

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

Filing Date: **1994-01-07** | Period of Report: **1993-10-26**
SEC Accession No. **0000950152-94-000012**

([HTML Version](#) on secdatabase.com)

FILER

RPM INC/OH/

CIK: **110621** | IRS No.: **346550857** | State of Incorpor.: **OH** | Fiscal Year End: **0531**
Type: **8-K/A** | Act: **34** | File No.: **000-05132** | Film No.: **94500710**
SIC: **2851** Paints, varnishes, lacquers, enamels & allied prods

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2628 PEARL RD
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MEDINA OH 44258
2162735090

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: October 26, 1993

(Date of earliest event reported)

RPM, INC.

(Exact name of Registrant as specified in its charter)

Ohio	0-5132	34-6550857
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

P.O. Box 777, 2628 Pearl Road, Medina, Ohio	44258
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (216) 273-5090

The undersigned Registrant hereby amends the following items, financial statements, exhibits or other portions of its Current Report on Form 8-K dated October 26, 1993 as set forth in the pages attached hereto:

"Item 7. Financial Statements, Pro Forma Financial Information and Exhibits" is hereby amended and restated to include certain financial statements and pro forma financial information required in connection with the acquisition of Stonhard, Inc. by the Registrant.

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

Stonhard, Inc. and Subsidiaries Consolidated Financial Statements as of December 31, 1992

Independent Auditors' Report

Consolidated Balance Sheet

Consolidated Statement of Operations

Consolidated Statement of Stockholders' Deficit

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

(b) Pro Forma Financial Information.

RPM, Inc. and Subsidiaries and Stonhard, Inc. -- Pro Forma Condensed Combined Financial Statements (Unaudited)

Pro Forma Condensed Combined Balance Sheet of RPM, Inc. and

Subsidiaries and Stonhard, Inc. as of August 31, 1993
(Unaudited)

Pro Forma Condensed Combined Statement of Income of RPM, Inc.
and Subsidiaries and Stonhard, Inc. for the Fiscal Year ended
May 31, 1993 (Unaudited)

Pro Forma Condensed Combined Statement of Income of RPM, Inc.
and Subsidiaries and Stonhard, Inc. for the Three Months ended
August 31, 1993 (Unaudited)

(c) Exhibits.

<TABLE>
<CAPTION>

Exhibit No.

<S>	<C>	<C>
2.1	Agreement and Plan of Reorganization, dated October 1, 1993 (without Exhibits and Schedules), by and among the Company, Subsidiary, Stonhard and the Stockholders	
		(*)
2.1.1	First Amendment to Agreement and Plan of Reorganization, dated October 25, 1993, by and among the Company, Subsidiary, Stonhard and the Stockholders (without Schedules)	
		(*)
23.1	Consent of Haeefele, Flanagan & Co.	
99(1)	Credit Agreement, dated October 20, 1993, between the Company and National City Bank, Cleveland, Ohio	
		(*)

<FN>

* Previously filed.

</TABLE>

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RPM, INC.

FINANCIAL STATEMENTS

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PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Unaudited)

RPM, INC. AND SUBSIDIARIES
AND
STONHARD, INC.

The following unaudited pro forma condensed combined balance sheet as of August 31, 1993, gives effect to the merger and reorganization of RPM, Inc. and Subsidiaries and Stonhard, Inc., using the pooling of interests method of accounting as if the merger occurred on August 31, 1993. The following unaudited pro forma condensed statements of income combine the condensed statements of RPM, Inc. and Subsidiaries and Stonhard, Inc. for the year ended May 31, 1993, and the three months ended August 31, 1993, assuming the merger and reorganization had been consummated as of the beginning of those periods. The pro forma information is based on the historical financial statements of RPM, Inc. and Subsidiaries and Stonhard, Inc. giving effect to the transaction under the pooling of interests method of accounting and the assumptions and adjustments in the accompanying notes to the pro forma financial statements.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transactions occurred at an earlier date. However, the pro forma condensed combined financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction actually occurred earlier. The pro forma financial statements should be read in conjunction with the audited financial statements and notes of Stonhard, Inc. contained elsewhere herein.

<TABLE>

PRO FORMA CONDENSED COMBINED BALANCE SHEET
(Unaudited)
AUGUST 31, 1993
(In thousands except per share amounts)

<CAPTION>

ASSETS -----	RPM, Inc. and Subsidiaries (As Reported) -----	Stonhard, Inc. -----	Pro Forma Adjustments -----	Pro Forma Combined -----
<S>	<C>	<C>	<C>	<C>
Current Assets				
Cash and short-term cash investments	\$ 20,907	\$ 1,191	\$	\$ 22,098
Marketable securities, at cost	4,399			4,399
Trade accounts receivable, net	133,442	25,547		158,989
Inventories	120,990	7,197		128,187
Prepaid expenses and other current assets	12,321	3,901		16,222
	-----	-----	-----	-----
Total current assets	292,059	37,836		329,895
	-----	-----	-----	-----
Property, Plant and Equipment, At Cost	237,071	13,002		250,073
Less allowance for depreciation and amortization	94,055	8,155		102,210
	-----	-----	-----	-----
Property, plant and equipment, net	143,016	4,847		147,863
	-----	-----	-----	-----
Other Assets				
Cost of businesses over net assets acquired, net of amortization	106,679			106,679
Other intangible assets, net of amortization	29,803	683		30,486
Equity in unconsolidated affiliates	12,005	347		12,352
Other	21,415	2,532		23,947
	-----	-----	-----	-----
Total other assets	169,902	3,562		173,464
	-----	-----	-----	-----
Total Assets	\$604,977	\$ 46,245	\$	\$651,222
	=====	=====	=====	=====

</TABLE>

2

<TABLE>

PRO FORMA CONDENSED COMBINED BALANCE SHEET
(Unaudited)
AUGUST 31, 1993
(In thousands except per share amounts)

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY -----	RPM, Inc. and Subsidiaries (As Reported) -----	Stonhard, Inc. -----	Pro Forma Adjustments -----	Pro Forma Combined -----
<S>	<C>	<C>	<C>	<C>
Current Liabilities				
Notes and accounts payable	\$ 37,092	\$ 10,023	\$	\$ 47,115
Current portion of long-term debt	9,752	1,481		11,233
Accrued compensation and benefits	19,995	848		20,843
Accrued warranty and loss reserves	9,934			9,934
Other accrued liabilities	14,892	6,213		21,105
Income taxes payable	11,293	115		11,408
	-----	-----	-----	-----

Total current liabilities	102,958	18,680		121,638
	-----	-----	-----	-----
Long-Term Debt, Less Current Maturities	182,986	35,514		218,500
	-----	-----	-----	-----
Deferred Income Taxes and Other	6,872	328		7,200
	-----	-----	-----	-----
Shareholders' Equity				
Common shares	1,209	1,135	(a) 81 (a) (1,135)	1,290
Paid-in capital	143,506		(a) 1,054	144,560
Cumulative translation adjustments	(308)	(2,018)		(2,326)
Retained earnings	167,754	(7,394)		160,360
	-----	-----	-----	-----
Total shareholders' equity	312,161	(8,277)		303,884
	-----	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$604,977	\$ 46,245	\$	\$651,222
	=====	=====	=====	=====

(a) Reflects the adjustment to common shares and paid-in capital resulting from the merger and reorganization of RPM, Inc. and Subsidiaries and Stonhard, Inc., using the pooling of interests method of accounting.

</TABLE>

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<TABLE>

PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
(Unaudited)
FOR THE YEAR ENDED MAY 31, 1993
(In thousands except per share amounts)

<CAPTION>

	RPM, Inc. and(1) Subsidiaries (As Restated)	Stonhard, Inc.	Pro Forma Adjustments	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Net Sales	\$674,508	\$ 93,864	\$	\$768,372
Cost of Sales	396,419	48,660		445,079
	-----	-----	-----	-----
Gross Profit	278,089	45,204		323,293
Selling, General and Administrative Expenses	195,705	42,958	(a) 600	239,263
Interest Expense, Net	13,359	4,190		17,549
	-----	-----	-----	-----
Income Before Income Taxes	69,025	(1,944)	(600)	66,481
Provision for Income Taxes	27,870	(87)	(b) (553)	27,230
	-----	-----	-----	-----
Net Income	\$ 41,155	\$ (1,857)	\$ (47)	\$ 39,251
	=====	=====	=====	=====
Average Shares Outstanding	49,707		(c) 3,560	53,267
	=====		=====	=====
Primary Earnings Per Share	\$0.83			\$0.74
	=====			=====

Fully Diluted Earnings Per Share

\$0.79

=====

\$0.71

=====

- (1) Data for the year ended May 31, 1993 has been restated to reflect the June 1993 acquisition of Dynatron/Bondo Corporation accounted for as a pooling of interests.
- (a) Reflects the fees and expenses associated with the merger and reorganization of RPM, Inc. and Subsidiaries and Stonhard, Inc.
- (b) Taxes have been computed assuming Stonhard, Inc. was included in RPM, Inc. and Subsidiaries' federal income tax return for the period and reflects the income tax effects related to the other pro forma adjustments.
- (c) Reflects the RPM, Inc. shares issued in connection with the acquisition of Stonhard, Inc. using the pooling of interests method of accounting.

</TABLE>

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<TABLE>

PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
(Unaudited)
FOR THE THREE MONTHS ENDED AUGUST 31, 1993
(In thousands except per share amounts)

<CAPTION>

	RPM, Inc. and Subsidiaries (As Reported)	Stonhard, Inc.	Pro Forma Adjustments	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Net Sales	\$183,767	\$ 25,580	\$	\$209,347
Cost of Sales	106,987	12,846		119,833
Gross Profit	76,780	12,734		89,514
Selling, General and Administrative Expenses	49,848	9,390	(a) 600	59,838
Interest Expense, Net	2,728	901		3,629
Income Before Income Taxes	24,204	2,443	(600)	26,047
Provision for Income Taxes	10,287	286	(b) 579	11,152
Net Income	\$ 13,917	\$ 2,157	\$ (1,179)	\$ 14,895
Average Shares Outstanding	52,149		(c) 3,560	55,709
Primary Earnings Per Share	\$0.27			\$0.27
Fully Diluted Earnings Per Share	\$0.25			\$0.25

- (a) Reflects the fees and expenses associated with the merger and reorganization of RPM, Inc. and Subsidiaries and Stonhard, Inc.
- (b) Taxes have been computed assuming Stonhard, Inc. was included in RPM, Inc. and Subsidiaries' federal income tax return for the period and

reflects the income tax effects related to the other pro forma adjustments.

- (c) Reflects the RPM, Inc. shares issued in connection with the acquisition of Stonhard, Inc. using the pooling of interests method of accounting.

</TABLE>

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STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

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STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Stonhard, Inc. and Subsidiaries
Maple Shade, New Jersey

We have audited the accompanying consolidated balance sheet of STONHARD, INC. AND SUBSIDIARIES as of December 31, 1992 and the related consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of STONHARD, INC. AND SUBSIDIARIES as of December 31, 1992 and the results of their operations and their

cash flows for the year then ended in conformity with generally accepted accounting principles.

Haefele, Flanagan & Co.

Moorestown, New Jersey
March 24, 1993

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<TABLE>

STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1992

ASSETS

<S>	<C>
Current Assets	
Cash	\$ 392,790
Accounts receivable - trade, net	23,567,975
Inventories	6,793,396
Stockholder's advances	257,463
Prepaid expenses	1,670,374
Other current assets	1,658,393

Total current assets	34,340,391

Property, Plant and Equipment, net	4,888,174
Other Assets	
Deferred financing costs, net	1,354,259
Patents and trademarks, net	780,038
Other intangible assets, net	306,010
Investment at equity	712,225
Cash value of life insurance	451,072
Other	191,402

Total other assets	3,795,006

Total Assets	\$43,023,571
	=====

</TABLE>

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<TABLE>

LIABILITIES AND STOCKHOLDERS' DEFICIT

<S>	<C>
Current Liabilities	
Notes payable to banks	\$ 464,163
Current maturities of long-term debt	856,250
Accounts payable	5,811,939
Accounts payable - affiliates	2,106,423
Accrued subcontractor fees	2,144,688
Accrued expenses and other current liabilities	4,407,255
Deferred income taxes	54,000

Total current liabilities	15,844,718

Debt	
Long-term debt, net	26,556,043
Subordinated debt, net	9,106,238
Stockholder loans	465,000

	36,127,281
Deferred Compensation	877,068
Minority Interest	255,590
Stockholders' Deficit	
Common stock, no par value authorized 15,000 shares; 3,796 shares issued and outstanding	1 135,103
Retained earnings	1,724,649
Cumulative translation adjustment	(1,272,128)
Less: treasury stock at cost - 4,812 shares	(11,668,710)

Total stockholders' deficit	(10,081,086)

Total Liabilities and Stockholders' Deficit	\$43,023,571
	=====

<FN>

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

</TABLE>

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<TABLE>

STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1992

<S>	<C>
Revenues	\$92,274,182
Costs and expenses	
Cost of products and services	47,990,434
Selling, general and administrative	41,260,265
Depreciation and amortization	1,392,740
Restructuring costs	1,746,425

	92,389,864

Loss from continuing operations	(115,682)
Other income (expense)	
Gain (loss) on disposal of property, plant and equipment	(10,016)
Interest expense	(3,735,075)
Minority interest	107,136
Exchange rate gain	38,706
Miscellaneous expense	(82,234)

	(3,681,483)

Loss from continuing operations before income taxes	(3,797,165)
Benefit from income taxes	456,314

Loss from continuing operations	(3,340,851)
Loss from discontinued operations	945,258

Loss before extraordinary item	(4,286,109)
Extraordinary item - loss on early extinguishment of debt	213,652

Net Loss	(\$ 4,499,761)
	=====

<FN>

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

</TABLE>

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<TABLE>

STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1992

<CAPTION>

	Common Stock		Retained	Foreign	Treasury Stock		Total
	Shares	Amount	Earnings	Currency	Shares	Amount	
	-----	-----	-----	Translation	-----	-----	-----
				Adjustments			
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1991	3,796	\$1,135,103	\$6,774,570	\$20,247	4,812	(\$11,668,710)	(\$3,738,790)
Net Loss			(4,499,761)				(4,499,761)
Translation adjustments				(1,292,375)			(1,292,375)
Cash dividends - \$29 per share			(109,267)				(109,267)
Warrant Repurchase			(440,893)				(440,893)
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1992	3,796	\$1,135,103	\$1,724,649	(\$1,272,128)	4,812	(\$11,668,710)	(\$10,081,086)
	=====	=====	=====	=====	=====	=====	=====

<FN>

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

</TABLE>

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<TABLE>

STONHARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1992

<S>	<C>
Cash flows from operations	
Continuing operations	
Net loss from continuing operations	(\$3,554,503)
Adjustments for differences between income flows and cash flows from continuing operations:	
Write-off of deferred debt costs	213,652
Depreciation and amortization	1,233,633
Provision for losses on accounts receivable	167,959
Loss on sale of property, plant and equipment	10,016
Minority interest	(107,136)
Deferred incentive compensation	426,434
(Increase) decrease in:	
Accounts receivable	(2,568,461)
Inventories	(288,798)
Prepaid expenses and other current assets	(1,014,059)
(Decrease) increase in:	
Accounts payable - trade	1,408,411
Accounts payable - affiliates	1,209,832
Accrued expenses and other current liabilities	1,065,594
Income taxes payable	(251,244)

Net cash used in continuing operations	(2,048,670)
Discontinued operations	
Loss from discontinued operations	(945,258)
Liabilities of discontinued division	176,837

Net cash used in discontinued operations	(768,421)

Net cash used in operating activities (2,817,091)

</TABLE>

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<TABLE>	
<S>	<C>
Cash flows from investing activities	
Purchase of property, plant and equipment	(445,083)
Payment for intangibles	(1,840,300)
Proceeds from sale of property, plant and equipment	30,370
Investment in subsidiary	(119,281)
Increase in other assets	(132,158)
Net cash used in investing activities	(2,506,452)
Cash flows from financing activities	
Proceeds of short-term debt	27,892
Proceeds of long-term debt	6,766,676
Repayment of long-term debt	(375,000)
Proceeds from subordinated debt	473,567
Stockholder loans	165,000
Warrant purchase	(440,893)
Dividends paid	(109,267)
Net cash provided by financing activities	6,507,975
Effect of exchange rate changes on cash	(1,292,375)
Net decrease in cash	(107,943)
Cash, January 1	500,733
Cash, December 31	\$ 392,790

<FN>

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

</TABLE>

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STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is engaged in the manufacturing, sales and installation of industrial floor products.

Consolidation

The consolidated financial statements include the accounts of Stonhard, Inc., the parent company, Stonhard Company Limited, a 79% owned Canadian corporation, Stonhard France S.A.R.L., a 79% owned French corporation, Stonhard Latin America, a 79% owned Mexican corporation and Stonhard GMBH a 79% owned German corporation. Appropriate elimination of all intercompany accounts and transactions and recognition of minority interest have been made in the statements.

Revenue Recognition

When the Company is not responsible for installation of its products, revenue from sales of material is recognized upon shipment. When the Company is responsible for the installation of its products, revenue is recognized upon achievement of contractual milestones through completion.

Accounts Receivable

Accounts receivable were recorded net of allowance for doubtful accounts of \$300,182 at December 31, 1992.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for domestic inventories and the first-in, first-out (FIFO) method for the Company's Canadian and European operations.

Property, Plant, Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation is provided using straight-line methods over estimated useful lives of respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

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STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Deferred financing costs are being amortized on the straight-line basis over the life of the debt. Deferred financing costs are shown net of accumulated amortization of \$501,789 at December 31, 1992. The Company capitalized \$1,500,200 of financing costs in 1992.

Patents and trademarks are being amortized on the straight-line basis over ten years. Patents and trademarks are shown net of accumulated amortization of \$38,847 at December 31, 1992. The Company capitalized \$319,500 of patent and trademark costs in 1992.

Other intangible assets consist of goodwill and organization costs. These intangibles are shown net of accumulated amortization of \$68,124 at December 31, 1992.

Amortization expense for all intangible assets was \$534,273 at December 31, 1992.

Investments, at Equity

Investments carried at equity consist of the following at December 31, 1992:

<TABLE>

<CAPTION>

	Percentage Owned

<S>	<C>
Sunray Industrial Complex, Inc.	33 1/3%
Stonhard De Mexico	49%

</TABLE>

Cash Value of Life Insurance

Cash value of life insurance was recorded net of policy loans of \$145,538 at December 31, 1992.

Income Taxes

The stockholders of the parent company, Stonhard, Inc. have elected to have the corporation taxed as an "S" corporation for federal tax purposes. Accordingly, no U.S. federal income taxes have been provided for the year ended December 31, 1992. Provision is made for income taxes due to states not recognizing "S" corporation status and foreign income taxes.

Research and Development

Product research and development costs are expensed as incurred and for 1992 amounted to \$515,190.

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STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Operating results are translated at weighted-average exchange rates in effect during the period. Net unrealized translation adjustments are recorded as a separate component of stockholders' equity. Gains and losses from foreign currency transactions when significant are shown on the statements of operations.

Statements of Cash Flows

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Future Accounting Changes -

Postretirement Benefits

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106 which is effective for fiscal years beginning after December 15, 1994 for certain small, non-public employers. SFAS No. 106 requires that the expense of postretirement benefits will be accrued until the employee becomes eligible to receive benefits. The Company plans to adopt SFAS No. 106 in 1994. The Company expects that implementation of SFAS No. 106 will not have a material effect on financial condition or results of operations.

Income Tax Accounting

SFAS No. 109 was issued in 1992 to be effective for fiscal years beginning after December 15, 1992. This standard requires that deferred tax assets and liabilities be recognized for any difference between the tax basis of assets and liabilities and their financial reporting amounts measured by using presently enacted current and/or future tax laws and rates. The Company expects that adoption of SFAS No. 109 will not have a material effect on the Company's financial condition or results of operations.

NOTE 2 - RESTRUCTURING

In 1992, management instituted a restructuring program designed to reduce costs, improve operating efficiencies and increase shareholder value. The program included the closing of a division and the downsizing of certain operations. Restructuring costs of \$1,746,425 include severance and other expenses of the program (See Note 7 - Discontinued Operations).

STONHARD, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992

NOTE 3 - CASH AND CASH EQUIVALENTS

The Company maintains cash and cash equivalents at various financial institutions in New Jersey and Pennsylvania. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 1992, the Company's uninsured bank balances totalled \$411,237.

NOTE 4 - INVENTORIES

Inventories are summarized as follows:

<TABLE>
 <CAPTION>

	1992

<S>	<C>
Raw materials	\$ 1,296,344
Finished goods	5,497,052

	\$ 6,793,396

=====

</TABLE>

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are classified as follows:

<TABLE>

<CAPTION>

	1992

<S>	<C>
Land	\$ 240,740
Building and building improvements	4,082,101
Machinery and equipment	4,464,518
Data processing equipment	1,880,227
Furniture and fixtures	1,862,143
Transportation equipment	634,232

	13,163,961
Less: accumulated depreciation and amortization	(8,275,787)

	\$ 4,888,174
	=====

</TABLE>

Depreciation expense for the year ended December 31, 1992 was \$913,012.

NOTE 6 - DEBT

Notes Payable to Banks

Notes payable to banks are due upon demand; bear interest at the banks' prime rate plus one percent (8.5% at December 31, 1992) and are unsecured.

<TABLE>

STONHARD, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992

NOTE 6 - DEBT (CONTINUED)

<CAPTION>

Long-Term Debt

	1992

<S>	<C>
Revolving credit note payable to Heller Financial in the amount of \$20,000,000 with monthly interest installments at the bank's prime rate plus two and one-quarter percent (10.25% at December 31, 1992), due December 31, 1995.	\$18,869,951
Term note payable to Heller Financial in quarterly principal installments starting at \$125,000 and increasing to \$450,000 with monthly interest installments payable at the bank's prime rate plus two and one-half percent (10.5% at December 31, 1992), due December 31, 1995.	6,325,000
14.5% term note payable to Heller Financial in monthly interest installments of	

\$24,167, due December 31, 1995.

2,000,000

Overadvance on revolving credit note payable to Heller Financial with monthly interest installments at a fixed rate of interest (14% at December 31, 1992), due December 31, 1995.

217,342

27,412,293

Less current maturities

856,250

\$26,556,043
=====

</TABLE>

STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

NOTE 6 - DEBT (CONTINUED)

Long-Term Debt (continued)

On March 25, 1992 the Company entered into a Credit and Security Agreement (the "Agreement") with Heller Financial, Inc. ("Heller") to refinance its then existing revolving credit, term and mortgage notes with a \$28,700,000 Credit Facility. The Credit Facility consists of (i) a \$20,000,000 revolving credit note, (ii) a \$6,700,000 term note, and (iii) a \$2,000,000 term note. All notes are secured by the stock of all the Company's subsidiaries and the assets and properties of the Company and its subsidiaries. The Credit Facility is guaranteed by all subsidiaries of the Company. The Agreement has customary representations and warranties, negative covenants (including, among other things, limitations on mergers, investments, indebtedness, dividends and other distributions), affirmative covenants (including financial covenants), and events of default. At December 31, 1992 the Company was not in compliance with certain covenants contained in the Agreement. The Company has, however, obtained a waiver of these covenants from Heller.

As part of the Agreement the Company issued warrants for 221 shares of its common stock to Heller. The warrants contain a put option. The put option requires the Company to purchase the warrants from March 25, 2002. The price will be determined by the then current appraised value of the Company as mutually agreed upon by the majority stockholders and Heller.

In concert with the Agreement, Stonhard paid \$600,000 to purchase the outstanding warrants held by CoreStates Enterprise Fund. Stonhard also paid fees in the amount of \$630,753 to Heller at closing. The fees associated with the refinancing have been included in deferred debt costs.

The aggregate principal maturities of long-term debt are as follows:

<TABLE>

<S>	<C>
1994	\$ 1,368,750
1995	25,187,293

	\$26,556,043
	=====

</TABLE>

Extraordinary Item

As a result of entering into a new credit agreement, the Company wrote off certain costs incurred in connection with its prior credit arrangements. This write-off is shown as an extraordinary charge of \$213,652 in the accompanying income statement. No income tax benefit resulted from this charge.

STONHARD, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992

NOTE 6 - DEBT (CONTINUED)

Subordinated Debt

The subordinated debtors have agreed to forego principal payments until January 15, 1996 at which time the entire principal shall be due. Interest will be paid quarterly at prime rate plus 1% from March 25, 1992 through January 14, 1993 and at prime rate plus 3% from January 15, 1993 until maturity. Foregone interest payments can, at the discretion of the Company, constitute additional principal. For the year ended December 31, 1992, \$423,567 became such principal.

This debt is subordinated to all Heller and bank debt.

Stockholder Loans

At December 31, 1992, the stockholder loans were unsecured, bore interest at the Company's bank's prime interest rate, had no scheduled date of repayment, and required payments of interest monthly.

NOTE 7 - DISCONTINUED OPERATIONS

As part of the restructuring program, the Company discontinued its Japan operations in December 1992. Financial results for the prior period have not been restated as these results are not significant. Net sales for the year ended December 31, 1992 were \$189,000. Assets were immaterial and management provided \$176,837 for phase out expenses associated with the closure. This amount is included under the caption of "Accrued expenses and other current liabilities" in the accompanying consolidated balance sheet at December 31, 1992. There is no income tax benefit included in the loss.

NOTE 8 - INCOME TAXES

The benefit from income taxes is categorized as follows:

<TABLE> <CAPTION>	1992 -----
<S> Foreign Income Tax Benefit	<C> \$456,314 =====

</TABLE>

At December 31, 1992, the Company had approximately \$3,852,989 of foreign net operating loss carryforwards available to reduce future foreign taxable income through 1996.

STONHARD, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992

NOTE 9 - DEFERRED COMPENSATION

A Phantom Stock Incentive Compensation Plan was adopted in 1990. Under the plan, key management employees are awarded additional compensation based upon performance. The additional compensation transferrable into Phantom Equity Units. Changes in the value of the Phantom Equity Units parallel the changes in the market value of the Company's common stock. The Company will grant Phantom Equity Units equated to 6% of the Company stock over the next five years. The units will vest at the end of five years. However, participants are eligible to receive at a minimum the amount of additional compensation deferred through the plan.

The Company initiated a Deferred Compensation Plan in 1991. The plan permits certain key employees to defer portions of their compensation. To fund the plan, the Company purchased whole-life insurance contracts on the related employees. The Company, which is the owner and beneficiary of the insurance policies, paid whole-life insurance premiums of \$367,403 for 1992. Costs charged to operations under such agreement were \$35,992 in 1992.

At December 31, 1992 compensation expense under the Plans was \$426,433.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Company has a 401K plan for the benefit of all of its employees. The Company's contribution to the plan for the year ended December 31, 1992 was \$50,533.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with companies with common ownership. A summary of these transactions is listed below.

<TABLE>
<CAPTION>

	1992

<S>	<C>
Included in accounts receivable - trade	\$ 46,080
	=====
Purchases of product	\$5,394,957
	=====

</TABLE>

In addition, the Canadian Subsidiary has entered into an agreement to lease office and warehouse space from a related party until February 1994. The agreement calls for monthly payments of \$18,500 for the duration of the lease. Rental expense for the year ended 1992 was \$218,740.

STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

NOTE 12 - SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

<TABLE>
<CAPTION>

	1992

<S>	<C>
Interest	\$3,705,044
	=====
Income Taxes	\$ 251,243
	=====

</TABLE>
Non-Cash Financing Activity

Long-term debt of \$20,828,081 was refinanced in 1992.

NOTE 13 - COMMITMENTS

Employment Agreements

The Company has employment agreements with various officers and key employees which require minimum annual compensation. The following summarizes minimum annual salaries that are due under the above agreements:

<TABLE>

<S>	<C>
1993	\$ 849,500
1994	867,100
1995	885,500
1996	904,800
1997	468,000

Thereafter	1,928,200

Total	\$5,903,100
	=====

</TABLE>

Leases

The Company leases office space and equipment under various operating lease agreements. Terms of the leases, including renewals and maintenance costs vary by lease. The minimum annual rental payments under non-cancelable operating leases as of December 31, 1992 were as follows:

<TABLE>		
	<S>	<C>
	1993	\$1,064,881
	1994	674,336
	1995	228,354
	1996	116,009
	1997	26,514
	Thereafter	4,155

	Total	\$2,114,249
		=====

</TABLE>

Rent expense for all operating leases amounted to \$1,614,775 in 1992.

STONHARD, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1992

NOTE 13 - COMMITMENTS (CONTINUED)

Letters of Credit

The Company has outstanding letters of credit in the amount of \$279,250 which guarantee the Company's performance under certain surety agreements which expire in May 1993. Cash deposits of \$157,900 are being held as collateral in conjunction with these letters of credit.

Guarantees

The Canadian Subsidiary has guaranteed the debt of an unconsolidated subsidiary in the amount of \$173,038.

Litigation

In connection with the sale of a related entity ("Entity"), the Company had indemnified the buyer for certain environmental claims. In June 1992, the Entity received a general notice from the United States Environmental Protection Agency ("US EPA") that it was one of approximately 1,300 potentially responsible parties in connection with the clean up of the Solvent Recovery Services of New England superfund site. The Entity is alleged to be responsible for less than 1% of the potential clean-up expense. The actual cost of remedial action has not been determined and the method of allocation of liability among parties who may ultimately be found liable remains uncertain. However, the Company's share of the less than 1% portion of the clean up expense is limited to the Entity's involvement with the site during the Company's related ownership period. The Company believes that its share of the expense is minimal.

The Company is involved in other litigation and administrative proceedings primarily arising in the normal course of its business. In the opinion of management, the Company's recovery, if any, or the Company's liability, if any, under any pending litigation or administrative proceedings including that described in the preceding paragraph would not materially effect its financial condition or operations.

STONHARD, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1992

NOTE 14 - INDUSTRY SEGMENT AND GEOGRAPHIC AREA INFORMATION

The Company operates principally in one business segment: the manufacture and sale of polymer flooring.

Information concerning the Company's operations in different geographical areas at December 31, 1992 and for the year ended is summarized as follows:

<TABLE>

<CAPTION>

	United States -----	Canadian Operations -----	European Operations -----	Foreign and Other Operations -----	Total -----
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$58,068,969	\$13,122,986	\$12,930,407	\$8,151,820	\$92,274,182
	=====	=====	=====	=====	=====
Net income (loss)	\$ 2,629,705	(\$ 535,682)	(\$ 5,514,856)	(\$1,078,928)	(\$ 4,499,761)
	=====	=====	=====	=====	=====

</TABLE>

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

RPM, INC.

/s/ Thomas C. Sullivan

 Thomas C. Sullivan, Chairman

DATE: January 6, 1994

January 4, 1994

Calfee, Halter & Griswold
800 Superior
Suite 1800
Cleveland, OH 44114

Attention: Mr. Steve Knoop

Dear Mr. Knoop:

We consent to the use of our report dated March 24, 1993 with respect to the consolidated financial statements of Stonhard, Inc. for the years ended December 31, 1992 filed with RPM, Inc.'s Current Report on Form 8-K dated October 26, 1993 and to the incorporation by reference of such report in RPM, Inc.'s Registration Statements on Form S-3 (Reg. No. 33-53566, Sentry Polymers, Inc. acquisition 33-44131, Chemical Coatings, Inc. acquisition, 33-50868, Liquid Yield Option Notes and 33-68222, Dynatron/Bondo Corporation acquisition) and Registration Statements on Form S-8 (Reg. No. 2-65508, 1979 Stock Option Plan, 33-32794, 1989 Stock Option Plan, and 33-54720, Retirement Savings Plan).

Haefele, Flanagan & Co.

Moorestown, New Jersey
January 5, 1993