 million in the aggregate expense.

Other expense (income) — net fluctuated to \$1.7 million income from \$5.1 million expense in 2008. This change was due primarily to a decrease in unfavorable foreign currency related transactions across all segments to a loss of \$4.9 million in 2009 from a loss of \$10.6 million in 2008 and an increase in other miscellaneous income items of \$3.9 million. Partially offsetting these increases in income was an increase in Net expense from financing and investing activities of \$1.7 million, primarily in the Administrative segment, and reduced dividend and royalty income of \$1.1 million, also primarily in the Administrative segment. See Note 14, on page 71 of this report, for more information concerning Other expense (income) — net.

Consolidated income before income taxes decreased \$91.7 million. Selling price increases carried over from 2008 and strict cost control could not fully offset the impact of the decrease in sales volume, resulting in a reduction in Gross profit of \$235.6 million. The loss on the dissolution of a foreign subsidiary of \$21.9 million and an increase in Other general expense — net of \$14.3 million further reduced Income before income taxes. Offsetting the unfavorable impact of these items on Income before income taxes were decreases of \$141.3 million in SG&A (\$108.8 million), in aggregate interest expense (\$25.7 million) and in Other expense (income) — net (\$6.8 million). The final component of Income before income taxes was decreased impairment of trademarks and goodwill of \$40.5 million below 2008 for the reduction in fair value of certain trademarks and goodwill, which increased Income before income taxes. Income before income taxes decreased \$47.8 million in the Paint Stores Group and \$87.2 million in the Global Finishes Group partially offset by an increase of \$17.1 million in the Consumer Group and a \$26.2 million improvement in the Administrative segment when compared to 2008. Segment profit of all consolidated foreign subsidiaries decreased 63.3 percent to \$27.0 million for 2009 versus \$73.6 million for 2008 due primarily to a decrease in gross profit of \$33.8 million and the loss on the dissolution of a foreign subsidiary of \$21.9 million. Acquisitions and unfavorable foreign currency translation rates decreased segment profit of all consolidated foreign subsidiaries by 15.0 percent. Segment profit of all operations other than consolidated foreign subsidiaries decreased 7.0 percent to \$595.8 million for 2009 versus \$640.9 million for 2008.

Net income decreased \$41.0 million in 2009 due to the decrease in Income before income taxes partially offset by a decrease in the effective tax rate to 30.0 percent in 2009 from 33.3 percent last year. The effective tax rate decrease in 2009 compared to 2008 was due primarily to an increase in tax favorable investments in 2009 compared to 2008 and a decrease in the state and local tax component of the effective tax rate compared to 2008. The state and local income tax component decreased due primarily to the impact of favorable audit settlements, favorable tax deductions available to the Company and the benefits of state tax credits. For the year, diluted net income per common share decreased to \$3.78 per share from \$4.00 per share in 2008.

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REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Shareholders

The Sherwin-Williams Company

We are responsible for establishing and maintaining accounting and control systems over financial reporting which are designed to provide reasonable assurance that the Company has the ability to record, process, summarize and report reliable financial information. 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, 2010, we conducted an assessment of its effectiveness under the supervision and with the participation of our management group. This assessment was based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.


In 2010, the Company completed the acquisitions of Sayerlack Industrial Coatings, Becker Industrial Products AB and Pinturas Condor S.A. (collectively, the "acquisitions"). As permitted by the Securities and Exchange Commission, management excluded the non-integrated operations of the acquisitions from its assessment of internal control over financial reporting as of December 31, 2010. Non-integrated operations of the acquisitions constituted approximately seven percent of total assets (excluding goodwill and other intangible assets) as of December 31, 2010, and three percent of net sales for the year then ended. Operations of the acquisitions will be included in the Company's assessment as of December 31, 2011.

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, 2010, 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, 2010 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.



C. M. Connor

Chairman and Chief Executive Officer



S. P. Hennessy

Senior Vice President — Finance and Chief Financial Officer



A. J. Mistysyn

Vice President — Corporate Controller

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

Shareholders and Board of Directors
The Sherwin-Williams Company

We have audited The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). 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.

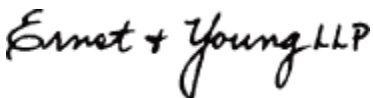
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal 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.

As indicated in the accompanying Report of Management on Internal Control over Financial Reporting, the Company completed the acquisition of Sayerlack Industrial Coatings, Becker Industrial Products AB and Pinturas Condor S.A. (collectively, the Acquisitions) in 2010. Management excluded the internal controls of the non-integrated operations of the Acquisitions from its assessment of and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2010. The non-integrated operations of the Acquisitions constituted approximately seven percent of consolidated total assets as of December 31, 2010 and three percent of consolidated net sales for the year then ended. Our audit of internal control over financial reporting of The Sherwin-Williams Company as of December 31, 2010 also did not include an evaluation of and conclusion on the effectiveness of the internal controls over financial reporting of the non-integrated operations of the Acquisitions.

In our opinion, The Sherwin-Williams Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2010, 2009 and 2008, and the related statements of consolidated income, cash flows and shareholders' equity and comprehensive income for each of the three years in the period ended December 31, 2010 and our report dated February 22, 2011 expressed an unqualified opinion thereon.



Cleveland, Ohio
February 22, 2011

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REPORT OF MANAGEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders

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, 2010, 2009 and 2008 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.

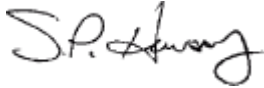
We have conducted an assessment of the effectiveness of internal control over financial reporting based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in the Report of Management on Internal 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, 2010.

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.



C. M. Connor
Chairman and Chief Executive Officer



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



A. J. Mistysyn
Vice President — Corporate Controller

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

Shareholders and Board of Directors
The Sherwin-Williams Company

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2010, 2009 and 2008, and the related statements of consolidated income, cash flows and shareholders' equity and comprehensive income for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Sherwin-Williams Company at December 31, 2010, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, 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, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2011 expressed an unqualified opinion thereon.

Ernst + Young LLP

Cleveland, Ohio
February 22, 2011

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

	Year ended December 31,		
	2010	2009	2008
Net sales	\$7,776,424	\$7,094,249	\$7,979,727
Cost of goods sold	4,295,346	3,831,080	4,480,927
Gross profit	3,481,078	3,263,169	3,498,800
Percent to net sales	44.8%	46.0%	43.8%
Selling, general and administrative expenses	2,728,122	2,534,775	2,643,580
Percent to net sales	35.1%	35.7%	33.1%
Other general expense — net	3,803	33,620	19,319
Impairment of trademarks and goodwill	4,484	14,144	54,604
Loss on dissolution of a foreign subsidiary		21,923	
Interest expense	70,595	40,026	65,684
Interest and net investment income	(2,929)	(2,393)	(3,930)
Other (income) expense — net	(781)	(1,743)	5,068
Income before income taxes	677,784	622,817	714,475
Income taxes	215,299	186,969	237,599
Net income	\$ 462,485	\$ 435,848	\$ 476,876
Net income per common share*:			
Basic	\$ 4.28	\$ 3.80	\$ 4.04
Diluted	\$ 4.21	\$ 3.78	\$ 4.00

* Presented using the two-class method. See Note 16.

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(thousands of dollars)

	December 31,		
	2010	2009	2008
Assets			
Current assets:			
Cash and cash equivalents	\$ 58,585	\$ 69,329	\$ 26,212
Accounts receivable, less allowance	916,661	696,055	769,985
Inventories:			
Finished goods	743,953	630,683	749,405
Work in process and raw materials	173,748	107,805	114,795
	917,701	738,488	864,200
Deferred income taxes	127,348	121,276	97,568
Other current assets	193,427	144,871	151,240
Total current assets	2,213,722	1,770,019	1,909,205
Goodwill	1,102,458	1,014,825	1,006,712
Intangible assets	320,504	279,413	299,963
Deferred pension assets	248,333	245,301	215,637
Other assets	332,100	195,612	124,117
Property, plant and equipment:			
Land	106,101	85,166	85,485
Buildings	668,506	600,687	580,216
Machinery and equipment	1,617,530	1,512,218	1,564,221
Construction in progress	34,038	23,086	26,560
	2,426,175	2,221,157	2,256,482
Less allowances for depreciation	1,474,057	1,402,472	1,396,357
	952,118	818,685	860,125
Total Assets	\$ 5,169,235	\$ 4,323,855	\$ 4,415,759
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 388,592	\$ 22,674	\$ 516,438
Accounts payable	909,649	674,766	738,093
Compensation and taxes withheld	253,247	176,538	194,787
Accrued taxes	62,547	76,499	58,510
Current portion of long-term debt	7,875	12,267	13,570
Other accruals	442,030	430,924	415,338
Total current liabilities	2,063,940	1,393,668	1,936,736
Long-term debt	648,326	782,670	303,727
Postretirement benefits other than pensions	295,896	283,784	248,603
Other long-term liabilities	551,633	372,783	321,045
Shareholders' equity:			
Common stock — \$1.00 par value: 107,020,728, 109,436,869 and 117,035,117 shares outstanding at December 31, 2010, December 31, 2009 and December 31, 2008, respectively	231,346	228,647	227,147
Preferred stock — convertible, no par value: 216,753 shares outstanding at December 31, 2010, December 31, 2009 and December 31, 2008	216,753	216,753	216,753
Unearned ESOP compensation	(216,753)	(216,753)	(216,753)
Other capital	1,222,909	1,068,963	1,016,362
Retained earnings	4,824,489	4,518,428	4,245,141
Treasury stock, at cost	(4,390,983)	(4,007,633)	(3,472,384)
Cumulative other comprehensive loss	(278,321)	(317,455)	(410,618)
Total shareholders' equity	1,609,440	1,490,950	1,605,648
Total Liabilities and Shareholders' Equity	\$ 5,169,235	\$ 4,323,855	\$ 4,415,759

See notes to consolidated Financial statements.

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STATEMENTS OF CONSOLIDATED CASH FLOWS (thousands of dollars)

	Year Ended December 31,		
	2010	2009	2008
Operating Activities			
Net income	\$ 462,485	\$ 435,848	\$ 476,876
Adjustments to reconcile net income to net operating cash:			
Depreciation	140,347	145,186	143,191
Amortization of intangible assets	34,964	25,718	22,320
Impairment of trademarks and goodwill	4,484	14,144	54,604
Loss on dissolution of a foreign subsidiary		21,923	
Provisions for environmental-related matters	7,089	24,705	6,947
Provisions for (net credit from) qualified exit costs	(3,811)	21,832	12,081
Deferred income taxes	20,070	(8,605)	30,365
Defined benefit pension plans net cost (credit)	18,104	31,367	(8,171)
Income tax effect of ESOP on other capital	(7,515)	(13,411)	30,628
Stock-based compensation expense	42,276	23,271	41,114
Net increase in postretirement liability	4,627	1,103	2,223
Decrease in non-traded investments	53,407	42,805	44,480
Loss on disposition of assets	2,720	972	6,440
Other	3,330	(436)	8,760
Change in working capital accounts:			
(Increase) decrease in accounts receivable	(111,113)	108,190	68,494
(Increase) decrease in inventories	(82,060)	145,867	(2,472)
Increase (decrease) in accounts payable	155,116	(82,607)	16,349
(Decrease) increase in accrued taxes	(19,410)	11,836	(5,778)
Increase (decrease) in accrued compensation and taxes withheld	75,210	(21,579)	(25,610)
Increase (decrease) in refundable income taxes	16,059	(2,267)	5,119
Other	(78,910)	(12,767)	(24,880)
Costs incurred for environmental-related matters	(30,880)	(36,986)	(22,369)
Costs incurred for qualified exit costs	(11,275)	(12,322)	(5,643)
Other	11,276	(4,601)	1,165
Net operating cash	706,590	859,186	876,233
Investing Activities			
Capital expenditures	(125,162)	(91,328)	(117,203)
Acquisitions of businesses, net of cash acquired	(298,161)	(15,440)	(68,688)
Proceeds from sale of assets	8,335	5,599	11,130
Increase in other investments	(74,961)	(29,230)	(62,067)
Net investing cash	(489,949)	(130,399)	(236,828)
Financing Activities			
Net increase (decrease) in short-term borrowings	357,835	(494,989)	(136,793)
Proceeds from long-term debt	14,798	491,736	19,721
Payments of long-term debt	(159,422)	(20,094)	(6,336)
Costs associated with repurchase of long-term debt	(22,192)		
Payments of cash dividends	(156,424)	(162,561)	(165,111)
Proceeds from stock options exercised	102,209	36,596	37,475
Income tax effect of stock-based compensation exercises and vesting	19,676	7,645	11,897
Treasury stock purchased	(375,677)	(530,363)	(392,702)
Other	(4,371)	(10,800)	(6,061)
Net financing cash	(223,568)	(682,830)	(637,910)
Effect of exchange rate changes on cash	(3,817)	(2,840)	(2,608)
Net (decrease) increase in cash and cash equivalents	(10,744)	43,117	(1,113)
Cash and cash equivalents at beginning of year	69,329	26,212	27,325
Cash and cash equivalents at end of year	\$ 58,585	\$ 69,329	\$ 26,212
Taxes paid on income	\$ 137,872	\$ 146,385	\$ 109,408
Interest paid on debt	78,747	41,106	64,929

See notes to consolidated financial statements.



STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY AND
COMPREHENSIVE INCOME (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, 2008	\$ 225,577	\$ 324,733	\$ (324,733)	\$ 897,656	\$ 3,935,485	\$ (3,074,388)	\$ (198,603)	\$ 1,785,727
Comprehensive income:								
Net income					476,876			476,876
Foreign currency translation							(89,116)	(89,116)
Net actuarial gains (losses) and prior service costs recognized for employee benefit plans, net of taxes of \$75,939							(121,561)	(121,561)
Unrealized net losses on securities and derivative instruments used in cash flow hedges, net of taxes of \$515							(1,338)	(1,338)
Comprehensive income								264,861
Treasury stock purchased				(838)		(392,702)		(393,540)
Redemption of preferred stock		(107,980)	107,980					
Income tax effect of ESOP				30,628				30,628
Stock options exercised	1,275			36,200		(5,294)		32,181
Income tax effect of stock options exercised				11,897				11,897
Restricted stock and stock option grants (net activity)	295			40,819				41,114
Cash dividends—\$1.40 per common share					(165,111)			(165,111)
Cumulative-effect adjustment to initially apply new accounting standard related to split- dollar life insurance arrangements					(2,109)			(2,109)
Balance at December 31, 2008	227,147	216,753	(216,753)	1,016,362	4,245,141	(3,472,384)	(410,618)	1,605,648
Comprehensive income:								
Net income					435,848			435,848
Foreign currency translation							75,622	75,622
Net actuarial gains (losses) and prior service costs recognized for employee benefit plans, net of taxes of (\$10,285)							17,168	17,168
Unrealized net gains on securities and derivative instruments used in cash flow hedges, net of taxes of (\$144)							373	373
Comprehensive income								529,011
Treasury stock purchased						(530,363)		(530,363)
Income tax effect of ESOP				(13,411)				(13,411)
Stock options exercised	1,071			35,525		(4,886)		31,710
Income tax effect of stock options exercised				7,645				7,645
Restricted stock and stock option grants (net activity)	429			22,842				23,271
Cash dividends—\$1.42 per common share					(162,561)			(162,561)
Balance at December 31, 2009	228,647	216,753	(216,753)	1,068,963	4,518,428	(4,007,633)	(317,455)	1,490,950
Comprehensive income:								
Net income					462,485			462,485
Foreign currency translation							25,131	25,131
Net actuarial gains (losses) and prior service costs recognized for employee benefit plans, net of taxes of (\$8,948)							13,527	13,527
Unrealized net gains on securities, net of taxes of (\$183)							476	476
Comprehensive income								501,619
Treasury stock purchased						(375,677)		(375,677)
Income tax effect of ESOP				(7,515)				(7,515)
Stock options exercised	2,351			99,857		(7,673)		94,535
Income tax effect of stock options exercised				19,676				19,676
Restricted stock and stock option grants (net activity)	348			41,928				42,276
Cash dividends—\$1.44 per common share					(156,424)			(156,424)
Balance at December 31, 2010	\$ 231,346	\$ 216,753	\$ (216,753)	\$ 1,222,909	\$ 4,824,489	\$ (4,390,983)	\$ (278,321)	\$ 1,609,440

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 19 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 invested in the U.S. affordable housing and historic renovation real estate markets. These non-traded investments 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. 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 over the period that the tax credits are recognized. The carrying amounts of the investments, included in Other assets, were \$198,023, \$88,249 and \$33,095 at December 31, 2010, 2009 and 2008, respectively. The liabilities recorded on the balance sheets for estimated future capital contributions to the investments were \$194,807, \$82,564 and \$30,172 at December 31, 2010, 2009 and 2008, 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. See Note 8.

	December 31,					
	2010		2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$632,375	\$662,193	\$768,300	\$741,989	\$284,014	\$291,464
Non-traded debt	23,826	22,454	26,637	25,105	33,283	29,805

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 option and forward currency exchange contracts in 2010, 2009 and 2008 primarily to hedge against foreign currency risk exposure. See Note 14. During 2009 and 2008, the Company entered into swaps to partially hedge forecasted future commodity purchases. These hedges were designated as cash flow hedges under the Derivatives and Hedging Topic of the ASC. There were no derivative contracts outstanding at December 31, 2010. The fair values of these derivative instruments were included in Other current assets or Other accruals and were insignificant at December 31, 2009 and 2008. During 2009 and 2008, the Company reclassified insignificant gains and losses from Cumulative other comprehensive loss into earnings. The Company does not use derivative instruments for speculative purposes.

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, 2010	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)	\$ 18,235	\$ 14,557	\$ 3,678	
Total assets at fair value	<u>\$ 18,235</u>	<u>\$ 14,557</u>	<u>\$ 3,678</u>	
Liabilities:				
Deferred compensation plan liability ^(b)	\$ 22,905	\$ 22,905		
Total liabilities at fair value	<u>\$ 22,905</u>	<u>\$ 22,905</u>		

(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 \$17,423.

(b) The deferred compensation plan liability represents the value of the Company's liability under its deferred compensation plan based on quoted market prices.

Assets and Liabilities Reported at Fair Value on a Nonrecurring Basis

	Fair Value at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trademarks ^(a)	\$ 2,709			\$ 2,709
Fixed assets ^(b)	1,721		\$ 1,721	
	<u>\$ 4,430</u>		<u>\$ 1,721</u>	<u>\$ 2,709</u>

(a) As a result of the 2010 annual impairment test performed in accordance with the Intangibles Topic of the ASC, trademarks with a carrying value of \$2,829 were written down to their calculated fair value of \$2,709. In addition, finite-lived trademarks with a carrying value of \$4,364 were written-down to their immaterial estimated net realizable value. See Note 5.

(b) Fixed assets totaling \$5,062 were written down to their estimated net realizable value of \$1,721 in accordance with the Disposal of Long-Lived Assets Subtopic of ASC 360. See Note 5.

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 \$59,310, \$44,755 and \$40,760 at December 31, 2010, 2009 and 2008, 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. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

Reserve for obsolescence. The Company recorded a reserve for obsolescence of \$74,372, \$70,941 and \$57,305 at December 31, 2010, 2009 and 2008, 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 5.

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, trademarks have been classified as indefinite-lived assets and are not amortized. An annual test for impairment is performed and interim tests are performed whenever an event occurs or circumstances indicate potential impairment. See Note 5. The cost of non-compete covenants and certain intangible property rights are amortized on a straight-line basis over the expected period of benefit as follows:

	<u>Useful Life</u>
Non-compete covenants	3 – 5 years
Certain intangible property rights	3 – 20 years

Accumulated amortization of finite-lived intangible assets was \$228,633, \$199,692 and \$165,566 at December 31, 2010, 2009 and 2008, respectively. See Note 5.

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 5 and 6.

Property, plant and equipment. Property, plant and equipment is stated on the basis of cost. Depreciation is provided 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 \$22,300, \$29,786 and \$28,358 at December 31, 2010, 2009 and 2008, 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 2010, 2009 and 2008, including customer satisfaction settlements during the year, were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at January 1	\$ 22,214	\$ 18,029	\$ 19,596
Charges to expense	23,092	31,367	31,339
Settlements	(22,203)	(27,182)	(32,906)
Balance at December 31	<u>\$ 23,103</u>	<u>\$ 22,214</u>	<u>\$ 18,029</u>

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 9 and 14.

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. See Note 12.

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 under-funded plans. See Note 7.

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 13.

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, 2010, the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of \$131,160, net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of \$148,006 and unrealized net gains on marketable equity securities of \$845. At December 31, 2009 and 2008 the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of \$156,291 and \$231,913, respectively, net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of \$161,533 and \$178,701, respectively, and unrealized gains (losses) on marketable equity securities and derivative instruments used in cash flow hedges of \$369 and \$(4), respectively.

Revenue recognition. All revenues were recognized when products were shipped and title had passed to unaffiliated 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 \$39,883, \$40,425 and \$37,469 for 2010, 2009 and 2008 respectively.

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 \$217,637, \$218,370 and \$233,604 in advertising costs during 2010, 2009 and 2008 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 12) and common stock held in a revocable trust (see Note 11) 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 16.

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Impact of recently issued accounting standards. In February 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-9, which amends the Subsequent Events Topic of the ASC to eliminate the requirement for public companies to disclose the date through which subsequent events have been evaluated. The Company will continue to evaluate subsequent events through the date of the issuance of the financial statements, however, consistent with the guidance, this date will no longer be disclosed. ASU 2010-9 does not have any impact on the Company's results of operations, financial condition or liquidity.

Effective January 1, 2010, the Company adopted FAS No. 166, "Accounting for Transfers of Financial Assets" (now codified in the Transfers and Servicing Topic of the ASC) and FAS No. 167, "Amendments to FASB Interpretation (FIN) No. 46(R)" (now codified in the Consolidation Topic of the ASC). FAS No. 166 removes the concept of a qualifying special-purpose entity (SPE) from FAS No. 140 and eliminates the exception for qualifying SPEs from the consolidation guidance of FIN No. 46(R). FAS No. 167 changes the analysis that must be performed to determine the primary beneficiary of a variable interest entity (VIE), amends certain guidance in FIN No. 46(R) for determining whether an entity is a VIE and requires enhanced disclosures about involvement with VIEs. The statements do not have a significant impact on the Company's results of operations, financial condition, liquidity or disclosures.

Reclassification. Certain amounts in the 2009 and 2008 consolidated financial statements have been reclassified to conform to the 2010 presentation.

NOTE 2 — ACQUISITIONS

All acquisitions have been accounted for as purchases and their results of operations have been included in the consolidated financial statements since the date of acquisition.

Effective October 1, 2010, the Company acquired Pinturas Condor S.A. (Pinturas Condor), the leading paint and coatings company in Ecuador. Pinturas Condor develops and manufactures products to the architectural, industrial and automotive vehicle refinish markets and sells them to a combination of company-owned paint stores and exclusive dealers. Included in the Global Finishes Group, Pinturas Condor strengthens the Company's product finish market position in Ecuador.

Effective September 1, 2010, the Company acquired Becker Industrial Products AB (Acroma). Headquartered in Stockholm, Sweden, Acroma is one of the largest manufacturers of industrial wood coatings globally and a technology leader in water, UV and other wood coatings. Included in the Global Finishes Group, Acroma strengthens the Company's growing global platform for product finishes.

Effective April 1, 2010, the Company acquired Sayerlack Industrial Coatings (Sayerlack). Headquartered in Pianoro, Italy, Sayerlack is a leading coatings innovator in the joinery, furniture and cabinets markets, and is one of the largest manufacturers of industrial wood coatings in Europe and a technology leader in polyurethane, water and UV coatings. Included in the Global Finishes Group, Sayerlack strengthens the Company's growing global platform for product finishes.

The aggregate consideration paid for Pinturas Condor, Acroma and Sayerlack was \$298,161, net of cash acquired. All three acquisitions resulted in the recognition of goodwill and intangible assets. See Note 5.

During the first quarter of 2009, the Company acquired Altax Sp. zo.o. (Altax). Headquartered in Poznan, Poland, Altax is a leading innovator of protective woodcare coatings and serves multiple channels, including industrial, professional and DIY. Included in the Consumer Group, the acquisition provides a platform for further growth in Central Europe. The aggregate consideration paid for Altax was \$11,500, net of cash acquired, including the assumption of certain financial obligations. The acquisition resulted in the recognition of goodwill and intangible assets.

In December 2008, the Company acquired Euronavy-Tintas Maritimas e Industriais S.A. of Portugal (Euronavy). Headquartered in Lisbon, Portugal, Euronavy is a leading innovator of marine and protective coatings applied to ships, off shore platforms, storage tanks, steel, concrete and flooring. Included in the Global Finishes Group, the acquisition strengthens the Company's global platform of protective and marine coatings.

In September 2008, the Company purchased certain assets of the Wagman Primus Group, LP (Wagman). The acquired assets are related to imported raw materials of brushes and foreign manufactured applicators and allows greater flexibility and control in the importation of applicators and related products for the Consumer Group.

In July 2008, the Company acquired the liquid coatings subsidiaries of Inchem Holdings International Limited (Inchem). Headquartered in Singapore, Inchem produces coatings applied to wood and plastic products in Asia. These waterborne, solvent-based, and ultraviolet curable coatings are applied to furniture, cabinets, flooring and electronic products. The coatings are made and sold in China, Vietnam and Malaysia and distributed to 15 other Asian countries. This acquisition strengthens the Global Finishes Group's product offering throughout Asia.

In February 2008, the Company acquired Becker Powder Coatings, Inc. (Becker), a subsidiary of Sweden-based AB Wilh. Headquartered in Columbus, Ohio, Becker produces powder coatings applied to appliances, metal furniture, fixtures, equipment and electronic products manufactured throughout North

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America. This acquisition strengthens Global Finishes Group's position in the powder coatings market.

The aggregate consideration paid for Euronavy, Inchem, Wagman and Becker was \$64,103, net of cash acquired, including acquisition costs and the assumption of certain financial obligations. The acquisitions resulted in the recognition of intangible assets. The Euronavy, Inchem and Becker acquisitions also resulted in the recognition of goodwill.

The following unaudited pro-forma summary presents consolidated financial information as if Pinturas Condor, Acroma, Sayerlack, Altax, Euronavy, Wagman, Inchem and Becker had been acquired at the beginning of each period presented. The unaudited pro-forma consolidated financial information does not necessarily reflect the actual results that would have occurred had the acquisitions taken place on January 1, 2008 or the future results of operations of the combined companies under ownership and operation of the Company.

	2010	2009	2008
Net sales	\$8,064,976	\$7,580,768	\$8,627,385
Net income	464,353	440,007	489,718
Net income per common share:			
Basic	4.29	3.84	4.15
Diluted	4.22	3.81	4.10

NOTE 3 — LOSS ON DISSOLUTION OF A FOREIGN SUBSIDIARY

In the fourth quarter of 2009, the Company dissolved an insolvent European subsidiary resulting in a pre-tax expense of \$21,923 consisting primarily of current and non-current asset write-downs of \$11,637 and severance expense of \$5,161. The majority of the severance expense was paid in 2010, and the remaining amount will be paid in 2011. The expense was recorded as a separate line item on the Statements of Consolidated Income due to the significant nature of the dissolution. The Company restructured other business units to maintain service to the majority of its European customers. The impact of the expense on basic and diluted net income per common share for 2009 was \$.05 per share.

NOTE 4 — 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 2009, 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 impact on Net income of such liquidations was \$8,634.

	2010	2009	2008
Percentage of total inventories on LIFO	76%	83%	86%
Excess of FIFO over LIFO	\$277,164	\$250,454	\$321,280
(Decrease) increase in net income due to LIFO	(16,394)	43,650	(49,184)
(Decrease) increase in net income per common share due to LIFO	(.15)	.38	(.41)

NOTE 5 — GOODWILL, INTANGIBLE AND LONG-LIVED ASSETS

During 2010, the Company recognized \$79,909 of goodwill and \$18,007 of trademarks in the acquisitions of Sayerlack, Acroma and Pinturas Condor. Customer relationships valued at \$35,886 recognized in the acquisitions of Acroma and Pinturas Condor are being amortized over periods of 15 and 19 years, respectively, from the date of acquisition.

During 2009, the Company recognized \$4,147 of goodwill, \$3,211 of trademarks and \$2,643 of other intangibles in the acquisition of Altax. Customer relationships valued at \$1,572 and intellectual property valued at \$1,071 are being amortized over 10 and 8 years, respectively, from the date of acquisition.

During 2008, the Company recognized \$24,383 of goodwill in the acquisitions of Euronavy, Inchem, Becker and Columbia. There was no goodwill recognized in the acquisition of Wagman Primus. Trademarks of \$10,265 were recognized in the acquisition valuation of Inchem and Euronavy. Covenants not to compete of \$3,000, obtained in the acquisitions of Inchem, Becker and Wagman Primus, are being amortized over five years from the date of acquisition. Customer lists valued at \$6,950, recognized in the acquisitions of Inchem and Becker, are being amortized over periods of 4.5 years and 10 years, respectively. A value for formulations acquired of \$300, recognized in the acquisition of Becker, is being amortized over 5 years. No significant residual value was estimated for any of the acquired identified intangible assets.

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



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determine the fair value for the assets to measure any potential impairment.

During 2010, a reduction in the carrying value of property, plant and equipment associated with one manufacturing facility closed during 2009 was recorded (see Note 6). In addition, finite-lived intangible assets and property, plant and equipment in the Global Finishes Group had reductions in carrying value of \$4,364 and \$2,177, respectively, due to undiscounted cash flow projections below carrying values.

During 2009, reductions in the carrying value of property, plant and equipment associated with two manufacturing facilities closed during the year were recorded (see Note 6). There were no other significant reductions in carrying value of long-lived assets in 2009.

During 2008, in the Consumer Group, a reduction of \$1,980 in the carrying value of certain manufacturing equipment held for disposal was charged to Cost of goods sold. An impairment test was performed due to the consolidation of redundant operations.

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. Impairments of goodwill and trademarks with indefinite lives have been reported as a separate line in the Statements of Consolidated Income.

The annual impairment review performed as of October 1, 2010 resulted in a trademark impairment in the Paint Stores Group of \$120 and no goodwill impairment. The trademark impairment related primarily to lower-than-anticipated sales of an acquired brand.

The annual impairment review performed as of October 1, 2009 resulted in trademark impairments of \$14,144 (\$10,998 in the Paint Stores Group, \$86 in the Consumer Group and \$3,060 in the Global Finishes Group), and no goodwill impairment. The trademark impairments related primarily to lower-than-anticipated sales of certain acquired brands.

The annual impairment review performed as of October 1, 2008 resulted in reductions in the carrying values of goodwill of \$8,113 and trademarks with indefinite lives of \$22,579. The goodwill impairment was included in the Consumer Group. The trademark impairments were in the Paint Stores Group (\$22,474) and the Consumer Group (\$105). The goodwill and trademark impairments related primarily to lower-than-anticipated cash flow in a certain acquired business and lower-than-anticipated sales of certain acquired brands, respectively.

During the second quarter of 2008, the Company performed an interim impairment review of its goodwill and indefinite-lived intangible assets. Soft domestic architectural paint sales in the new residential, residential repaint, DIY and commercial markets indicated that certain domestic indefinite-lived trademarks might be impaired. In addition, continued low cash flow projections in one foreign business unit indicated that goodwill impairment might be likely. The interim impairment review resulted in reductions in the carrying values of certain trademarks with indefinite lives of \$23,121. The trademark impairments were charged to the Paint Stores Group (\$20,364) and the Consumer Group (\$2,757). The goodwill impairment of a foreign business unit aggregated \$791 and was charged to the Global Finishes Group.

Amortization of finite-lived intangible assets is as follows for the next five years: \$24,187 in 2011, \$22,645 in 2012, \$18,402 in 2013 and \$15,222 in 2014 and \$12,375 in 2015.

A summary of changes in the Company's carrying value of goodwill by reportable operating segment is as follows:

Goodwill	Paint Stores Group	Consumer Group	Global Finishes Group	Consolidated Totals
Balance at January 1, 2008	\$ 274,250	\$689,635	\$ 32,728	\$ 996,613
Acquisitions	10,133		14,250	24,383
Impairment charged to operations		(8,113)	(791)	(8,904)
Currency and other adjustments	1,042	1,842	(8,264)	(5,380)
Balance at December 31, 2008 ^(a)	285,425	683,364	37,923	1,006,712
Acquisitions		4,147		4,147
Currency and other adjustments	20	(899)	4,845	3,966
Balance at December 31, 2009 ^(a)	285,445	686,612	42,768	1,014,825
Acquisitions			79,909	79,909
Currency and other adjustments	1,299	2,776	3,649	7,724
Balance at December 31, 2010 ^(a)	<u>\$ 286,744</u>	<u>\$689,388</u>	<u>\$ 126,326</u>	<u>\$1,102,458</u>

(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, 2010					
Weighted-average amortization period	8 years	13 years	11 years		
Gross	\$107,141	\$ 254,462	\$ 361,603		
Accumulated amortization	(57,480)	(171,153)	(228,633)		
Net value	<u>\$ 49,661</u>	<u>\$ 83,309</u>	<u>\$ 132,970</u>	<u>\$ 187,534</u>	<u>\$320,504</u>
December 31, 2009					
Weighted-average amortization period	9 years	10 years	9 years		
Gross	\$ 90,263	\$ 218,621	\$ 308,884		
Accumulated amortization	(47,140)	(152,552)	(199,692)		
Net value	<u>\$ 43,123</u>	<u>\$ 66,069</u>	<u>\$ 109,192</u>	<u>\$ 170,221</u>	<u>\$279,413</u>
December 31, 2008					
Weighted-average amortization period	9 years	9 years	9 years		
Gross	\$ 81,236	\$ 199,746	\$ 280,982		
Accumulated amortization	(35,856)	(129,710)	(165,566)		
Net value	<u>\$ 45,380</u>	<u>\$ 70,036</u>	<u>\$ 115,416</u>	<u>\$ 184,547</u>	<u>\$299,963</u>

NOTE 6 — 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, incremental post-closure costs 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 2010, 23 stores and branches were closed due to lower demand or redundancy. Provisions for severance and other qualified exit costs of \$1,314, \$457 and \$182 were charged to the Global Finishes Group, Consumer Group and Paint Stores Group, respectively. In addition, there were adjustments to prior provisions related to manufacturing facilities, distribution facilities, stores and branches closed in 2009. Adjustments to prior provisions of \$(5,764) were recorded. In 2010, a reduction of \$1,164 in the carrying value of the property, plant and equipment associated with a manufacturing facility closed in 2009 was recorded.

During 2009, four manufacturing facilities and 65 stores and branches were closed due to lower demand or redundancy. Provisions for severance and other qualified exit costs of \$4,766, \$9,855 and \$5,243 were charged to the Paint Stores Group, Consumer Group and Global Finishes Group, respectively. In addition, there were adjustments to prior provisions related to manufacturing facilities, distribution facilities, stores and branches closed in 2008. Adjustments to prior provisions of \$1,968 were recorded. In 2009, a reduction of \$5,404 in the carrying value of the property, plant and equipment associated with two manufacturing facilities closed during the year was recorded. Also during 2009, reductions of \$571 in estimated fair value of property, plant and equipment in certain manufacturing facilities closed in 2008 or prior was recorded.

During 2008, four manufacturing and three distribution facilities, five administrative offices and 92 stores and branches were closed. The closure and disposal of two manufacturing facilities and two administrative offices in the Paint Stores Group were planned at the time of acquisition. Total qualified exit costs of \$1,668 related to the acquired facilities were included as part of the purchase price allocations in accordance with business combination accounting standards in effect at the time of acquisition. One additional manufacturing and two distribution facilities and 79 stores in the Paint Stores Group, one manufacturing and one distribution facility in the Consumer Group, and three administrative offices and 14 branches in the Global Finishes Group were closed due to excess capacity or redundancy. Provisions of \$7,090 for qualified exit costs resulting from the closure of

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these facilities were recorded in Cost of goods sold or Selling, general and administrative expenses in 2008. Of the total provisions, \$5,448 was charged to the Paint Stores Group, \$915 was charged to the Consumer Group and \$727 was charged to the Global Finishes Group. In 2008, a reduction of \$468 in the carrying value of the property, plant and equipment associated with two manufacturing facilities closed during the year was recorded. Also during 2008, reductions of \$473 in estimated fair value of property, plant and equipment in certain manufacturing facilities closed in 2007 or prior were recorded as additional impairments.

At December 31, 2010, a portion of the remaining accrual for qualified exit costs relating to facilities shutdown prior to 2008 is expected to be incurred by the end of 2011. The remaining portion of the ending accrual for facilities shutdown prior to 2008 primarily represented post-closure contractual and demolition expenses related to certain owned facilities which are closed and being held for disposal or involved in ongoing environmental-related activities. The Company cannot reasonably estimate when such matters will be concluded to permit disposition.

The following table summarizes the activity and remaining liabilities associated with qualified exit costs:

Exit Plan	Balance at December 31, 2009	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, 2010
Global Finishes Group branches shutdown in 2010:					
Severance and related costs		\$ 31	\$ (31)		
Other qualified exit costs		1,283	(169)		\$ 1,114
Paint Stores Group stores shutdown in 2010:					
Other qualified exit costs		182	(178)		4
Paint Stores Group stores shutdown in 2009:					
Other qualified exit costs	\$ 3,213		(1,213)	\$ 22	2,022
Consumer Group manufacturing facilities shutdown in 2009:					
Severance and related costs	4,532	457	(3,534)	(1,455)	
Other qualified exit costs	2,258		(612)	(925)	721
Global Finishes Group manufacturing facility and branches shutdown in 2009:					
Severance and related costs	204		(78)	(126)	
Other qualified exit costs	3,703		(1,288)	(595)	1,820
Paint Stores Group manufacturing and distribution facilities, administrative offices and stores shutdown in 2008:					
Severance and related costs	70		(66)	(4)	
Other qualified exit costs	5,426		(1,864)	(504)	3,058
Consumer Group manufacturing and distribution facilities shutdown in 2008:					
Severance and related costs	311			(311)	
Other qualified exit costs	83		(60)	219	242
Global Finishes Group administrative offices and branches shutdown in 2008:					
Other qualified exit costs	88		(88)		
Other qualified exit costs for facilities shutdown prior to 2008					
	<u>11,245</u>		<u>(2,094)</u>	<u>(2,085)</u>	<u>7,066</u>
Totals	<u>\$ 31,133</u>	<u>\$ 1,953</u>	<u>\$ (11,275)</u>	<u>\$ (5,764)</u>	<u>\$ 16,047</u>

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Exit Plan	Balance at December 31, 2008	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, 2009
Paint Stores Group stores shutdowns in 2009:					
Other qualified exit costs		\$ 3,898	\$ (685)		\$ 3,213
Consumer Group manufacturing facilities shutdown in 2009:					
Severance and related costs		7,345	(2,813)		4,532
Other qualified exit costs		2,428	(170)		2,258
Global Finishes Group manufacturing facility and branches shutdown in 2009:					
Severance and related costs		629	(425)		204
Other qualified exit costs		4,614	(911)		3,703
Paint Stores Group manufacturing and distribution facilities, administrative offices and stores shutdown in 2008:					
Severance and related costs	\$ 324	868	(937)	\$ (185)	70
Other qualified exit costs	4,450		(2,602)	3,578	5,426
Consumer Group manufacturing and distribution facilities shutdown in 2008:					
Severance and related costs	449	82	(33)	(187)	311
Other qualified exit costs	150		(67)		83
Global Finishes Group administrative offices and branches shutdown in 2008:					
Severance and related costs	397		(397)		
Other qualified exit costs	240		(294)	142	88
Paint Stores Group manufacturing facility shutdown in 2007:					
Severance and related costs	33		(9)	(24)	
Other qualified exit costs	1,859		(430)	149	1,578
Consumer Group manufacturing facility shutdown in 2007:					
Other qualified exit costs	2,036			130	2,166
Other qualified exit costs for facilities shutdown prior to 2007					
	<u>11,686</u>		<u>(2,550)</u>	<u>(1,635)</u>	<u>7,501</u>
Totals	<u>\$ 21,624</u>	<u>\$ 19,864</u>	<u>\$ (12,323)</u>	<u>\$ 1,968</u>	<u>\$ 31,133</u>

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Exit Plan	Balance at January 1, 2008	Provisions in Cost of goods sold, SG&A or acquired	Actual expenditures charged to accrual	Adjustments to prior provisions in Other general expense - net	Balance at December 31, 2008
Paint Stores Group manufacturing and distribution facilities, administrative offices and stores shutdown in 2008:					
Severance and related costs		\$ 1,722	\$ (1,363)	\$ (35)	\$ 324
Other qualified exit costs		5,394	(1,370)	426	4,450
Consumer Group manufacturing and distribution facilities shutdown in 2008:					
Severance and related costs		915	(847)	381	449
Other qualified exit costs				150	150
Global Finishes Group administrative offices and branches shutdown in 2008:					
Severance and related costs		420	(23)		397
Other qualified exit costs		307	(67)		240
Paint Stores Group manufacturing facility shutdown in 2007:					
Severance and related costs	\$ 650		(550)	(67)	33
Other qualified exit costs	1,726		(433)	566	1,859
Consumer Group manufacturing facility shutdown in 2007:					
Other qualified exit costs				2,036	2,036
Other qualified exit costs for facilities shutdown prior to 2006	11,142		(990)	1,534	11,686
Totals	<u>\$13,518</u>	<u>\$ 8,758</u>	<u>\$ (5,643)</u>	<u>\$ 4,991</u>	<u>\$ 21,624</u>

NOTE 7 — 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 17,841, 18,292 and 19,403 active employees entitled to receive benefits under these plans as of December 31, 2010, 2009 and 2008, respectively. The cost of these benefits for active employees, which includes claims incurred and claims incurred but not reported, amounted to \$144,927, \$152,316 and \$131,384 for 2010, 2009 and 2008, respectively.

Defined contribution pension plans. The Company's annual contribution for its domestic defined contribution pension plan was \$22,512, \$23,131 and \$37,210 for 2010, 2009 and 2008, respectively. Prior to July 1, 2009, the contribution was based on six percent of compensation for covered employees. Effective July 1, 2009, the contribution percentage was changed to a range from two percent to seven percent based on an age and service formula. Assets in employee accounts of the domestic defined contribution pension plan are invested in various mutual funds as directed by the participants. These mutual funds did not own a significant number of shares of the Company's common stock.

The Company's annual contribution for its foreign defined contribution pension plans, which is based on various percentages of compensation for covered employees up to certain limits, was \$3,968, \$2,636 and \$2,883 for 2010, 2009 and 2008, respectively. Assets in employee accounts of the foreign defined contribution pension plans are invested in various mutual funds. These mutual funds did not own a significant number of shares of the Company's common stock.

Defined benefit pension plans. The Company has one salaried and one hourly domestic defined benefit pension plan,

and fourteen foreign defined benefit pension plans, including two European plans acquired in connection with the 2010 acquisition of Acroma. 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. Eligible domestic salaried employees hired or re-hired on or after January 1, 2002 become participants in the revised domestic salaried defined benefit pension plan upon completion of six months of service. All employees who became participants on or after January 1, 2002 and before January 1, 2005 were credited with certain contribution credits equivalent to six percent of their salary. All employees who became participants on or after January 1, 2005 are credited with certain contribution credits that range from two percent to seven percent of compensation based on an age and service formula. Effective July 1, 2009, the domestic salaried defined benefit pension plan was revised, and all employees who become 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.

At December 31, 2010, the domestic salaried defined benefit pension plan was overfunded, with a projected benefit obligation of \$261,996, fair value of plan assets of \$502,707 and excess plan assets of \$240,711. The domestic hourly defined benefit pension plan was overfunded, with a projected benefit obligation of \$128,261, fair value of plan assets of \$132,018 and excess plan assets of \$3,757. The plans are funded in accordance with all applicable regulations as of December 31, 2010 and no funding will be required in 2011. At December 31, 2009, the domestic salaried defined benefit pension plan was overfunded, with a projected benefit obligation of \$211,635, fair value of plan assets of \$454,239 and excess plan assets of \$242,604, and the domestic hourly defined benefit pension plan was underfunded, with a projected benefit obligation of \$127,640, fair value of plan assets of \$122,808 and a deficiency of plan assets of \$4,832. At December 31, 2008, the domestic salaried defined benefit pension plan was overfunded, with a projected benefit obligation of \$215,253, fair value of plan assets of \$429,878 and excess plan assets of \$214,625, and the domestic hourly defined benefit pension plan was underfunded, with a projected benefit obligation of \$100,260, fair value of plan assets of \$73,609 and a deficiency of plan assets of \$26,651.

At December 31, 2010, seven of the Company's foreign defined benefit pension plans were underfunded, with combined projected benefit obligations, fair values of net assets and deficiencies of plan assets of \$65,797, \$54,504 and \$11,292, respectively. An increase of \$10,761 from 2009 in the combined projected benefit obligations of all foreign defined benefit pension plans was primarily due to the two acquired European plans.

The Company expects to make the following benefit payments for all domestic and foreign defined benefit pension plans: \$34,275 in 2011; \$33,325 in 2012; \$33,305 in 2013; \$33,442 in 2014; \$33,587 in 2015; and \$170,334 in 2016 through 2020.

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 2011 are \$19,268 and \$1,635, respectively.

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The following table summarizes the components of the net pension costs (credits) and Cumulative other comprehensive loss related to the defined benefit pension plans:

	Domestic Defined Benefit Pension Plans			Foreign Defined Benefit Pension Plans		
	2010	2009	2008	2010	2009	2008
Net pension costs (credits):						
Service costs	\$ 16,906	\$ 17,070	\$ 20,030	\$ 2,061	\$ 1,226	\$ 2,517
Interest costs	18,028	18,124	18,003	4,266	3,036	4,382
Expected returns on plan assets	(42,311)	(36,828)	(52,951)	(2,842)	(1,810)	(2,785)
Amortization of prior service costs	1,661	1,493	1,476	29	47	204
Amortization of actuarial losses	18,943	28,723		1,363	325	962
Ongoing pension costs (credits)	13,227	28,582	(13,442)	4,877	2,824	5,280
Settlement credits					(39)	(9)
Net pension costs (credits)	13,227	28,582	(13,442)	4,877	2,785	5,271
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	681	(49,250)	227,878	(10,043)	14,922	(7,996)
Prior service costs during the year		1,086	239			171
Amortization of prior service costs	(1,661)	(1,493)	(1,476)	(29)	(47)	(204)
Amortization of actuarial losses	(18,943)	(28,723)		(1,363)	(286)	(953)
Exchange rate (loss) gain recognized during the year				(1,536)	1,717	(2,306)
Total recognized in Cumulative other comprehensive loss	(19,923)	(78,380)	226,641	(12,971)	16,306	(11,288)
Total recognized in net pension costs (credits) and Cumulative other comprehensive loss	\$ (6,696)	\$ (49,798)	\$213,199	\$ (8,094)	\$19,091	\$ (6,017)

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, 2010 and 2009:

	Fair Value at December 31, 2010	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)	\$ 33,050		\$ 33,050	
Equity investments ^(b)	463,108	\$ 257,616	205,492	
Fixed income investments ^(c)	185,163	101,227	78,401	\$ 5,535
Other assets ^(d)	19,152			19,152
	<u>\$ 700,473</u>	<u>\$ 358,843</u>	<u>\$ 316,943</u>	<u>\$ 24,687</u>
	Fair Value at December 31, 2009	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)	\$ 51,688		\$ 51,688	
Equity investments ^(b)	430,550	\$ 248,138	182,412	
Fixed income investments ^(c)	132,951	91,741	35,945	\$ 5,265
Other assets ^(d)	17,728			17,728
	<u>\$ 632,917</u>	<u>\$ 339,879</u>	<u>\$ 270,045</u>	<u>\$ 22,993</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, 2010 and 2009:

	Balance at December 31, 2009	Dispositions	Realized and Unrealized Gains	Balance at December 31, 2010
Fixed income investments	\$ 5,265	\$ (269)	\$ 539	\$ 5,535
Other assets	17,728	(695)	2,119	19,152
	<u>\$ 22,993</u>	<u>\$ (964)</u>	<u>\$ 2,658</u>	<u>\$ 24,687</u>
	Balance at December 31, 2008	Acquisitions	Realized and Unrealized Gains (Losses)	Balance at December 31, 2009
Fixed income investments	\$ 2,652	\$ 2,380	\$ 233	\$ 5,265
Other assets	18,669	735	(1,676)	17,728
	<u>\$ 21,321</u>	<u>\$ 3,115</u>	<u>\$ (1,443)</u>	<u>\$ 22,993</u>

Included as equity investments in the domestic defined benefit pension plan assets at December 31, 2010 were 855,000 shares of the Company's common stock with a market value of \$71,606, representing 11.3 percent of total domestic plan assets. Dividends received on the Company's common stock during 2010 totaled \$1,231.

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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		
	2010	2009	2008	2010	2009	2008
Accumulated benefit obligations at end of year	<u>\$ 371,195</u>	<u>\$ 323,553</u>	<u>\$ 310,416</u>	<u>\$ 67,964</u>	<u>\$ 59,226</u>	<u>\$ 33,513</u>
Projected benefit obligations:						
Balances at beginning of year	\$ 339,275	\$ 315,513	\$ 318,370	\$ 75,175	\$ 44,893	\$ 70,712
Service costs	16,906	17,070	20,030	2,061	1,226	2,517
Interest costs	18,028	18,124	18,003	4,266	3,036	4,382
Actuarial losses (gains)	41,739	12,068	(15,562)	(6,950)	18,484	(17,929)
Plan amendments, merger and other		1,086	239	14,378	2,745	1,095
Effect of foreign exchange				(1,063)	6,427	(14,252)
Benefits paid	(25,691)	(24,586)	(25,567)	(1,931)	(1,636)	(1,632)
Balances at end of year	<u>390,257</u>	<u>339,275</u>	<u>315,513</u>	<u>85,936</u>	<u>75,175</u>	<u>44,893</u>
Plan assets:						
Balances at beginning of year	577,047	503,487	718,812	55,870	38,603	49,807
Actual returns on plan assets	83,369	98,146	(189,758)	5,935	3,853	(7,149)
Plan merger and other — net				7,085	9,902	9,619
Effect of foreign exchange				(1,211)	5,148	(12,042)
Benefits paid	(25,691)	(24,586)	(25,567)	(1,931)	(1,636)	(1,632)
Balances at end of year	<u>634,725</u>	<u>577,047</u>	<u>503,487</u>	<u>65,748</u>	<u>55,870</u>	<u>38,603</u>
Excess (deficient) plan assets over projected benefit obligations	<u>\$ 244,468</u>	<u>\$ 237,772</u>	<u>\$ 187,974</u>	<u>\$(20,188)</u>	<u>\$(19,305)</u>	<u>\$ (6,290)</u>
Assets and liabilities recognized in the Consolidated Balance Sheets:						
Deferred pension assets	\$ 244,468	\$ 242,604	\$ 214,625	\$ 3,865	\$ 2,697	\$ 1,012
Other accruals				(72)	(497)	(83)
Other long-term liabilities		(4,832)	(26,651)	(23,781)	(21,505)	(7,219)
	<u>\$ 244,468</u>	<u>\$ 237,772</u>	<u>\$ 187,974</u>	<u>\$(20,188)</u>	<u>\$(19,305)</u>	<u>\$ (6,290)</u>
Amounts recognized in Cumulative other comprehensive loss:						
Net actuarial losses	\$(179,871)	\$(198,134)	\$(276,107)	\$(11,930)	\$(24,873)	\$ (8,522)
Prior service costs	(5,647)	(7,307)	(7,714)		(28)	(73)
	<u>\$(185,518)</u>	<u>\$(205,441)</u>	<u>\$(283,821)</u>	<u>\$(11,930)</u>	<u>\$(24,901)</u>	<u>\$ (8,595)</u>
Weighted-average assumptions used to determine projected benefit obligations:						
Discount rate	4.97%	5.50%	6.10%	5.45%	5.78%	6.71%
Rate of compensation increase	4.00%	4.00%	4.00%	4.06%	3.85%	3.73%
Weighted-average assumptions used to determine net pension costs (credits):						
Discount rate	5.50%	6.10%	6.00%	5.57%	6.85%	6.14%
Expected long-term rate of return on assets	7.50%	7.50%	7.50%	5.46%	6.25%	6.63%
Rate of compensation increase	4.00%	4.00%	4.00%	3.74%	3.93%	4.40%

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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 4,768, 4,704 and 4,661 retired employees entitled to receive such postretirement benefits as of December 31, 2010, 2009 and 2008, respectively.

The following table summarizes the obligation and the assumptions used for postretirement benefits other than pensions:

	Postretirement Benefits Other than Pensions		
	2010	2009	2008
Benefit obligation:			
Balance at beginning of year — unfunded	\$ 300,526	\$ 264,802	\$ 280,433
Service cost	3,532	3,391	3,707
Interest cost	16,066	15,695	16,340
Actuarial loss (gain)	11,067	34,241	(18,274)
Benefits paid	(15,619)	(17,603)	(17,404)
Balance at end of year — unfunded	<u>\$ 315,572</u>	<u>\$ 300,526</u>	<u>\$ 264,802</u>
Liabilities recognized in the Consolidated Balance Sheets:			
Postretirement benefits other than pensions	\$(295,896)	\$(283,784)	\$(248,603)
Other accruals	(19,676)	(16,742)	(16,199)
	<u>\$(315,572)</u>	<u>\$(300,526)</u>	<u>\$(264,802)</u>
Amounts recognized in Cumulative other comprehensive loss:			
Net actuarial losses	\$ (52,037)	\$ (42,274)	\$ (8,309)
Prior service costs	1,640	2,296	2,952
	<u>\$ (50,397)</u>	<u>\$ (39,978)</u>	<u>\$ (5,357)</u>
Weighted-average assumptions used to determine benefit obligation:			
Discount rate	5.10%	5.50%	6.10%
Health care cost trend rate — pre-65	7.50%	8.00%	7.50%
Health care cost trend rate — post-65	7.50%	8.00%	7.50%
Prescription drug cost increases	8.00%	9.00%	9.00%
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	5.50%	6.10%	6.00%
Health care cost trend rate — pre-65	8.00%	7.50%	8.00%
Health care cost trend rate — post-65	8.00%	7.50%	8.00%
Prescription drug cost increases	9.00%	9.00%	10.00%

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		
	2010	2009	2008
Net periodic benefit cost:			
Service cost	\$ 3,532	\$ 3,391	\$ 3,707
Interest cost	16,066	15,695	16,340
Amortization of actuarial losses	1,304	276	213
Amortization of prior service credit	(656)	(656)	(634)
Net periodic benefit cost	<u>20,246</u>	<u>18,706</u>	<u>19,626</u>
Other changes in projected benefit obligation recognized in Cumulative other comprehensive loss (before taxes):			
Net actuarial loss (gain)	11,067	34,241	(18,274)
Amortization of actuarial losses	(1,304)	(276)	(213)
Amortization of prior service credit	656	656	634
Total recognized in Cumulative other comprehensive loss	<u>10,419</u>	<u>34,621</u>	<u>(17,853)</u>
Total recognized in net periodic benefit cost and Cumulative other comprehensive loss	<u>\$ 30,665</u>	<u>\$ 53,327</u>	<u>\$ 1,773</u>



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The estimated net actuarial loss and prior service credit for postretirement benefits other than pensions that are expected to be amortized from Cumulative other comprehensive loss into net periodic benefit cost in 2011 are \$2,505 and \$(656), 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 2011 both decrease in each successive year until reaching 5.0 percent in 2014 for prescription drug cost increases and in 2015 for health care. 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 as of December 31, 2010:

	One-Percentage-Point	
	Increase	(Decrease)
Effect on total of service and interest cost components	\$ 163	\$ (173)
Effect on the postretirement benefit obligation	\$3,062	\$(3,170)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Act) introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In accordance with the accounting guidance related to the Medicare Act included in the Retirement Benefits Topic of the ASC, the effects of the federal subsidy resulted in a \$21,400 reduction of the accumulated postretirement benefit obligation for benefits attributed to past service, which is being recognized prospectively beginning July 1, 2004. During 2010, this recognition resulted in a \$4,170 reduction of the net periodic benefit cost, which consisted of reductions in interest cost, amortization of changes in actuarial experience and service cost of \$1,973, \$1,852 and \$345, respectively. During 2009, this recognition resulted in a \$1,934 reduction of the net periodic benefit cost, which consisted of reductions in interest cost and service cost of \$1,870 and \$64, respectively. During 2008, this recognition resulted in a \$3,156 reduction of the net periodic benefit cost, which consisted of reductions in interest cost, amortization of changes in actuarial experience and service cost of \$1,979, \$1,168 and \$9, respectively. The initial effects of the federal subsidy attributable to past service have been fully recognized.

In the first quarter of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Acts") were enacted and became U.S. law. The Acts eliminate the tax deduction previously allowed for the Medicare Part D subsidy beginning in years after December 31, 2012. The Company recognized the deferred tax effects of the reduced deductibility of the subsidy during the first quarter. The resulting one-time increase in income taxes of \$11,400 reduced 2010 basic and diluted earnings per share by \$.11 and \$.10, respectively.

The Company expects to make retiree health care benefit cash payments and to receive Medicare Part D prescription cash reimbursements as follows:

	Retiree Health Care Benefits	Medicare Prescription Reimbursement	Expected Cash Payments - Net
2011	\$ 22,018	\$ (1,586)	\$ 20,432
2012	23,448	(1,540)	21,908
2013	24,519	(2,932)	21,587
2014	25,167	(3,024)	22,143
2015	25,507	(3,083)	22,424
2016 through 2020	124,878	(7,137)	117,741
Total expected benefit cash payments	<u>\$ 245,537</u>	<u>\$ (19,302)</u>	<u>\$ 226,235</u>

NOTE 8 — DEBT

Long-term debt

	Due Date	2010	2009	2008
3.125% Senior Notes	2014	<u>\$499,822</u>	\$499,777	
7.375% Debentures	2027	<u>129,053</u>	129,050	\$137,047
7.45% Debentures	2097	<u>3,500</u>	139,473	146,967
1.64% to 18.50% Promissory Notes	Through 2023	<u>15,951</u>	14,370	19,713
		<u>\$648,326</u>	<u>\$782,670</u>	<u>\$303,727</u>

Maturities of long-term debt are as follows for the next five years: \$7,875 in 2011; \$10,538 in 2012; \$2,082 in 2013; \$500,751 in 2014 and \$1,126 in 2015. Interest expense on long-term debt was \$64,442, \$30,984 and \$31,973 for 2010, 2009 and 2008, 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.

During 2010, the Company repurchased \$136.5 million of its publicly traded 7.45% debentures due 2097. Costs related to the repurchase increased interest expense by \$24,165.

On December 16, 2009, the Company issued \$500,000 of debt securities consisting of 3.125% senior notes, due December 15, 2014. The debt securities are covered under a shelf registration filed with the Securities and Exchange Commission (SEC) on December 16, 2009.

Effective December 24, 1997, the Company filed a shelf registration with the SEC covering \$150,000 of unsecured debt securities with maturities greater than nine months from the date of issue. Effective September 8, 1998, the Company filed a universal shelf registration statement with the SEC to issue debt securities, common stock and warrants up to \$1,500,000. Both shelf registrations expired in December 2008. There were no borrowings outstanding or issuance of common stock or warrants under either registration during all years presented.

Short-term borrowings. At December 31, 2010 and 2008, borrowings outstanding under the domestic commercial paper program totaled \$173,490 and \$83,064, respectively, and were included in Short-term borrowings. At December 31, 2009, there were no borrowings outstanding under the domestic commercial paper program. The weighted-average interest rate related to these borrowings was 0.2% and 2.6% at December 31, 2010 and 2008, respectively. Borrowings outstanding under various foreign programs of \$215,102, \$22,674 and \$33,374 at December 31, 2010, 2009 and 2008, respectively, were included in Short-term borrowings. The weighted-average interest rate related to these borrowings was 2.9%, 8.8% and 9.5% at December 31, 2010, 2009 and 2008, respectively.

On July 19, 2010, Sherwin-Williams Luxembourg S.à r.l., a wholly-owned subsidiary of the Company, entered into a €200,000 (Euro) credit facility. On December 28, 2010, the Company reduced the aggregate amount of this credit facility to €150,000 (Euro). On July 19, 2010, Sherwin-Williams Canada Inc., a wholly-owned subsidiary of the Company, entered into a CAD 75,000 credit facility. The credit facilities are being used for general corporate purposes, including refinancing indebtedness and for acquisitions.

On April 17, 2006, the Company entered into a three year credit agreement, which was amended on April 25, 2006 and May 8, 2006, that 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 credit agreement matured on June 20, 2009 and was not renewed.

On May 23, 2006, the Company entered into a five-year credit agreement, which was amended on July 24, 2006. This credit agreement 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 April 26, 2007 and August 28, 2007, the company entered into two additional five-year credit agreements, which were later amended on September 17, 2007 and September 25, 2007. These additional credit agreements give 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 \$500,000. At December 31, 2010 and 2009, there were no borrowings outstanding under either of these credit agreements. At December 31, 2008, \$400,000 was outstanding, with a weighted average interest rate of 2.8%.

The Company uses a revolving credit agreement primarily to satisfy its commercial paper program's dollar for dollar liquidity requirement. At December 31, 2008, the Company had a \$910,000 five-year senior unsecured revolving credit agreement scheduled to expire on July 20, 2010. Effective July 20, 2009, the maximum borrowing capability was reduced to \$845,000. On January 8, 2010, the Company terminated the existing \$845,000 five-year senior unsecured revolving credit agreement and entered into a new \$500,000 three-year senior unsecured revolving credit agreement. The new credit agreement allows the Company to increase the facility to an aggregate amount of \$750,000 subject to the discretion of each lender to participate.

On February 1, 2006, the Company sold or contributed certain of its accounts receivable to SWC Receivables Funding LLC (SWC), a consolidated wholly owned subsidiary. SWC entered into an accounts receivable securitization borrowing facility with a third party program agent. Under this program, SWC could borrow up to \$500,000 and secure such borrowings by granting a security interest in certain eligible accounts receivable and related security. On July 11, 2008, SWC terminated the accounts receivable securitization borrowing facility with a third party program agent and SWC was dissolved. There were no outstanding borrowings under the facility

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at the time it was terminated and no termination penalties were incurred.

NOTE 9 — 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 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 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, 2010, 2009, and 2008 were accruals for extended environmental-related activities of \$89,562, \$106,168 and \$128,179, respectively. Included in Other accruals at December 31, 2010, 2009, and 2008 were accruals for estimated costs of current investigation and remediation activities of \$60,048, \$64,685 and \$52,555, 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 \$105,656 higher than the minimum accruals at December 31, 2010.

Four of the Company's currently and formerly owned manufacturing sites accounted for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2010. At December 31, 2010, \$110,581, or 73.9 percent of the total accrual, related directly to these four sites. In the aggregate unaccrued maximum of \$105,656 at December 31, 2010, \$75,193, or 71.2 percent, related to these four 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, 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 10 — LITIGATION

In the course of its business, the Company is subject to a variety of claims and lawsuits, including 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 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 if even the possibility may be remote.

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 is also 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 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.

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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. Any potential liability that may result from such litigation or such 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 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 and purports to be a class action on behalf of all public entities in the State of California other than the State and its agencies. 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. On March 3, 2006, the Court of Appeal, Sixth Appellate District, among other determinations, reversed the dismissal of the public nuisance claim for abatement brought by the cities of Santa Clara and Oakland and the City and County of San Francisco, and affirmed the dismissal of the public nuisance claim for damages to the plaintiffs' properties. The plaintiffs have filed a motion for leave to file a fourth amended complaint. On April 4, 2007, the trial court entered an order granting the defendants' motion to bar payment of contingent fees to private attorneys. The contingency fee issue was eventually appealed to the California Supreme Court and, on July 26, 2010, the Supreme Court upheld the plaintiffs' right to retain private counsel on a contingency fee basis subject to certain requirements set forth in the Supreme Court's opinion. The defendants filed a petition for writ of certiorari with the United States Supreme Court regarding the constitutional validity of the plaintiffs' contingency fee arrangements. The petition was denied on January 10, 2011. The proceedings in the trial court were stayed pending the United States Supreme Court's decision.

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, claims for damages allegedly incurred by the children's parents or guardians, and claims for damages allegedly incurred by professional painting contractors. 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 include 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) 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.

Insurance coverage litigation. The Company and its liability insurers, including certain Underwriters at Lloyd's of London, initiated legal proceedings against each other to 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. 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. The Company's action, an Ohio state court action, has been stayed and the liability insurers action, a New York state court action has been dismissed.

NOTE 11 — CAPITAL STOCK

At December 31, 2010, 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 12. Effective April 21, 2010, the 2006 Equity and Performance Incentive Plan (2006 Employee Plan) was amended and restated to increase the number of shares that may be issued or transferred by 9,200,000 shares to 19,200,000 shares. See Note 13. An aggregate of 19,835,391, 13,381,449 and 14,884,028 shares of common stock at December 31, 2010, 2009 and 2008, respectively, were reserved for future grants of restricted stock and the exercise and future grants of option rights (see Note 13). Common shares outstanding shown in the following table included 475,628 shares of common stock held in a revocable trust at December 31, 2010, 2009 and 2008, 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, 2008	102,763,190	122,814,241
Shares tendered as payment for option rights exercised	4,706	(4,706)
Shares issued for exercise of option rights		1,275,151
Shares tendered in connection with grants of restricted stock	93,569	(93,569)
Net shares issued for grants of restricted stock		294,000
Treasury stock purchased	<u>7,250,000</u>	<u>(7,250,000)</u>
Balance at December 31, 2008	110,111,465	117,035,117
Shares tendered as payment for option rights exercised	9,743	(9,743)
Shares issued for exercise of option rights		1,075,395
Shares tendered in connection with grants of restricted stock	88,461	(88,461)
Net shares issued for grants of restricted stock		424,561
Treasury stock purchased	<u>9,000,000</u>	<u>(9,000,000)</u>
Balance at December 31, 2009	119,209,669	109,436,869
Shares tendered as payment for option rights exercised	15,752	(15,752)
Shares issued for exercise of option rights		2,436,639
Shares tendered in connection with grants of restricted stock	99,441	(99,441)
Net shares issued for grants of restricted stock		262,413
Treasury stock purchased	<u>5,000,000</u>	<u>(5,000,000)</u>
Balance at December 31, 2010	<u>124,324,862</u>	<u>107,020,728</u>

NOTE 12 — STOCK PURCHASE PLAN AND PREFERRED STOCK

As of December 31, 2010, 24,624 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. Prior to July 1, 2009, the Company matched one hundred percent of all contributions up to six percent of eligible employee contributions. Effective July 1, 2009, the ESOP was amended to change the Company match to one-hundred percent on the first three percent of eligible employee contributions and fifty percent on the next two percent of eligible contributions. Such participant contributions may be invested in a variety of mutual 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 mutual 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 \$70,601, \$70,025 and \$72,812 in 2010, 2009 and 2008, respectively. The Company's matching contributions to the ESOP charged to operations were \$37,894, \$44,587 and \$54,001 for 2010, 2009 and 2008, respectively.

At December 31, 2010, there were 16,845,158 shares of the Company's common stock being held by the ESOP, representing 15.7 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 is payable over ten years in equal quarterly installments. Each share of Series 2 Preferred stock is entitled to one vote upon all matters presented to the Company's shareholders and generally votes with the common stock together as one class. The Series 2 Preferred stock is held by the ESOP in an unallocated account. As the value of compensation expense related to contributions to the ESOP is earned, the Company has the option of funding the ESOP by redeeming a portion of the preferred stock or with cash. Contributions are credited to the members' accounts at the time of funding. The Series 2 Preferred stock is 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, 2010, 2009 and 2008, there were no allocated or committed-to-be released shares of Series 2 Preferred stock outstanding. In 2010 and 2009, the Company elected to fund the ESOP with cash. The Company redeemed 107,980 shares of the Series 2 Preferred stock for cash in 2008.

NOTE 13 — STOCK-BASED COMPENSATION

Effective April 19, 2006, the shareholders approved the 2006 Employee Plan, replacing the 2003 Stock Plan and authorizing the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 10,000,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or cancelled. Effective April 21, 2010, the 2006 Employee Plan was amended and restated to increase the number of shares that may be issued or transferred by 9,200,000 shares to 19,200,000 shares. The 2006 Employee Plan permits the granting of option rights, appreciation rights, restricted stock, restricted stock units, performance shares and performance units to eligible employees. At December 31, 2010, no appreciation rights, restricted stock units, performance shares or performance units had been granted under the 2006 Employee Plan. No further grants may be made under the 2003 Stock Plan, all rights granted under that plan remain.

Effective April 19, 2006, the shareholders also approved the 2006 Stock Plan for Nonemployee Directors (Nonemployee Plan), replacing the 1997 Stock Plan and authorizing 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 cancelled. The Nonemployee Plan permits the granting of option rights, appreciation rights, restricted stock and restricted stock units to members of the Board of Directors who are not employees of the Company. At December 31, 2010, no option rights, appreciation rights or restricted stock units had been granted under the Nonemployee Plan. No further grants may be made under the 1997 Stock Plan, all rights granted under that plan remain.

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, 2010, the Company had total unrecognized stock-based compensation expense of \$56,690 that is expected to be recognized over a weighted-average period of 1.44 years. Stock-based compensation expense during 2010, 2009 and 2008 was \$42,276, \$23,271 and \$41,114, respectively. Stock-based compensation expense was reduced by \$21,958 in 2009 related to certain restricted stock awards granted under the 2006 Employee Plan where the performance conditions are not expected to be fully attained. This change increased net income by \$13,501 and increased basic and diluted earnings per share by \$.12. The Company recognized a total income tax benefit related to stock-based compensation expense of \$16,290, \$8,963 and \$15,799 during 2010, 2009 and 2008, respectively. The impact of total stock-based compensation expense, net of taxes, on net income reduced both Basic and Diluted net income per common share by \$.24 during 2010.

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:

	2010	2009	2008
Risk-free interest rate	1.16%	2.39%	3.01%
Expected life of option rights	5.27	5.27	5.24
	years	years	years
Expected dividend yield of stock	1.84%	2.69%	2.41%
Expected volatility of stock	.304	.319	.321

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 3.16 percent to the 2010 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, key employees and nonemployee directors under the 2006 Employee Plan, the 2003 Stock Plan, and the 1997 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 \$35,405 at December 31, 2010. 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 1.54 years.

The weighted-average per share grant date fair value of options granted during 2010, 2009 and 2008, respectively, was \$16.83, \$15.20 and \$13.91. The total intrinsic value of exercised option rights for employees was \$74,440, \$26,684 and \$34,676, and for nonemployee directors was \$626.

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\$497 and \$497 during 2010, 2009 and 2008, respectively. The total fair value of options vested during the year was \$25,073, \$24,867 and \$22,824 during 2010, 2009 and 2008, respectively. The outstanding option rights for nonemployee directors were 37,500, 51,667 and 65,667 for 2010, 2009 and 2008, respectively. The Company issues new shares upon exercise of option rights or granting of restricted stock.

A summary of the Company's non-qualified and incentive stock option right activity for employees and nonemployee directors, and related information for the years ended December 31 is shown in the following table:

	2010			2009			2008		
	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	10,897,652	\$ 50.30		10,270,899	\$ 46.48		9,806,292	\$ 42.95	
Granted	1,586,984	72.48		1,802,432	62.73		1,809,095	53.96	
Exercised	(2,436,639)	41.95		(1,075,395)	33.73		(1,275,151)	29.39	
Forfeited	(34,999)	58.90		(70,428)	60.14		(50,362)	60.60	
Expired	(3,613)	54.71		(29,856)	60.45		(18,975)	48.81	
Outstanding end of year	<u>10,009,385</u>	<u>\$ 55.82</u>	<u>\$281,349</u>	<u>10,897,652</u>	<u>\$ 50.30</u>	<u>\$132,139</u>	<u>10,270,899</u>	<u>\$ 46.48</u>	<u>\$139,494</u>
Exercisable at end of year	6,655,569	\$ 50.78	\$220,647	7,434,125	\$ 45.83	\$121,874	6,864,498	\$ 40.93	\$129,096

The weighted average remaining term for options outstanding at the end of 2010, 2009 and 2008, respectively, was 6.76, 6.73 and 6.85 years. The weighted average remaining term for options exercisable at the end of 2010, 2009 and 2008, respectively, was 5.58, 5.60 and 5.72 years. Shares reserved for future grants of option rights and restricted stock were 9,826,006, 2,483,797 and 4,613,129 at December 31, 2010, 2009 and 2008, respectively.

Restricted stock. Grants of restricted stock, which generally require three or four 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 and the 2003 Stock Plan. Prior to February 16, 2010, all awards were performance-based, and the shares of stock to be received without restriction under these plans were based on the Company's achievement of specified financial goals relating to average return on average equity and earnings before interest, taxes, depreciation and amortization. The February 16, 2010 grant award consisted of approximately two-thirds performance-based awards that vest at the end of a three year period based on the Company's achievement of specified financial goals relating to average return on average equity and earnings per share and one-third time-based awards that vest at the end of a three year period based on continuous employment. Unrecognized compensation expense with respect to grants of restricted stock to eligible employees amounted to \$20,189 at December 31, 2010 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 1.17 years.

Grants of restricted stock have been awarded to nonemployee directors under the Nonemployee Plan and the 1997 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 to nonemployee directors amounted to \$1,096 at December 31, 2010 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 1.55 years.

A summary of grants of restricted stock to certain officers, key employees and nonemployee directors during each year is as follows:

	2010	2009	2008
Restricted stock granted	348,460	429,221	295,500
Weighted-average per share fair value of restricted stock granted during the year	\$ 64.49	\$ 45.85	\$ 53.82

A summary of the Company's restricted stock activity for the years ended December 31 is shown in the following table:

	2010	2009	2008
Outstanding beginning of year	1,304,386	1,166,900	1,142,600
Granted	348,460	429,221	295,500
Vested	(300,598)	(287,075)	(269,700)
Forfeited	(86,047)	(4,660)	(1,500)
Outstanding end of year	<u>1,266,201</u>	<u>1,304,386</u>	<u>1,166,900</u>

NOTE 14 — OTHER

Other general expense — net. Included in Other general expense — net were the following:

	2010	2009	2008
Provisions for environmental matters — net	\$ 7,089	\$ 24,705	\$ 6,947
Loss on disposition of assets	2,720	972	6,440
Net (income) expense of exit or disposal activities	(6,006)	7,943	5,932
Total	<u>\$ 3,803</u>	<u>\$ 33,620</u>	<u>\$ 19,319</u>

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 9 for further details on the Company's environmental-related activities.

The loss on disposition of assets represents net realized losses 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 (income) 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 6 for further details on the Company's exit or disposal activities.

Other (income) expense — net. Included in Other (income) expense — net were the following:

	2010	2009	2008
Dividend and royalty income	\$ (3,857)	\$ (3,240)	\$ (4,303)
Net expense from financing and investing activities	9,256	5,302	3,570
Foreign currency related transaction losses	22	4,926	10,587
Other income	(14,059)	(16,225)	(9,369)
Other expense	7,857	7,494	4,583
Total	<u>\$ (781)</u>	<u>\$ (1,743)</u>	<u>\$ 5,068</u>

The Net expense from financing and investing activities includes financing and bank service 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 foreign currency option and forward contracts outstanding at December 31, 2010 and 2009. The Company had foreign currency option and forward contracts outstanding at December 31, 2008. All of the contracts had maturity dates of less than twelve months and were undesignated hedges with changes in fair value being recognized in earnings in accordance with the Derivatives and Hedging Topic of the ASC. These derivative instrument values were included in Other current assets and Other accruals and were insignificant at December 31, 2008.

Other income and Other expense included items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. Each individual item within the Other income or Other expense caption was immaterial; no single category of items exceeded \$1,500.

NOTE 15 — 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, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Deferred tax assets:			
Exit costs, environmental and other similar items	\$ 64,773	\$ 82,378	\$ 76,237
Deferred employee benefit items	57,810	65,550	61,340
Other items (each less than 5 percent of total assets)	79,014	111,094	106,341
Total deferred tax assets	<u>\$201,597</u>	<u>\$259,022</u>	<u>\$243,918</u>
Deferred tax liabilities:			
Depreciation and amortization	<u>\$165,917</u>	<u>\$161,916</u>	<u>\$144,715</u>

Netted against the Company's other deferred tax assets were valuation reserves of \$17,756, \$15,735 and \$6,611 at December 31, 2010, 2009 and 2008, respectively, resulting from the uncertainty as to the realization of the tax benefits from certain foreign net operating losses and certain other foreign assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

Significant components of the provisions for income taxes were as follows:

	2010	2009	2008
Current:			
Federal	\$127,498	\$151,492	\$144,789
Foreign	50,765	25,964	34,367
State and local	16,966	18,118	28,078
Total current	<u>195,229</u>	<u>195,574</u>	<u>207,234</u>
Deferred:			
Federal	27,903	(4,887)	25,668
Foreign	(7,145)	(1,592)	(666)
State and local	(688)	(2,126)	5,363
Total deferred	<u>20,070</u>	<u>(8,605)</u>	<u>30,365</u>
Total provisions for income taxes	<u>\$215,299</u>	<u>\$186,969</u>	<u>\$237,599</u>

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 \$1,885 in 2010, \$1,899 in 2009 and \$(1,337) in 2008. A provision was not made with respect to \$17,581 of retained earnings at December 31, 2010 that have been invested by foreign subsidiaries. It was not practicable to estimate the amount of unrecognized deferred tax liability for undistributed foreign earnings.

Significant components of income before income taxes as used for income tax purposes, were as follows:

	2010	2009	2008
Domestic	\$539,120	\$591,558	\$602,934
Foreign	138,664	31,259	111,541
	<u>\$677,784</u>	<u>\$622,817</u>	<u>\$714,475</u>

A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2010	2009	2008
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes	1.6	1.7	3.0
Investment vehicles	(1.6)	(3.6)	(1.9)
ESOP dividends	(1.8)	(2.0)	(1.8)
Domestic production activities	(2.5)	(1.7)	(1.1)
Other — net	1.1	0.6	0.1
Effective tax rate	<u>31.8%</u>	<u>30.0%</u>	<u>33.3%</u>

The 2010 state and local income tax and ESOP dividend components of the effective tax rate were consistent with the 2009 tax year. The decrease in the tax deduction related to investment vehicles was the result of a decrease in the impact of investments in tax favorable vehicles in 2010 compared to 2009. The impact of the domestic production activities deduction increased in 2010 compared to 2009 due to a statutory increase in the applicable rate of the deduction.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Other than as noted below, the Internal Revenue Service (IRS) substantially completed the audit of the 2004 and 2005 tax years. The IRS commenced an examination of the Company's U.S. income tax returns for the 2006 and 2007 tax years in the fourth quarter of 2008. Fieldwork was completed during the fourth quarter of 2010. At this time, the Company has determined that an insignificant payment is due.

The IRS is currently examining transactions related to the Company's ESOP. Leveraged ESOP transactions were implemented on August 1, 2006 and August 27, 2003. See Note 12. At various times, principal and interest on the debt related to the transactions was forgiven as a mechanism for funding Company contributions of elective deferrals and matching contributions to the ESOP. The Company claimed income tax deductions for the forgiven principal on the debt along with interest and dividends. The benefit related to tax deductions for forgiven principal and interest was reflected in equity and did not flow through the provision for income taxes. The IRS has not issued any, but is evaluating possible Notices of Proposed Adjustment for income taxes for the 2004 through 2007 tax years related to these transactions and may seek to disallow some or all of the deductions related to the ESOP transactions and assess interest and penalties. The IRS has also indicated they are reviewing the applicability of excise taxes under Section 4975 of the Internal Revenue Code with respect to these transactions for the 2003 through 2007 tax years. During the fourth quarter, the IRS added the 2008 year to the audit of the ESOP. During the IRS's examinations of the transactions, it requested the Department of Labor to also review the transactions. Following the Department of Labor's initial examination, it is coordinating its response with the IRS. The Company has retained counsel to assist with the audit process and to respond to any claims or assessments the IRS or Department of Labor issues. As of December 31, 2010, the Company is subject to non-U.S. income tax examinations for the tax years of 2003 through 2010. In addition, the Company is subject to state and local income tax examinations for the tax years 1996 through 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars unless otherwise indicated)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2010	2009	2008
Balance at beginning of year	\$ 36,963	\$ 38,051	\$ 39,378
Additions based on tax positions related to the current year	7,502	3,357	3,709
Additions for tax positions of prior years	1,841	9,170	4,212
Reductions for tax positions of prior years	(13,516)	(4,111)	(3,863)
Settlements	(55)	(7,937)	(3,212)
Lapses of Statutes of Limitations	(1,467)	(1,567)	(2,173)
Balance at end of year	<u>\$ 31,268</u>	<u>\$ 36,963</u>	<u>\$ 38,051</u>

Included in the balance of unrecognized tax benefits at December 31, 2010, 2009 and 2008 is \$27,428, \$32,543 and \$32,420 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, 2010 is \$6,003 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 a payment related to a federal audit of partnership investments, assessed state income tax audits, state settlement negotiations currently in progress and expiring statutes in federal and foreign jurisdictions.

The Company classifies all income tax related interest and penalties as income tax expense. During the tax year ended December 31, 2010, 2009 and 2008 the Company recognized a release of \$1,544, \$3,157 and \$215, respectively, in income tax interest and penalties. As of December 31, 2010, 2009 and 2008, the Company has accrued \$10,197, \$11,783 and \$15,563, respectively, for the potential payment of interest and penalties.

NOTE 16 — NET INCOME PER COMMON SHARE

	2010	2009	2008
Basic			
Average common shares outstanding	<u>107,021,624</u>	<u>113,514,399</u>	<u>116,835,433</u>
Net income	\$ 462,485	\$ 435,848	\$ 476,876
Less net income allocated to unvested restricted shares	(4,817)	(4,504)	(4,728)
Net income allocated to common shares	<u>\$ 457,668</u>	<u>\$ 431,344</u>	<u>\$ 472,148</u>
Net income per common share	<u>\$ 4.28</u>	<u>\$ 3.80</u>	<u>\$ 4.04</u>
Diluted			
Average common shares outstanding	<u>107,021,624</u>	<u>113,514,399</u>	<u>116,835,433</u>
Stock options and other contingently issuable shares ^(a)	<u>1,763,893</u>	<u>943,089</u>	<u>1,342,546</u>
Average common shares outstanding assuming dilution	<u>108,785,517</u>	<u>114,457,488</u>	<u>118,177,979</u>
Net income	\$ 462,485	\$ 435,848	\$ 476,876
Less net income allocated to unvested restricted shares assuming dilution	(4,749)	(3,679)	(4,695)
Net income allocated to common shares assuming dilution	<u>\$ 457,736</u>	<u>\$ 432,169</u>	<u>\$ 472,181</u>
Net income per common share	<u>\$ 4.21</u>	<u>\$ 3.78</u>	<u>\$ 4.00</u>

(a) Stock options and other contingently issuable shares excludes 1,544,620, 4,759,922 and 3,136,935 shares at December 31, 2010, 2009 and 2008, 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, and the shares were therefore considered a participating security. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars unless otherwise indicated)

NOTE 17 — SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2010				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$1,565,482	\$2,143,064	\$2,172,259	\$1,895,619	\$7,776,424
Gross profit	691,968	971,893	971,585	845,632	3,481,078
Net income	32,603	181,706	175,258	72,918	462,485
Net income per common share — basic	0.30	1.67	1.63	0.68	4.28
Net income per common share — diluted	0.30	1.64	1.60	0.67	4.21

Net income in the fourth quarter was increased by \$9,468 (\$.09 per share) due primarily to inventory adjustments and adjustments to compensation and benefit expenses. Gross profit was increased by \$12,622 primarily as a result of physical inventory adjustments of \$9,146. Selling, general and administrative expenses decreased \$2,798 related to compensation and benefit expense adjustments.

	2009				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$1,550,677	\$1,947,827	\$1,996,909	\$1,598,836	\$7,094,249
Gross profit	680,606	895,342	928,983	758,238	3,263,169
Net income	37,279	158,023	175,208	65,338	435,848
Net income per common share — basic	0.32	1.36	1.53	0.59	3.80
Net income per common share — diluted	0.32	1.35	1.51	0.58	3.78

Net income in the fourth quarter was increased by \$28,941 (\$.25 per share) due primarily to inventory adjustments and adjustments to compensation and benefit expenses. Gross profit was increased by \$39,197 primarily as a result of physical inventory adjustments of \$38,047 based on an annual physical inventory count performed during the fourth quarter, year-end inventory levels and related costs. Selling, general and administrative expenses decreased \$7,938 related to compensation and benefit expense adjustments.

NOTE 18 — 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 \$282,309, \$284,078 and \$271,373 for 2010, 2009 and 2008, 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 \$37,602, \$36,228 and \$32,835 in 2010, 2009 and 2008, 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, 2010:

2011	\$ 238,806
2012	208,020
2013	173,932
2014	141,931
2015	107,126
Later years	188,411
Total minimum lease payments	<u>\$1,058,226</u>

NOTE 19 — 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 three reportable operating segments: Paint Stores Group, Consumer Group and Global Finishes Group (collectively, the “Reportable Operating Segments”). Factors considered in determining the three 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. Operating segments that are not individually significant, based on quantitative thresholds in ASC 280-10-50-12, are aggregated within the Global Finishes Group. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment. See pages 6 through 11 of this report for more information about the Reportable Operating 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars unless otherwise indicated)

of the diverse operations of the Company, the CODM regularly receives discrete financial information about each reportable operating 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 Operating Segments based on profit or loss before income taxes and cash generated from operations. The accounting policies of the Reportable Operating Segments are the same as those described in Note 1 of this report.

The Paint Stores Group consisted of 3,390 company-operated specialty paint stores in the United States, Canada, Puerto Rico, Virgin Islands, Trinidad and Tobago, St. Maarten and Jamaica at December 31, 2010. 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, industrial and marine products, OEM product finishes and related items. These products are produced by manufacturing facilities in the Consumer and Global Finishes Groups. In addition, each store sells selected purchased associated products. The loss of any single customer would not have a material adverse effect on the business of this segment. During 2010, this segment opened 36 net new stores, consisting of 49 new stores opened (40 in the United States, 6 in Canada, 2 in Trinidad and 1 in Jamaica) and 13 stores closed in the United States. In 2009 and 2008, this segment opened 8 and 21 net new stores, respectively. A map on page 12 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 Operating 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 53 percent of the total sales of the Consumer Group in 2010 were inter-segment 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. The CODM uses discrete financial information about the Consumer Group, supplemented with information by product types and customer, 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 Operating Segment.

The Global Finishes Group develops, licenses, manufactures, distributes and sells a variety of architectural paint and coatings, industrial and marine products, automotive finishes and refinish products, OEM coatings 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 564 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third party distributors. During 2010, this segment opened or acquired 35 new branches (1 in the United States, 2 in Canada, 9 in South America, 6 in Mexico, 16 in Europe and 1 in Thailand) and closed 10 (3 in South America, 5 in the United States, 1 in Mexico and 1 in Canada) for a net increase of 25 branches. At December 31, 2010, the Global Finishes Group consisted of operations in the United States, subsidiaries in 45 foreign countries, 3 foreign joint ventures and income from licensing agreements in 16 foreign countries. The CODM uses discrete financial information about each of two aggregated operating segments within the Global Finishes Group Reportable Operating Segment, supplemented with information about geographic divisions, business units, and subsidiaries, to assess performance of and allocate resources to each of the operating segments. Two operating segments are aggregated to form the Global Finishes Group Reportable Operating Segment in accordance with the quantitative thresholds within ASC 280-10-50-12. A map on pages 12 and 13 of this report shows the number of branches 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars unless otherwise indicated)

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 Operating 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 \$1,468,116, \$1,025,824 and \$1,119,337 for 2010, 2009 and 2008, respectively. Segment profit of all consolidated foreign subsidiaries was \$86,951, \$27,028 and \$73,569 for 2010, 2009 and 2008, respectively. Domestic operations accounted for the remaining net external sales and segment profits. Long-lived assets 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 \$2,955,513, \$2,553,836 and, \$2,506,555 at December 31, 2010, 2009 and 2008, respectively. Long-lived assets of consolidated foreign subsidiaries totaled \$664,547, \$249,345 and \$207,740 at December 31, 2010, 2009 and 2008, respectively. Total Assets of the Company were \$5,169,235, \$4,323,855 and \$4,415,759 at December 31, 2010, 2009 and 2008, respectively. Total assets of consolidated foreign subsidiaries were \$1,467,969, \$753,915 and \$666,881, which represented 28.4 percent, 17.4 percent and 15.1 percent of the Company's total assets at December 31, 2010, 2009 and 2008, 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 operating segment was based upon total net sales and intersegment transfers. Domestic intersegment transfers were accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs. International inter-segment transfers were accounted for at values comparable to normal unaffiliated customer sales.

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) the duration and severity of the current negative global economic and financial conditions; (b) general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry; (c) competitive factors, including pricing pressures and product innovation and quality; (d) changes in raw material and energy supplies and pricing; (e) changes in the Company’s relationships with customers and suppliers; (f) the Company’s ability to attain cost savings from productivity initiatives; (g) the Company’s ability to successfully integrate past and future acquisitions into its existing operations, including the 2010 acquisitions of Becker Acroma Industrial Wood Coatings, Sayerlack Industrial Wood Coatings and Pinturas Condor as well as the performance of the businesses acquired; (h) risks and uncertainties associated with the Company’s ownership of Life Shield Engineered Systems, LLC; (i) 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; (j) risks and uncertainties associated with the Company’s expansion into and its operations in Asia, Europe, Mexico, 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; (k) the achievement of growth in foreign markets, such as Asia, Europe, Mexico and South America; (l) increasingly stringent domestic and foreign governmental regulations including those affecting the environment; (m) inherent uncertainties involved in assessing the Company’s potential liability for environmental-related activities; (n) 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); (o) 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 (p) 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.

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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, 2011 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 BNY Mellon 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, BNY Mellon Shareowner Services, maintains the records for our registered shareholders and can help with a wide variety of shareholder related services at no charge, including change of name or address, duplicate mailings, lost certificates, and transfers to another person. Contact:

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310-1900
(866) 537-8703
TDD for hearing impaired:
(800) 231-5469
www.bnymellon.com/shareowner/isd

COMMON STOCK TRADING STATISTICS

	2010	2009	2008	2007	2006
High	\$ 84.99	\$ 64.13	\$ 65.00	\$ 73.96	\$ 64.76
Low	57.86	42.19	44.51	56.75	37.40
Close December 31	83.75	61.65	59.75	58.04	63.58
Shareholders of record	8,706	9,151	9,469	9,803	10,173
Shares traded (thousands)	316,582	430,216	519,438	299,141	350,754

QUARTERLY STOCK PRICES AND DIVIDENDS

Quarter	2010			Quarter	2009		
	High	Low	Dividend		High	Low	Dividend
1st	\$68.03	\$57.86	\$.36	1st	\$61.42	\$42.19	\$.355
2nd	80.53	67.81	.36	2nd	59.17	49.90	.355
3rd	76.92	66.13	.36	3rd	62.73	51.22	.355
4th	84.99	69.56	.36	4th	64.13	56.24	.355



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Corporate Officers

Christopher M. Connor, 54*

Chairman and
Chief Executive Officer

John G. Morikis, 47*

President and
Chief Operating Officer

Sean P. Hennessy, 53*

Senior Vice President — Finance and
Chief Financial Officer

Thomas E. Hopkins, 53*

Senior Vice President —
Human Resources

Steven J. Oberfeld, 58*

Senior Vice President — Corporate
Planning and Development

Louis E. Stellato, 60*

Senior Vice President,
General Counsel and Secretary

Robert J. Wells, 53*

Senior Vice President — Corporate
Communications and Public Affairs

Allen J. Mistysyn, 42*

Vice President — Corporate
Controller

Cynthia D. Brogan, 59

Vice President and Treasurer

Michael T. Cummins, 52

Vice President — Taxes and
Assistant Secretary

Mark J. Dvoroznak, 52

Vice President — Corporate Audit
and Loss Prevention

Richard M. Weaver, 56

Vice President — Administration

Operating Management

Joel Baxter, 50

President & General Manager
Paint & Coatings Division
Consumer Group

Robert J. Davisson, 50*

President
Paint Stores Group

Timothy J. Drouilhet, 49

President & General Manager
Eastern Division
Paint Stores Group

Monty J. Griffin, 50

President & General Manager
South Western Division
Paint Stores Group

Thomas C. Hablitzel, 48

President & General Manager
Automotive Division
Global Finishes Group

George E. Heath, 45*

President

Global Finishes Group

Peter J. Ippolito, 46

President & General Manager

Mid Western Division

Paint Stores Group

Timothy A. Knight, 46

President

Latin America Coatings Group

Global Finishes Group

Robert F. Lynch, 50

President

Paint Sundries Division

Consumer Group

Drew A. McCandless, 50

President & General Manager

Chemical Coatings Division

Global Finishes Group

Cheri M. Phyfer, 39

President & General Manager

Southeastern Division

Paint Stores Group

Ronald B. Rossetto, 44

President & General Manager

Protective & Marine Coatings Division

Global Finishes Group

Harvey P. Sass, 53

President & General Manager

Diversified Brands Division

Consumer Group

Thomas W. Seitz, 62*

Senior Vice President —

Strategic Excellence Initiatives

* *Executive Officer as defined by the Securities Exchange Act of 1934*



- 1 JOHN M. STROPKI, JR., 60
Chairman, President and Chief Executive Officer
Lincoln Electric Holdings, inc.
- 2 SUSAN J. KROPF, 62
Retired, former President and
Chief Operating Officer
Avon Products, Inc.
- 3 CURTIS E. MOLL, 71
Chairman and Chief Executive Officer
MTD Holdings Inc
- 4 THOMAS G. KADIEN, 54*
Senior Vice President
Consumer Packaging and IP Asia
International Paper Company
- 5 A. MALACHI MIXON, III, 70
Chairman
Invacare Corporation
- 6 GARY E. MCCULLOUGH, 52*
President and Chief Executive Officer
Career Education Corporation
- 7 RICHARD K. SMUCKER, 62
Executive Chairman and
Co-Chief Executive Officer
The J. M. Smucker Company
- 8 CHRISTOPHER M. CONNOR, 54
Chairman and Chief Executive Officer
The Sherwin-Williams Company
- 9 JAMES C. BOLAND, 71*
Former President, Chief Executive Officer
and Vice Chairman
Cavaliers Operating Company, LLC
- 10 DAVID F. HODNIK, 63*
Retired, former President and

Chief Executive Officer
Ace Hardware Corporation

11 ARTHUR F. ANTON, 53*
President and Chief Executive Officer
Swagelok Company

* Audit Committee Member





THE SHERWIN-WILLIAMS COMPANY

101 W. Prospect Avenue
Cleveland, Ohio 44115-1075
www.sherwin.com

SUBSIDIARIES	STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION
<u>Domestic Subsidiaries</u>	
Contract Transportation Systems Co.	Delaware
Life Shield Engineered Systems LLC	Nevada
Omega Specialty Products & Services LLC	Ohio
Sherwin-Williams Realty Holdings, Inc.	Illinois
SWIMC, Inc.	Delaware
The Sherwin-Williams Acceptance Corporation	Nevada
<u>Foreign Subsidiaries</u>	
Becker Acroma ARTI GmbH	Germany
Becker Acroma A/S	Denmark
Becker Acroma AS	Norway
Becker Acroma Balkan S.R.L.	Romania
Becker Acroma Bel	Belarus
Becker Acroma Benelux NV	Belgium
Becker Acroma China Limited	Hong Kong
Becker Acroma (Ireland) Limited	Ireland
Becker Acroma Italia S.p.A.	Italy
Becker Acroma KB	Sweden
Becker Acroma Limited	UK
Becker Acroma Polska Sp. z o.o	Poland
Becker Acroma Qingdao Co. Ltd.	China
Becker Acroma Qingdao Trading Co. Ltd.	China
Becker Acroma SAS	France
Becker Acroma spol s.r.o	Czech
Becker Acroma (Thailand) Co., Ltd.	Thailand
Becker Acroma Vietnam Co. Ltd.	Vietnam
Colorman Coatings Pte. Ltd.	Singapore
Compania Sherwin-Williams, S.A. de C.V.	Mexico
Euronavy — Tintas Maritimas e Industriais S.A.	Portugal
Kuhn & Klemmer GmbH	Germany
OY Becker Acroma 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
Quetzal Pinturas, S.A. de C.V.	Mexico
Ronseal (Ireland) Limited	Ireland
Ronseal Limited	U.K.
Sayerlack S.r.l.	Italy
Sayerlack Color S.r.l.	Italy
Sayerlack Singapore Pte. Ltd.	Singapore
Sherwin-Williams Argentina I.y C.S.A.	Argentina
Sherwin-Williams Aruba VBA	Aruba
Sherwin-Williams Automotive Europe S.r.l.	Italy
Sherwin-Williams Automotive Mexico S.de R.L.de C.V.	Mexico
Sherwin-Williams (Belize) Limited	Belize

SUBSIDIARIES

STATE OR JURISDICTION
OF INCORPORATION OR
ORGANIZATION

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 S.R.L.	Peru
Sherwin-Williams do Brasil Industria e Comercio Ltda.	Brazil
Sherwin-Williams France Coatings SAS	France
Sherwin-Williams Japan Co., Ltd.	Japan
Sherwin-Williams (Malaysia) Sdn. Bhd.	Malaysia
Sherwin-Williams Management (Shanghai) Co., Ltd.	China
Sherwin-Williams Paints (Dongguan) Co., Ltd.	China
Sherwin-Williams Paints India Private Limited	India
Sherwin-Williams Paints Limited Liability Company	Russia
Sherwin-Williams (Philippines), Inc.	Philippines
Sherwin-Williams Pinturas de Venezuela S.L.	Venezuela
Sherwin-Williams (S) Pte. Ltd.	Singapore
Sherwin-Williams (Shanghai) Limited	China
Sherwin-Williams Spain Coatings S.A.	Spain
Sherwin-Williams UK Automotive Limited	UK
Sherwin-Williams Uruguay S.A.	Uruguay
Sherwin-Williams (Vietnam) Limited	Vietnam
Sherwin-Williams (West Indies) Limited	Jamaica
The Sherwin-Williams Company Resources Limited	Jamaica
UAB Becker Acroma	Lithuania
ZAO Becker Acroma	Russia
Zhao Qing Sherwin Williams Coatings 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 report dated February 22, 2011 with respect to the consolidated financial statements of The Sherwin-Williams Company and our report dated February 22, 2011 with respect to the effectiveness of internal control over financial reporting of The Sherwin-Williams Company, included in the 2010 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 management. Our responsibility is to express an opinion based on our audits. In our opinion, 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 report dated February 22, 2011 with respect to the consolidated financial statements of The Sherwin-Williams Company and our report dated February 22, 2011 with respect to 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:

<u>Registration Number</u>	<u>Description</u>
333-166365	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (as Amended and Restated as of April 21, 2010) Form S-8 Registration Statement
333-163747	The Sherwin-Williams Company Form S-3ASR 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
333-25671	The Sherwin-Williams Company 1997 Stock Plan for Nonemployee Directors Form S-8 Registration Statement
333-25669	The Sherwin-Williams Company 1994 Stock Plan Form S-8 Registration Statement
333-25607	The Sherwin-Williams Company Form S-4 Registration Statement
333-01093	The Sherwin-Williams Company Form S-3 Registration Statement
333-00725	The Sherwin-Williams Company Form S-4 Registration Statement
33-52227	The Sherwin-Williams Company 1994 Stock Plan Form S-8 Registration Statement
33-22705	The Sherwin-Williams Company Form S-3 Registration Statement

/s/ Ernst & Young LLP
 Cleveland, Ohio
 February 22, 2011

POWER OF ATTORNEY
THE SHERWIN-WILLIAMS COMPANY

The undersigned officer and director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ C. M. Connor

C. M. Connor

Chairman and Chief Executive Officer, Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned officer of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ S. P. Hennessy

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

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned officer of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S. P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 8, 2011

/s/ A. J. Mistysyn

A. J. Mistysyn

Vice President — Corporate Controller

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ A. F. Anton

A. F. Anton
Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 14, 2011

/s/ J. C. Boland

J. C. Boland
Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ D. F. Hodnik

D. F. Hodnik

Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ T. G. Kadien

T. G. Kadien

Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ S. J. Kropf

S. J. Kropf
Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 15, 2011

/s/ G. E. McCullough

G. E. McCullough

Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ A. M. Mixon, III

A. M. Mixon, III

Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ C. E. Moll

C. E. Moll

Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ R. K. Smucker

R. K. Smucker
Director

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

The undersigned director of The Sherwin-Williams Company, an Ohio corporation, which corporation anticipates filing with the Securities and Exchange Commission (the "SEC") under the provisions of the Securities Exchange Act of 1934, as amended, and any rules and regulations of the SEC, an Annual Report on Form 10-K for the fiscal year ended December 31, 2010, hereby constitutes and appoints C.M. Connor, S.P. Hennessy and L.E. Stellato, and each of them, with full power of substitution and resubstitution, as true and lawful attorney-in-fact or attorneys-in-fact, for the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign and file said Annual Report on Form 10-K and any and all amendments, supplements and exhibits thereto, and any and all applications or other documents to be filed with the SEC or any national securities exchange pertaining thereto, with full power and authority to do and perform any and all acts and things whatsoever required, necessary or desirable to be done in the premises, hereby ratifying and approving the acts of said attorneys and each of them and any substitutes.

Executed the date set opposite my name.

Date: February 16, 2011

/s/ J. M. Stropki, Jr.

J. M. Stropki, Jr.

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 16, 2011, 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 16th day of February, 2011.

/s/ L.E. Stellato

L.E. Stellato, Secretary

RESOLVED, that the appropriate officers of the Company are each hereby authorized to execute and deliver a power of attorney appointing C.M. Connor, S.P. Hennessy and L.E. Stellato 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 ("SEC") and any national securities exchange, on behalf of the Company, the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 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, Christopher M. Connor, 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
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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 23, 2011

/s/ Christopher M. Connor

Christopher M. Connor

Chairman 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 23, 2011

/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, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher M. Connor, Chairman 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 23, 2011

/s/ Christopher M. Connor

Christopher M. Connor
Chairman 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, 2010 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 23, 2011

/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.