United States
Securities and Exchange Commission

Washington, DC 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, 2013

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

For the transition period from to .

Commission file number 1-16091

PolyOne Corporation

(Exact name of registrant as specified in its charter)

Ohio	34-1730488
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
33587 Walker Road, Avon Lake, Ohio (Address of principal executive offices)	44012 (Zip Code)

Registrant's telephone number, including area code (440) 930-1000

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

Title of each class	Name of each exchange on which registered
Common Shares, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

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

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

Large accelerated filer ☑	Accelerated filer £	Non-accelerated filer £	Smaller reporting company £
		(Do not check if a smaller reporting company)	

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

The aggregate market value of the registrant's outstanding common shares held by non-affiliates on June 28, 2013, determined using a per share closing price on that date of $24.78, as quoted on the New York Stock Exchange, was $2,288,423,509.

The number of shares of common shares outstanding as of January 31, 2014 was 94,765,479.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement with respect to the 2014 Annual Meeting of Shareholders.

POLYONE CORPORATION

PART I

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this Annual Report on Form 10-K, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; estimated capital expenditures; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;
- changes in polymer consumption growth rates where we conduct business;
- changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the industries in which we participate;
- fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;
- an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions and employee productivity goals;
- an inability to raise or sustain prices for products or services;
- an inability to maintain appropriate relations with unions and employees;
- the speed and extent of an economic recovery, including the recovery of the housing markets;
- the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
- disruptions, uncertainty or volatility in the credit markets that may limit our access to capital;
- other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation;
- the amount and timing of repurchases, if any, of PolyOne common shares;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- our ability to realize anticipated savings and operational benefits from the realignment of assets, including the planned closure of certain manufacturing facilities; the timing of closings and shifts of production to new facilities related to asset realignments and any unforeseen disruptions of service or quality caused by such closings and/or production shifts; separation and severance amounts that differ from original estimates, amounts for non-cash charges related to asset write-offs and accelerated depreciation realignments of property, plant and equipment, that differ from original estimates;
- our ability to identify and evaluate acquisition targets and consummate acquisitions;
- the ability to successfully integrate acquired companies into our operations, retain the management teams of acquired companies, and retain relationships with customers of acquired companies, including, without limitation, ColorMatrix, Glasforms and Spartech;
- other factors described in this Annual Report on Form 10-K under Item 1A, “Risk Factors.”

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 1. BUSINESS

Business Overview

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants and fluoropolymers and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at sales, manufacturing and distribution facilities in North America, South America, Europe, Asia and Africa. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value added solutions to designers, assemblers and processors of plastics (our customers). When used in this Annual Report on Form 10-K, the terms “we,” “us,” “our” and the “Company” mean PolyOne Corporation and its consolidated subsidiaries.

PolyOne was formed on August 31, 2000 from the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). Geon’s roots date back to 1927 when BFGoodrich scientist Waldo Semon produced the first usable vinyl polymer. In 1948, BFGoodrich created a vinyl plastic division that was subsequently spun off through a public offering in 1993, creating Geon, a separate publicly-held company. Hanna was formed in 1885 as a privately-held company and became publicly-held in 1927. In the mid-1980s, Hanna began to divest its historic mining and shipping businesses to focus on polymers. Hanna purchased its first polymer company in 1986 and completed its 26th polymer company acquisition in 2000.

PolyOne Corporation is incorporated in Ohio and headquartered in Avon Lake, Ohio. We employ approximately 7,000 people and have 85 manufacturing sites and 8 distribution facilities in North America, South America, Europe and Asia. We offer more than 35,000 polymer solutions to over 10,000 customers across the globe. In 2013, we had sales of $3.8 billion, 33% of which were to customers outside the United States.

We provide value to our customers with solutions built upon our ability to leverage our polymer and formulation expertise with our operational capabilities, being the essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers). We believe that our role in the value chain continues to become more essential as our customers need reliable suppliers with global reach and more effective solutions to improve their profitability and competitive advantage. Our goal is to provide our customers with specialized materials and service solutions through our global reach, broad market knowledge, technical expertise, product breadth, efficient manufacturing operations, a fully integrated information technology network, and raw material procurement leverage. Our end markets are primarily in transportation, packaging, building and construction, industrial, healthcare, consumer, wire and cable, electrical and electronics, and appliance.

Polymer Industry Overview

Polymers are a class of organic materials that are generally produced by converting natural gas or crude oil derivatives into monomers, such as ethylene, propylene, vinyl chloride and styrene. These monomers are then polymerized into chains called polymers, or plastic resin, such as polyethylene and polypropylene, in their most basic forms. Large petrochemical companies, including some in the petroleum industry, produce a majority of the monomers and base resins because they have direct access to the raw materials needed for production. Monomers make up the majority of the variable cost of manufacturing the base resin. As a result, the cost of a base resin tends to move in tandem with the industry market prices for monomers and the cost of raw materials and energy used during production. Resin selling prices can move in tandem with costs, but are largely driven by supply and demand balances.

Thermoplastic polymers make up a substantial majority of the resin market and are characterized by their ability to be reshaped repeatedly into new forms after heat and pressure are applied. Thermoplastics offer versatility and a wide range of applications. The major types of thermoplastics include polyethylene, polyvinyl chloride, polypropylene, polystyrene, polyester and a range of specialized engineering resins. Each type of thermoplastic has unique qualities and characteristics that make it appropriate for use in a particular application. Thermoplastic composites include these base resins, but are combined with a structural filler such as glass, carbon or polymer fibers to enhance strength, rigidity and structure. Further performance can be delivered through an engineered thermoplastic sheet or thick film, which may incorporate more than one resin formulation or composite in multiple layers to impart additional properties such as gas barrier, structural integrity and lightweighting.

Thermoplastic and polymer composites are found in a variety of end-use products and markets, including packaging, building and construction, wire and cable, transportation, medical, furniture and furnishings, durable goods, institutional products, electrical and electronics, adhesives, inks and coatings. Each type of thermoplastic resin has unique characteristics (such as flexibility, strength or durability) suitable for use in a particular end-use application. The packaging industry requires plastics that help keep food fresh and free of contamination while providing a variety of options for product display, and offering advantages in terms of weight and user-friendliness. In the building and construction industry, plastic provides an economical and energy efficient replacement for other traditional materials in piping applications, siding, flooring, insulation, windows and doors, as well as structural and interior or decorative uses. In the wire and cable industry, thermoplastics serve to protect by providing electrical insulation, flame resistance, durability, water resistance, and color coding to wire coatings and connectors. In the transportation industry, plastic has proven to be durable, lightweight and corrosion resistant while offering fuel savings, design flexibility and high performance, often replacing traditional materials such as metal and glass. In the medical industry, plastics are used for a vast array of devices and equipment, including blood and intravenous bags, medical tubing, catheters, lead replacement for radiation shielding, clamps and connectors to bed frames, curtains and sheeting, electronic enclosures and equipment housings. In the electronics industry, plastic enclosures and connectors not only enhance safety through electrical insulation, but thermally and electrically conductive plastics provide heat transferring, cooling, antistatic, electrostatic discharge, and electromagnetic shielding performance for critical applications including integrated circuit chip packaging.

Various additives can be formulated with a base resin and further engineered into a structure to provide them with greater versatility and performance. Polymer formulations and structures have advantages over metals, wood, rubber, glass and other traditional materials, which have resulted in the replacement of these materials across a wide spectrum of applications that range from automobile parts to construction materials. These specialized polymers offer advantages compared to traditional materials that include design freedom, processability, weight reduction, chemical resistance, flame retardance and lower cost. Plastics are renown for their durability, aesthetics, ease of handling and recyclability.

PolyOne Segments

We operate in five reportable segments: (1) Global Specialty Engineered Materials; (2) Global Color, Additives and Inks; (3) Designed Structures and Solutions; (4) Performance Products and Solutions; and (5) PolyOne Distribution.

On May 30, 2013, we sold our vinyl dispersion, blending and suspension resin assets (the "Resin Business") to Mexichem Specialty Resins Inc. (Mexichem). As a result of the sale, the Resin Business has been removed from the Performance Products and Solutions segment and presented as a discontinued operation in all periods presented.

On March 13, 2013 PolyOne acquired Spartech Corporation (Spartech), a supplier of sustainable plastic sheet, color and engineered materials, and packaging solutions, based in Clayton, Missouri. The Spartech acquisition expands PolyOne's specialty portfolio with adjacent technologies in attractive end markets where we already participate, as well as new end markets such as aerospace and security. By combining Spartech's leading market positions in sheet, rigid barrier packaging and specialty cast acrylics with PolyOne's capabilities, we believe we can better serve our customers and accelerate growth.

Spartech's results have been reflected within our Consolidated Statements of Income and within our newly created Designed Structures and Solutions segment, as well as within our existing Global Specialty Engineered Materials, Global Color, Additives and Inks and Performance Products and Solutions segments, since the date of acquisition.

Our segments are further discussed in Note 16, *Segment Information*.

Global Specialty Engineered Materials

Global Specialty Engineered Materials is a leading provider of specialty polymer formulations, services and solutions for designers, assemblers and processors of thermoplastic materials across a wide variety of markets and end-use applications. Our product portfolio, which we believe to be one of the most diverse in our industry, includes specialty formulated high-performance polymer materials that are manufactured using thermoplastic resins and elastomers, which are then combined with advanced polymer additives, reinforcement, filler, colorant and/or biomaterial technologies. Our technical and market expertise enables us to expand the performance range and structural properties of traditional engineering-grade thermoplastic resins to meet evolving customer needs. Global Specialty Engineered Materials has manufacturing, sales and service facilities located throughout North America, Europe, Asia and South America. Our product development and application reach is further enhanced by the capabilities of our Innovation Centers in the United States, Germany and China, which produce and evaluate prototype and sample parts to help assess end-use performance and guide product development. Our manufacturing capabilities are targeted at meeting our customers' demand for speed, flexibility and critical quality.

On December 19, 2012, the Company acquired Glasforms, Inc. (Glasforms), a leading manufacturer of glass and carbon fiber reinforced polymers and advanced composite products. Glasforms results are included within the Global Specialty Engineered Materials segment.

Global Color, Additives and Inks

Global Color, Additives and Inks is a leading provider of specialized custom color and additive concentrates in solid and liquid form for thermoplastics, dispersions for thermosets, as well as specialty inks, plastisols, and vinyl slush molding solutions. Color and additive solutions include an innovative array of colors, special effects and performance-enhancing and eco-friendly solutions. When combined with a non-base resin, our solutions help customers achieve differentiated specialized colors and effects targeted at the demands of today's highly design-oriented consumer and industrial end markets. Our additive concentrates encompass a wide variety of performance and process enhancing characteristics and are commonly categorized by the function that they perform, such as UV stabilization, antimicrobial, anti-static, blowing or foaming, antioxidant, lubricant, and productivity enhancement. Our colorant and additives concentrates are used in a broad range of polymers, including those used in medical and pharmaceutical devices, food packaging, personal care and cosmetics, transportation, building products, wire and cable markets. We also provide custom-formulated liquid systems that meet a variety of customer needs and chemistries, including vinyl, natural rubber and latex, polyurethane and silicone. Our offering also includes proprietary inks and latexes for diversified markets such as recreational and athletic apparel, construction and filtration, outdoor furniture and healthcare. Our liquid polymer coatings and additives are largely based on vinyl and are used in a variety of markets, including building and construction, consumer, healthcare, industrial, packaging, textiles, appliances, transportation, and wire and cable. Global Color, Additives and Inks has manufacturing, sales and service facilities located throughout North America, South America, Europe, Asia and Africa.

On December 21, 2011, the Company completed the acquisition of all of the outstanding equity of ColorMatrix for $486.1 million, net of cash acquired. ColorMatrix is a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants.

Designed Structures and Solutions

On March 13, 2013, the Company completed the acquisition of Spartech, a supplier of plastic sheet, color and engineered materials, and packaging solutions. As a result of the acquisition, a new reportable segment, "Designed Structures and Solutions", was created. Designed Structures and Solutions is comprised of the former Spartech Custom Sheet and Rollstock and Packaging Technologies businesses. We believe PolyOne's Designed Structures and Solutions segment is a market leader in providing specialized, full service and innovative solutions in engineered polymer structures, rigid barrier packaging and specialty cast acrylics. We utilize a variety of polymers, specialty additives and processing technologies to produce a complete portfolio of sheet, custom rollstock and specialty film, laminate and acrylic solutions. Our solutions can be engineered to provide structural or functional performance in an application or deliver design and visual aesthetics to meet our customers' needs. Our offering also includes a wide range of sustainable, cost-effective stock and custom packaging solutions for various industry processes used in the food, medical, consumer and graphic arts markets. In addition to packaging, we also work closely with customers to provide solutions for transportation, building and construction, healthcare and consumer markets. Designed Structures and Solutions has manufacturing, sales and service facilities located throughout North America.

Performance Products and Solutions

Performance Products and Solutions is comprised of the Geon Performance Materials and Producer Services business units. The Geon business delivers an array of products and services for vinyl molding and extrusion processors located in North America and Asia. The Geon brand name carries strong recognition globally. Geon Performance Materials' products are sold to manufacturers of durable plastic parts and consumer-oriented products. We also offer a wide range of services including materials testing, component analysis, custom formulation development, colorant and additive services, part design assistance, structural analysis, process simulations, mold design and flow analysis and extruder screw design. Vinyl is used across a broad range of markets and applications, including, but not limited to: wire and cable, healthcare, building and construction, consumer and recreational products and transportation and packaging. The Producer Services business unit offers contract manufacturing and outsourced polymer manufacturing services to resin producers and polymer marketers, primarily in the United States and Mexico, as well as its own proprietary compounds for pressure pipe and drip irrigation applications. As a strategic and integrated supply chain partner, Producer Services offers resin producers a way to develop custom products for niche markets by using our process technology expertise and multiple manufacturing platforms.

PolyOne Distribution

The PolyOne Distribution business distributes more than 3,500 grades of engineering and commodity grade resins, including PolyOne-produced solutions, principally to the North American and Asian markets. These products are sold to over 6,000 custom injection molders and extruders who, in turn, convert them into plastic parts that are sold to end-users in a wide range of industries. Representing over 25 major suppliers, we offer our customers a broad product portfolio, just-in-time delivery from multiple stocking locations and local technical support. Recent expansion in Central America and Asia have bolstered PolyOne Distribution's ability to serve the specialized needs of customers globally.

Competition

The production of plastics and the manufacturing of custom and proprietary formulated color and additives systems for the plastics industry are highly competitive. Competition is based on service, performance, product innovation, product recognition, speed, delivery, quality and price. The relative importance of these factors varies among our products and services. We believe that we are the largest independent formulator of plastic materials and producer of custom and proprietary color and additive systems in the United States and Europe, with a growing presence in Asia and South America. Our competitors range from large international companies with broad product offerings to local independent custom producers whose focus is a specific market niche or product offering.

The distribution of polymer resin is also highly competitive. Speed, service, reputation, product line, brand recognition, delivery, quality and price, are the principal factors affecting competition. We compete against other national independent resin distributors in North America, along with other regional distributors. Growth in the polymer distribution market is directly correlated with growth in the base polymer resins market. We believe that the strength of our company name and reputation, the broad range of product offerings from our suppliers and our speed and responsiveness, coupled with the quality of products and agility of our distribution network, allow us to compete effectively.

Raw Materials

The primary raw materials used by our manufacturing operations are polyvinyl chloride (PVC) resin, polyolefin and other thermoplastic resins, plasticizers, inorganic and organic pigments, all of which we believe are in adequate supply. We have a long-term supply contract with Oxy Vinyls LP, a former equity investment affiliate, under which the majority of our PVC resin is supplied. This contract contains a year-by-year evergreen renewal provision, unless terminated by either party with a one-year advance notice. We believe this contract assures the availability of adequate amounts of PVC resin. We also believe that the pricing under this contract provides PVC resins to us at a competitive cost. See the discussion of risks associated with raw material supply and costs in Item 1A “Risk Factors”.

Patents and Trademarks

We own and maintain a number of patents and trademarks in the U.S. and other key countries that contribute to our competitiveness in the markets we serve because they protect our inventions and product names against infringement by others. Patents exist for 20 years from filing date if all fees are paid, and trademarks have an indefinite life based upon continued use. While we view our patents and trademarks to be valuable because of the broad scope of our products and services and brand recognition we enjoy, we do not believe that the loss or expiration of any single patent or trademark would have a material adverse effect on our results of operations, financial position or cash flows. Nevertheless, we have implemented management processes designed to protect our inventions and trademarks. The acquisition of ColorMatrix significantly increased the number of global patents and trademarks which we own and maintain.

Seasonality and Backlog

Sales of our products and services are slightly seasonal as demand is generally slower in the first and fourth calendar quarters of the year. Because of the nature of our business, we do not believe that our backlog is a meaningful indicator of the level of our present or future business.

Working Capital Practices

Our products are generally manufactured with a short turnaround time, and the scheduling of manufacturing activities from customer orders generally includes enough lead time to assure delivery of an adequate supply of raw materials. We offer payment terms to our customers that are competitive. We generally allow our customers to return merchandise if pre-agreed quality standards or specifications are not met; however, we employ quality assurance practices that seek to minimize customer returns. Our customer returns are immaterial.

Significant Customers

No customer accounted for more than 2% of our consolidated revenues in 2013, and we do not believe we would suffer a material adverse effect if we were to lose any single customer.

Research and Development

We have substantial technology and development capabilities. Our efforts are largely devoted to developing new product formulations to satisfy defined market needs, by providing quality technical services to evaluate alternative raw materials, assuring the continued success of our products for customer applications, providing technology to improve our products, processes and applications, and providing support to our manufacturing plants for cost reduction, productivity and quality improvement programs. We operate research and development centers that support our commercial development activities and manufacturing operations. These facilities are equipped with state-of-the-art analytical, synthesis, polymer characterization and testing equipment, along with pilot plants and polymer manufacturing operations that simulate specific production processes that allow us to rapidly translate new technologies into new products. Our investment in product research and development from continuing operations was $52.6 million in 2013, $41.3 million in 2012 and $36.4 million in 2011.

Methods of Distribution

We sell products primarily through direct sales personnel, distributors, including our PolyOne Distribution segment, and commissioned sales agents. We primarily use truck carriers to transport our products to customers, although some customers pick up product at our manufacturing facilities or warehouses. We also ship some of our manufactured products to customers by rail.

Employees

As of December 31, 2013, we employed approximately 7,000 people. Approximately 10% of our employees are represented by labor unions under collective bargaining agreements. We believe that relations with our employees are good, and we do not anticipate significant operating issues to occur as a result of current negotiations, or when we renegotiate collective bargaining agreements as they expire.

Environmental, Health and Safety

We are subject to various environmental laws and regulations that apply to the production, use and sale of chemicals, emissions into the air, discharges into waterways and other releases of materials into the environment and the generation, handling, storage, transportation, treatment and disposal of waste material. We endeavor to ensure the safe and lawful operation of our facilities in the manufacture and distribution of products, and we believe we are in material compliance with all applicable laws and regulations.

We maintain a disciplined environmental and occupational safety and health compliance program and conduct periodic internal and external regulatory audits at our facilities to identify and categorize potential environmental exposures, including compliance matters and any actions that may be required to address. This effort can result in process or operational modifications, the installation of pollution control devices or cleaning up grounds or facilities. We believe that we are in material compliance with all applicable requirements.

We are strongly committed to safety as evidenced by our injury incidence rate of 0.97 per 100 full-time workers per year in 2013, our first reporting year including recently acquired Glasforms and Spartech. Our legacy PolyOne operations reported an incidence rate of 0.59 in 2013 compared to 0.54 in 2012. The 2012 average injury incidence rate for our NAICS Code (326 Plastics and Rubber Products Manufacturing) was 5.0.

In our operations, we must comply with product-related governmental law and regulations affecting the plastics industry generally and also with content-specific law, regulations and non-governmental standards. We believe that compliance with current governmental laws and regulations and with non-governmental content-specific standards will not have a material adverse effect on our financial position, results of operations or cash flows. The risk of additional costs and liabilities, however, is inherent in certain plant operations and certain products produced at these plants, as is the case with other companies in the plastics industry. Therefore, we may incur additional costs or liabilities in the future. Other developments, such as increasingly strict environmental, safety and health laws, regulations and related enforcement policies, including those under the Restrictions on the Use of Certain Hazardous Substances (RoHS), Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Dodd-Frank Wall Street Reform and Consumer Protection Act (covering Conflict Minerals), and the Consumer Product Safety Improvement Act, the implementation of additional content-specific standards, discovery of unknown conditions, and claims for damages to property, persons or natural resources resulting from plant emissions or products, could also result in additional costs or liabilities.

A number of foreign countries and domestic communities have enacted, or are considering enacting, laws and regulations concerning the use and disposal of plastic materials. Widespread adoption of these laws and regulations, along with public perception, may have an adverse impact on sales of plastic materials. Although many of our major markets are in durable, longer-life applications that could reduce the impact of these kinds of environmental regulations, more stringent regulation of the use and disposal of plastics may have an adverse effect on our business.

We have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with their investigation and remediation of a number of environmental sites. While government agencies assert that PRPs are jointly and severally liable at these sites, in our experience, interim and final allocations of liability costs are generally made based on the relative contribution of waste. However, even when allocations of costs based on relative contribution of waste have been made, we cannot assure that our allocation will not increase if other PRPs do not pay their allocated share of these costs.

We incurred environmental expenses, before insurance recoveries, of $61.2 million in 2013, $12.8 million in 2012 and $9.7 million in 2011. Our environmental expense in 2013, 2012 and 2011 related mostly to ongoing remediation projects. In 2013 and 2011, we received insurance recoveries $23.5 million and $3.3 million, respectively, as reimbursement of previously incurred environmental remediation costs.

We also conduct investigations and remediation at certain of our active and inactive facilities and have assumed responsibility for the resulting environmental liabilities from operations at sites we, or our predecessors, formerly owned or operated. We believe that our potential continuing liability at these sites will not have a material adverse effect on our results of operations, financial position or cash flows. In addition, we voluntarily initiate corrective and preventive environmental projects at our facilities. As of December 31, 2013, our reserves totaled $125.9 million, covering probable future environmental expenditures that we can reasonably estimate related to previously contaminated sites. This amount represents our best estimate of probable costs, based upon the information and technology currently available.

Depending upon the results of future testing, the ultimate remediation alternatives undertaken, changes in regulations, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at December 31, 2013. Such costs, if any, cannot be currently estimated. We may revise our estimate of this liability as new regulations or technologies are developed, or additional information is obtained.

Refer to Note 13, *Commitments and Contingencies*, for further discussion of our environmental liabilities.

We expect cash paid for environmental expenditures will be approximately $12.0 million in 2014.

International Operations

Our international operations are subject to a variety of risks, including currency fluctuations and devaluations, exchange controls, currency restrictions and changes in local economic conditions. While the impact of these risks is difficult to predict, any one or more of them could adversely affect our future operations. For more information about our international operations, see Note 16, *Segment Information*, to the accompanying consolidated financial statements, which is incorporated by reference into this Item 1.

Where You Can Find Additional Information

Our principal executive offices are located at 33587 Walker Road, Avon Lake, Ohio 44012, and our telephone number is (440) 930-1000. We are subject to the information reporting requirements of the Exchange Act, and, in accordance with these requirements, we file annual, quarterly and other reports, proxy statements and other information with the SEC relating to our business, financial results and other matters. The reports, proxy statements and other information we file may be inspected and copied at prescribed rates at the SEC's Public Reference Room and via the SEC's website (see below for more information).

You may inspect a copy of the reports, proxy statements and other information we file with the SEC, without charge, at the SEC's Public Reference Room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, and you may obtain copies of the reports, proxy statements and other information we file with the SEC, from those offices for a fee. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are available to the public at the SEC's website at http://*www.sec.gov*.

Our Internet address is *www.polyone.com*. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website (*www.polyone.com,* select Investors and then SEC Edgar filings) or upon written request, as soon as reasonably practicable after we electronically file or furnish them to the SEC. The contents of our website are not part of this Annual Report on Form 10-K, and the reference to our website does not constitute incorporation by reference into this Form 10-K of the information contained at that site.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business, results of operations, financial position or cash flows. These risk factors should be considered along with the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause our actual results or financial condition to differ materially from those projected in forward-looking statements. The following discussion is not an all-inclusive listing of risks, although we believe these are the more material risks that we face. If any of the following occur, our business, results of operations, financial position or cash flows could be adversely affected.

Demand for and supply of our products and services may be adversely affected by several factors, some of which we cannot predict or control.

Several factors may affect the demand for and supply of our products and services, including:

- economic downturns in the significant end markets that we serve;
- product obsolescence or technological changes that unfavorably alter the value/cost proposition of our products and services;
- competition from existing and unforeseen polymer and non-polymer based products;
- declines in general economic conditions or reductions in industrial production growth rates, both domestically and globally, which could impact our customers' ability to pay amounts owed to us;
- changes in environmental regulations that would limit our ability to sell our products and services in specific markets; and
- inability to obtain raw materials or supply products to customers due to factors such as supplier work stoppages, supply shortages, plant outages or regulatory changes that may limit or prohibit overland transportation of certain hazardous materials and exogenous factors, like severe weather.

If any of these events occur, the demand for and supply of our products and services could suffer.

Our manufacturing operations are subject to hazards and other risks associated with polymer production and the related storage and transportation of raw materials, products and wastes.

The hazards and risks our manufacturing operations are subject to include, but are not limited to:

- explosions, fires, inclement weather and natural disasters;
- mechanical failure resulting in protracted or short duration unscheduled downtime;
- regulatory changes that affect or limit the transportation of raw materials;
- inability to obtain or maintain any required licenses or permits;

- interruptions and environmental hazards such as chemical spills, discharges or releases of toxic or hazardous substances or gases into the environment or workplace; and
- storage tank leaks or other issues resulting from remedial activities.

The occurrence of any of these operating problems at our facilities may have a material adverse effect on the productivity and profitability of a particular manufacturing or distribution facility or on our operations as a whole, during and after the period of these operating difficulties. These operating problems may also cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. We are subject to present claims and potential future claims with respect to workplace exposure, workers' compensation and other matters. Although we maintain property and casualty insurance of the types and in the amounts that we believe are customary for the industry, we may not be fully insured against all potential hazards that are incident to our business or otherwise could occur.

Extensive environmental, health and safety laws and regulations impact our operations and assets.

Our operations on, and ownership of, real property are subject to extensive environmental, health and safety laws and regulations at the national, state and local governmental levels. The nature of our business exposes us to compliance costs and risks of liability under these laws and regulations due to the production, storage, transportation, recycling or disposal and/or sale of materials that can cause contamination and other harm to the environment or personal injury if they are improperly handled and released. Environmental compliance requirements on us and our vendors may significantly increase the costs of these activities involving raw materials, energy, finished products and wastes. We may incur substantial costs, including fines, criminal or civil sanctions, damages, remediation costs or experience interruptions in our operations for violations of these laws.

We also conduct investigations and remediation at some of our active and inactive facilities and have assumed responsibility or have been assessed responsibility for environmental liabilities at sites formerly owned or operated by our predecessors or by us. Also, federal and state environmental statutes impose strict, and under some circumstances, joint and several liability for the cost of investigations and remedial actions on any company that generated waste, arranged for disposal of the waste, transported the waste to the disposal site or selected the disposal site, as well as the owners and operators of these sites. Any or all of the responsible parties may be required to bear all of the costs of clean up, regardless of fault or legality of the waste disposal or ownership of the site, and may also be subject to liability for natural resource damages. We have been notified by federal and state environmental agencies and private parties that we may be a potentially responsible party in connection with certain sites. We may incur substantial costs for some of these sites. It is possible that we will be identified as a potentially responsible party at more sites in the future which could result in our being assessed substantial investigation or cleanup costs.

We may also incur additional costs and liabilities as a result of increasingly strict environmental, safety and health laws, regulations and related enforcement policies, restrictions on the use of lead and phthalates under the Restrictions on the Use of Certain Hazardous Substances and the Consumer Product Safety Information Act of 2008, and restrictions on greenhouse gases emissions.

The European Union has adopted REACH, a legislative act to cover Registration, Evaluation, Authorization and Restriction of Chemicals. The goal of this legislation, which became effective in June 2007, is to minimize risk to human health and to the environment by regulating the use of chemicals. As these regulations evolve, we will endeavor to remain in compliance with REACH, and similar regulations across the globe.

We accrue costs for environmental matters that have been identified when it is probable that these costs will be required and when they can be reasonably estimated. However, we may be subject to additional environmental liabilities or potential liabilities that have not been identified. We expect that we will continue to be subject to increasingly stringent environmental, health and safety laws and regulations. We anticipate that compliance with these laws and regulations will continue to require capital expenditures and operating costs.

Our operations could be adversely affected by various risks inherent in conducting operations worldwide.

As noted above in Item 1, "Business," we have extensive operations outside of the United States. Revenue from these operations (principally from Canada, Mexico, Europe, South America and Asia) was approximately 33% in 2013, 40% in 2012 and 40% in 2011 of our total revenues. Long-lived assets of our foreign operations represented 31% in 2013, 38% in 2012 and 37% in 2011 of our total long-lived assets.

International operations are subject to risks, which include, but are not limited to, the following:

- changes in local government regulations and policies including, but not limited to foreign currency exchange controls or monetary policy, repatriation of earnings, expropriation of property, duty or tariff restrictions, investment limitations and tax policies;
- political and economic instability and disruptions, including labor unrest, civil strife, acts of war, guerrilla activities, insurrection and terrorism;
- legislation that regulates the use of chemicals;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act (FCPA);
- compliance with international trade laws and regulations, including export control and economic sanctions;
- difficulties in staffing and managing multi-national operations;
- limitations on our ability to enforce legal rights and remedies;
- reduced protection of intellectual property rights; and
- other risks arising out of foreign sovereignty over the areas where our operations are conducted.

In addition, we could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal controls and procedures will always protect us from the reckless or criminal acts committed by our employees or agents. If we are found to be liable for FCPA, export control or sanction violations, we could suffer from criminal or civil penalties or other sanctions, including loss of export privileges or authorization needed to conduct aspects of our international business, which could have a material adverse effect on our business.

Any of these risks could have an adverse effect on our international operations by reducing the demand for our products. We may not be able to continue to operate in compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations that we may be subject to. In addition, these laws or regulations may be modified in the future, and we may not be able to operate in compliance with those modifications.

We engage in acquisitions and joint ventures, and may encounter unexpected difficulties integrating those businesses.

Attainment of our strategic plan objectives require, in part, strategic acquisitions or joint ventures intended to complement or expand our businesses globally or add product technology that accelerates our specialization strategy, or both. Success will depend on our ability to complete these transactions or arrangements, and integrate the businesses acquired in these transactions as well as develop satisfactory working arrangements with our strategic partners in the joint ventures. Unexpected difficulties in integrating recent and future acquisitions with our existing operations and in managing strategic investments could occur. Furthermore, we may not realize the degree, or timing, of benefits initially anticipated.

Natural gas, electricity, fuel and raw material costs, and other external factors that are also beyond our control, as well as downturns in the home repair and remodeling and new home sectors of the economy, can cause fluctuations in our margins.

The cost of our natural gas, electricity, fuel and raw materials, and other costs, may not correlate with changes in the prices we receive for our products, either in the direction of the price change or in absolute magnitude. Natural gas and raw materials costs represent a substantial part of our manufacturing costs. Most of the raw materials we use are commodities and the price of each can fluctuate widely for a variety of reasons, including changes in availability because of major capacity additions or reductions or significant facility operating problems. Other external factors beyond our control can cause volatility in raw materials prices, demand for our products, product prices, sales volumes and margins. These factors include general economic conditions, the level of business activity in the industries that use our products, competitors' actions, international events and circumstances, and governmental regulation in the United States and abroad, such as climate change regulation. These factors can also magnify the impact of economic cycles on our business. While we attempt to pass through price increases in energy costs and raw materials there can be no assurance that we can do so in the future.

Additionally, our products used in housing, transportation and building and construction markets are impacted by changes in demand in these sectors, which may be significantly affected by changes in economic and other conditions such as gross domestic product levels, employment levels, demographic trends, legislative actions and consumer confidence. These factors can lower the demand for and pricing of our products.

We face competition from other polymer companies as well as chemical companies.

We actively compete with companies that produce the same or similar products, and in some instances, with companies that produce different products that are designed for the same end uses. We encounter competition in price, payment terms, delivery, service, performance, product innovation, product recognition and quality, depending on the product involved.

We expect that our competitors will continue to develop and introduce new and enhanced products, which could cause a decline in the market acceptance of our products. In addition, our competitors could cause a reduction in the selling prices of some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers.

We may also experience increased competition from companies that offer products based on alternative technologies and processes that may be more competitive or better in price or performance, causing us to lose customers. Additionally, some of our customers may already be or may become large enough to justify developing in-house production capabilities. Any significant reduction in customer orders as a result of a shift to in-house production could adversely affect our sales and operating profits.

A major failure of our information systems could harm our business.

We depend on integrated information systems to conduct our business. We may experience operating problems with our information systems as a result of system failures, viruses, computer hackers or other causes. Any significant disruption or slowdown of our systems could cause customers to cancel orders or cause standard business processes to become inefficient or ineffective.

Disruptions in the global credit and financial markets could limit our access to credit, which could negatively impact our business.

Global credit and financial markets have experienced volatility in recent years, including volatility in securities prices, diminished liquidity and credit availability, declining valuations of certain investments and significant changes in the capital and organizational structures of certain financial institutions. These market conditions may limit our ability to access the capital necessary to grow and maintain our business. Accordingly, we may be forced to delay raising capital, issue shorter tenors than we prefer or pay unattractive interest rates, which could increase our interest expense, decrease our profitability and significantly reduce our financial flexibility.

The economic downturn in Europe has had and may in the future have a negative effect on our business and operations.

The economic downturn in Europe has caused, and may in the future cause a negative effect on our results of operations. Many of our customers, distributors and suppliers have been affected by these economic conditions. Current or potential customers may be unable to fund purchases or may determine to reduce purchases or inventories or may cease to continue in business. In addition, suppliers may not be able to supply us with needed raw materials on a timely basis, may increase prices or go out of business, which could result in our inability to meet customer demand or could affect our gross margins.

The agreements governing our debt, including our revolving credit facility and debt securities, contain various covenants that limit our ability to take certain actions and also require us to meet financial maintenance tests, failure to comply with which could have a material adverse effect on us.

The agreement governing our senior secured revolving credit facility, and the indentures governing our debt securities, contain a number of significant covenants that, among other things, limit our ability to: consummate asset sales, incur additional debt or liens, consolidate or merge with any person or transfer or sell all or substantially all of our assets, pay dividends or make certain other restricted payments, make investments, enter into transactions with affiliates, create dividend or other payment restrictions with respect to subsidiaries, make capital investments and alter the business we conduct.

In addition, these agreements require us to comply with specific financial ratios and tests, under which we are required to achieve specific financial and operating results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under the agreements. In the event of any default, our lenders could elect to declare all amounts borrowed under the agreements, together with accrued interest thereon, to be due and payable. In such event, we cannot assure that we would have sufficient assets to pay debt then outstanding under the agreements governing our debt. Any future refinancing of the revolving credit facility or debt securities may contain similar restrictive covenants.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and that of our subsidiaries and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, legislative, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. While we believe that cash flow from our current level of operations, available cash and available borrowings under our revolving credit facilities will provide adequate sources of liquidity for at least the next twelve months, a significant drop in operating cash flow resulting from economic conditions, competition or other uncertainties beyond our control could create the need for alternative sources of liquidity. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital.

We cannot guarantee that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our revolving credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot guarantee that we will be able to refinance any of our indebtedness, including our revolving credit facilities, on commercially reasonable terms or at all.

We have a significant amount of goodwill, and any future goodwill impairment charges could adversely impact our results of operations.

As of December 31, 2013, we had goodwill of $559.0 million. The future occurrence of a potential indicator of impairment, such as a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, a material negative change in relationships with significant customers, strategic decisions made in response to economic or competitive conditions, loss of key personnel or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, could result in goodwill impairment charges, which could adversely impact our results of operations. We have recorded goodwill impairment charges in the past, and such charges materially impacted our historical results of operations. For additional information, see Note 5, *Goodwill and Intangible Assets,* to the accompanying consolidated financial statements.

Poor investment performance by our pension plan assets may increase our pension liability and expense, which may increase the required funding of our pension obligations and divert funds from other potential uses.

We provide defined benefit pension plans to eligible employees. Our pension expense and our required contributions to our pension plans are directly affected by the value of plan assets, the actual rate of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the rate at which future obligations are discounted to a present value, or the discount rate. We assumed a weighted average rate of return of 8.41% on pension assets during 2013.

Poor investment performance by our pension plan assets resulting from a decline in prices in the equity and/or fixed income markets could increase the deficit position of our plans. Should the assets earn an average return less than our assumed rate, it is likely that future pension expenses and funding requirements would increase.

We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension expense or funding obligations, diverting funds we would otherwise apply to other uses.

Risks related to our pension and other post-retirement plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates, and other factors have and may continue to adversely affect our results of operations and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates. Changes in these assumptions have resulted in material charges to income in recent years and may continue in future periods. We establish the discount rate used to determine the present value of the projected and accumulated benefit obligation at the end of each year based upon the available market rates for high quality, fixed income investments. An increase in the discount rate would increase future pension expense and, conversely, a decrease in the discount rate would decrease future pension expense.

Funding requirements for our U.S. pension plans may become more significant. The ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. For a discussion regarding the significant assumptions used to estimate pension expense, including discount rate and the expected long-term rate of return on plan assets, and how our financial statements can be affected by pension plan accounting policies, see “Critical Accounting Policies” included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The failure to successfully integrate Spartech may adversely affect future results.

The success of our acquisition of Spartech will depend, in part, on our ability to realize anticipated benefits from combining the businesses of PolyOne and Spartech. To realize these anticipated benefits, the businesses of PolyOne and Spartech must be successfully combined. If we are not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

As a result of the Spartech acquisition, we are undergoing restructurings that may cause disruption or could have an adverse effect on our business and operations.

We are undergoing certain restructurings and intended to realize certain of the potential synergies of our acquisition of Spartech. There can be no assurance that such restructurings and reorganizations will be successful or properly implemented. If any of such internal restructurings are not successful or properly implemented, we may fail to realize the potential synergies of the acquisition, which may harm our business and results of operations or cause disruptions to our operations, including disruption in our supply chain.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquartered in Avon Lake, Ohio we operate globally with principal locations consisting of 85 manufacturing sites and 8 distribution facilities in North America, South America, Europe and Asia. We own the majority of our manufacturing sites and lease our distribution facilities. We believe that the quality and production capacity of our facilities is sufficient to maintain our competitive position for the foreseeable future. The following table identifies the principal facilities of our segments:

Performance Products and Solutions	Global Specialty Engineered Materials	Global Color, Additives and Inks	PolyOne Distribution	Designed Structures and Solutions
1. Long Beach, California	1. McHenry, Illinois	1. Glendale, Arizona	1. Rancho Cucamonga,	1. Arlington, Texas [4]
2. Terre Haute, Indiana	2. Avon Lake, Ohio	2. Kennesaw, Georgia	California	2. Evanston, Illinois [4]
3. Louisville, Kentucky	Dyersburg, Tennessee [1]	Suwanee, Georgia [3]	2. Chicago, Illinois	3. Cape Girardeau,
4. Avon Lake, Ohio	3. North Haven, Connecticut	3. Elk Grove Village, Illinois	3. Eagan, Minnesota	Missouri [4]
5. Clinton, Tennessee	Seabrook, Texas [1]	4. St. Louis, Missouri	4. Edison, New Jersey	4. Goodyear, Arizona [4]
6. Dyersburg, Tennessee	4. Gaggenau, Germany	5. Sullivan, Missouri	5. Statesville, North	5. Greenville, Ohio [4]
7 Pasadena, Texas	5. Istanbul, Turkey	6. Massillon, Ohio	Carolina	6. Hackensack,
8. Seabrook, Texas	6. Barbastro, Spain	7. Norwalk, Ohio	6. Elyria, Ohio	New Jersey [4]
9 Orangeville, Ontario,	7. Melle, Germany	8. North Baltimore, Ohio	7. La Porte, Texas	7. La Mirada, California [4]
Canada	8 & 9. Suzhou, China [2]	9. Lehigh, Pennsylvania	8. Brampton, Ontario,	8. Manitowoc, Wisconsin [4]
10. St. Remi de Napierville,	10. Shenzhen, China	10. Vonore, Tennessee	Canada	9. McMinnville, Oregon [4]
Quebec, Canada	Jurong, Singapore [3]	11. Toluca, Mexico	(8 Distribution Facilities)	10. Muncie, Indiana [4]
11. Dongguan, China	11. Diadema, Brazil	12. Assesse, Belgium		11. Newark, New Jersey [4]
12. Lake Charles, Louisiana [4]	12. Joinville, Brazil	13. Cergy, France		12. Paulding, Ohio [4]
13. Lockport, New York [4]	13. Birmingham, Alabama	14. Tossiat, France		13. Pleasant Hill, Iowa [4]
14. Donora, Pennsylvania [4]	14. Donchery, France [4]	15. Bendorf, Germany		14 & 15. Portage,
Cape Girardeau,	(14 Manufacturing Plants)	16. Gyor, Hungary		Wisconsin [4] [6]
Missouri [1] [4]		17. Kutno, Poland		16. Ripon, Wisconsin [4]
15. Ramos Arizpe, Mexico [4]		18. Pune, India		17. Salisbury, Maryland [4]
(15 Manufacturing Plants)		19. Pamplona, Spain		18. Sheboygan Falls,
		20. Bangkok, Thailand		Wisconsin [4]
		21. Pudong (Shanghai),		19. Stamford, Connecticut [4]
		China		20. Warsaw, Indiana [4]
		22. Jeddah, Saudi Arabia [5]		21. Wichita, Kansas [4]
		Shenzhen, China [1]		22. Grandby, Canada [4]
		23. Tianjin, China		Ramos Arizpe, Mexico [4]
		24. Novo Hamburgo, Brazil		(22 Manufacturing Plants)
		25. Berea, Ohio		
		26. Richland Hills, Texas		
		27. Bethel, Connecticut		
		28. Barberton, Ohio		
		29. Knowsley, United		
		Kingdom		
		30. Eindhoven,Netherlands		
		31. Suzhou, China		
		32. Shanghai, China		
		33. Itupeva, Brazil		
		34. Odkarby, Finland		
		Manitowoc, Wisconsin [1] [4]		
		(34 Manufacturing Plants)		

(1) Facility is not included in manufacturing plants total as it is also included as part of another segment.
(2) There are two manufacturing plants located at Suzhou, China.
(3) Facility is not included in manufacturing plants total as it is a design center/lab.
(4) Facility added in connection with the acquisition of Spartech on March 13, 2013.
(5) Facility added in connection with the JE.A. Juffali & Brothers Limited joint venture on April 9, 2013.
(6) There are two manufacturing plants located at Portage, Wisconsin.

ITEM 3. LEGAL PROCEEDINGS

In December 2007, the EPA met with the Company to discuss possible violations of the Clean Air Act, the Clean Water Act and the Resource Conservation and Recovery Act at its polyvinyl chloride resin manufacturing facilities located in Henry, Illinois and Pedricktown, New Jersey. Further discussions between representatives for the Company and the EPA occurred in 2008, during which the Company provided additional information requested by the EPA, as well as its position regarding the compliance status of the facilities, and discussed certain modifications to testing procedures and record keeping in these facilities. In January 2009, we received a letter from the EPA proposing a resolution of any violations identified that would include our payment of penalties in the amount of $1.3 million. We subsequently have reached a tentative settlement with the EPA under which the Company would pay a $0.3 million penalty, install certain Supplemental Environmental Projects (each a "SEP") and undertake certain modifications to its operations and recordkeeping at these two facilities.

On May 30, 2013, the Company divested these two facilities, and the business they support to Mexichem. In that transaction, Mexichem undertook to perform the Company's post-transaction operational obligations under a final settlement with the EPA, other than the obligations to pay the penalty and to install the SEPs. The Company, Mexichem and the United States subsequently executed a settlement document in the form of a Consent Order. The United States thereupon filed an action against the Company in the Central District for Illinois and moved the court to enter the Consent Order. As required by law and regulation, the court ordered publication for public comment. The public comment period expired December 27, 2013. Once the court enters the Consent Order, the Company will pay the penalty and complete installation of the SEPs. Mexichem will have the obligation to honor and perform the recordkeeping and operational modifications contained in the Consent Order going forward.

Information regarding other legal proceedings can be found in Note 13, *Commitments and Contingencies*, to the consolidated financial statements and is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers are elected by our Board of Directors to serve one-year terms. The following table lists the name of each person currently serving as an executive officer of our company, their age as of February 13, 2014 and current position with our company:

Name	Age	Position
Stephen D. Newlin	61	Chairman, President and Chief Executive Officer
Robert M. Patterson	41	Executive Vice President and Chief Operating Officer
Thomas J. Kedrowski	55	Executive Vice President, Global Operations and Process Improvement
Bradley C. Richardson	55	Executive Vice President and Chief Financial Officer
Michael E. Kahler	56	Senior Vice President, Chief Commercial Officer
Craig M. Nikrant	52	Senior Vice President, President of Global Specialty Engineered Materials
Kurt C. Schuering	50	Senior Vice President, President of Distribution
Michael A. Garratt	50	Senior Vice President, President of Performance Products and Solutions
Kenneth M. Smith	59	Senior Vice President, Chief Information and Human Resource Officer
John V. Van Hulle	56	Senior Vice President, President of Global Color, Additives and Inks
Julie A. McAlindon	46	Senior Vice President, President of Designed Structures and Solutions

Stephen D. Newlin: Chairman, President and Chief Executive Officer, February 2006 to date. President — Industrial Sector of Ecolab Inc. (a global developer and marketer of cleaning and sanitizing specialty chemicals, products and services) from 2003 to 2006. Mr. Newlin served as President and a Director of Nalco Chemical Company (a manufacturer of specialty chemicals, services and systems) from 1998 to 2001, and was Chief Operating Officer and Vice Chairman from 2000 to 2001. Mr. Newlin serves on the Board of Directors of Black Hills Corporation and Oshkosh Corporation.

Robert M. Patterson: Executive Vice President and Chief Operating Officer, March 2012 to date. Executive Vice President and Chief Financial Officer, January 2011 to March 2012. Senior Vice President and Chief Financial Officer, May 2008 to January 2011. Vice President and Treasurer of Novelis, Inc. (an aluminum rolled products manufacturer) from 2007 to May 2008. Vice President, Controller and Chief Accounting Officer of Novelis from 2006 to 2007. Mr. Patterson served as Vice President and Segment Chief Financial Officer, Thermal and Flow Technology Segments of SPX Corporation (a multi-industry manufacturer and developer) from 2005 to 2006 and as Vice President and Chief Financial Officer, Cooling Technologies and Services of SPX from 2004 to 2005.

Mr. Patterson served as Vice President and Chief Financial Officer of Marley Cooling Tower Company, a cooling tower manufacturer and subsidiary of SPX, from 2002 to 2004.

Thomas J. Kedrowski: Executive Vice President, Global Operations and Process Improvement, January 2012 to date. Senior Vice President, Supply Chain and Operations, September 2007 to December 2012. Vice President of Strategy and Process Improvement, H.B. Fuller Company (a global manufacturer and marketer of adhesives and specialty chemical products) from November 2005 to April 2007. Vice President of Global Operations, H.B. Fuller Company from February 2002 to November 2005.

Bradley C. Richardson: Executive Vice President and Chief Financial Officer, November 2013 to date. Executive Vice President and Chief Financial Officer of Diebold, Incorporated (an integrated self-service delivery manufacturer for the banking industry and security systems) from November 2009 through November 2013. Executive Vice President, Corporate Strategy and Chief Financial Officer at Modine Manufacturing Company (a manufacturer of thermal management systems and components) from 2003 to 2009. Vice President, Performance Management Planning and Control, Chief Financial Officer, Upstream, BP Amoco, London, (a producer of oil, natural gas, and petro chemicals) 2000 to 2003. Mr. Richardson serves on the Board of Directors of Brady Corporation and is Chair of its Audit Committee.

Michael E. Kahler: Senior Vice President, Chief Commercial Officer, January 2010 to date. Senior Vice President, Commercial Development, May 2006 to January 2010. President, Process Technology Division, Alfa Laval Inc. (a global provider of heat transfer, separation and fluid handling products and engineering solutions) from January 2004 to March 2006. Group Vice President, Nalco Chemical Company (a manufacturer of specialty chemicals, services and systems) from December 1999 to October 2002.

Craig M. Nikrant: Senior Vice President, President of Global Specialty Engineered Materials, January 2010 to date. Vice President and General Manager, Specialty Engineered Materials, September 2006 to December 2009. General Manager, Specialty Film & Sheet, General Electric Plastics, June 2004 to September 2006. Director, Global Commercial Effectiveness, General Electric Plastics (a former division of General Electric specializing in supplying plastics), December 2003 to June 2004. Six Sigma Master Black Belt, General Electric Company Plastics Business, March 2001 to December 2002. General Manager, Commercial Operations, North Central Region, General Electric Plastics, June 1999 to March 2001.

Kurt C. Schuering: Senior Vice President, President of Distribution, January 2012 to date. Vice President, Key Account Management, April 2007 to December 2011. General Manager, Automotive — GE Industrial, June 2006 to March 2007. Executive Director, Automotive — GE Plastics, May 2004 to May 2006. Global Product Manager, Lexan — GE Plastics June 2002 to April 2004.

Michael A. Garratt: Senior Vice President, President of Performance Products and Solutions, September 2013 to date. President, Marmon Utility (a manufacturer of medium-high voltage utility, subsea and down-hole power cables and molded insulator systems), March 2011 to September 2013. Chief Operating Officer, Excel Polymers (a custom thermoset rubber formulator), November 2009 to December 2010. Vice President and General Manager - Americas Compounding and Performance Additives, Excel Polymers, March 2009 to November 2009. Vice President and General Manager - Industrial and Consumer, Excel Polymers, December 2005 to March 2009. From August 1994 to June 2005, Mr. Garratt worked for DuPont Dow Elastomers (a global manufacturer of engineered thermoset rubber and thermoplastic elastomer materials) in market development and product management positions, culminating in a regional commercial leadership role for Europe, the Middle East and Africa.

Kenneth M. Smith: Senior Vice President, Chief Information and Human Resources Officer, May 2006 to date. Chief Human Resources Officer, January 2003 to date, and Vice President and Chief Information Officer, September 2000, upon formation of PolyOne, to April 2006. Vice President, Information Technology, The Geon Company, May 1999 to August 2000, and Chief Information Officer, August 1997 to May 1999.

John V. Van Hulle: Senior Vice President, President of Global Color, Additives and Inks, January 2010 to date. Senior Vice President and General Manager, Specialty Color, Additives and Inks, July 2006 to January 2010. President and Chief Executive Officer — ChemDesign Corporation (a custom chemical manufacturer), December 2001 to July 2006. President, Specialty & Fine Chemicals — Cambrex Corporation (a specialty chemical and pharmaceutical business) August 1994 to November 2000.

Julie McAlindon: Senior Vice President, President of Designed Structures and Solutions, March 2013 to date. Vice President of Marketing, May 2010 to March 2013. Global Corporate Account Director, Dow Advanced Materials, The Dow Chemical Company (a global provider of chemicals and plastics) July 2009 to May 2010, Global Strategic Marketing Director, Dow Coating Solutions, The Dow Chemical Company, March 2008 to July 2009. Global Business Director, Polypropylene, The Dow Chemical Company, May 2007 to March 2008. Senior Product Director, Solution Polyethylene, The Dow Chemical Company, May 2005 to May 2007. Global Marketing Executive, UCON™ Fluids and Lubricants, The Dow Chemical Company, March 2002 to May 2005.

PART II

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

The following table sets forth the range of the high and low sale prices for our common shares, $0.01 par value per share, as reported by the New York Stock Exchange, where the shares are traded under the symbol "POL," for the periods indicated:

	2013 Quarters				2012 Quarters			
Common share price:	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
High	$ 35.77	$ 30.96	$ 26.84	$ 25.63	$ 21.00	$ 17.53	$ 14.85	$ 15.48
Low	$ 28.66	$ 24.76	$ 21.42	$ 20.96	$ 15.72	$ 13.65	$ 12.39	$ 11.58

As of January 31, 2014, there were 2,338 holders of record of our common shares.

The following table presents quarterly dividends declared per common share for the fiscal year ended December 31, 2013 and 2012.

Quarter Ended:	**2013**	**2012**
March 31,	$ 0.06	$ 0.05
June 30,	0.06	0.05
September 30,	0.06	0.05
December 31,	0.08	0.05
Total	$ 0.26	$ 0.20

The table below sets forth information regarding repurchase of shares of our common stock during the period indicated. For the full year 2013, we repurchased 5.0 million shares at a weighted average share price of $26.30.

Period	**Total Number of Shares Purchased**	**Weighted Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Program**	**Maximum Number of Shares that May Yet be Purchased Under the Program (1)**
October 1 to October 31	164,372	$ 29.77	164,372	15,992,323
November 1 to November 30	902,301	31.14	902,301	15,090,022
December 1 to December 31	90,022	31.94	90,022	15,000,000
Total	1,156,695	$ 31.01	1,156,695	

(1) In August 2008, PolyOne's Board of Directors approved a common stock repurchase program authorizing PolyOne to purchase up to 10.0 million shares of its common stock. Between August 2008 and October 2011, PolyOne repurchased 5.3 million shares of common stock available for repurchase, at an average price paid per share of $11.71. On October 11, 2011, PolyOne's Board of Directors increased the common stock repurchase authorization by an additional 5.3 million shares of common stock. From October 2011 through October 2012, PolyOne repurchased 3.2 million shares of common stock available for repurchase, at an average price per share of $11.54. On October 23, 2012, PolyOne's Board of Directors further increased the common stock repurchase authorization amount by an additional 13.2 million shares of common stock to 20.0 million. From March 13, 2013 to December 31, 2013, PolyOne repurchased 5.0 million shares of common stock available for repurchase at an average price per share of $26.30. Purchases of common stock may be made by open market purchases or privately negotiated transactions and may be made pursuant to Rule 10b5-1 plans and accelerated share repurchases.

ITEM 6. SELECTED FINANCIAL DATA

Refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II of this Annual Report on Form 10-K and the notes to our accompanying consolidated financial statements for additional information regarding the financial data presented below, including matters that might cause this data not to be indicative of our future financial condition, results of operations or cash flows.

(In millions, except per share data)	2013(1)	2012(2)	2011(3)	2010(4)	2009(5)
Sales	$ 3,771.2	$ 2,860.8	$ 2,709.4	$ 2,506.2	$ 1,978.5
Operating income	231.5	137.5	203.0	159.2	126.5
Net income from continuing operations net of income tax	92.9	53.2	153.4	152.5	96.1
Net income from continuing operations attributable to PolyOne shareholders	94.0	53.3	153.4	152.5	96.1
Cash dividends declared per common share	$ 0.26	$ 0.20	$ 0.16	$ —	$ —
Earnings per share from continuing operations attributable to PolyOne shareholders:					
Basic	$ 0.98	$ 0.60	$ 1.66	$ 1.64	$ 1.04
Diluted	$ 0.97	$ 0.59	$ 1.63	$ 1.59	$ 1.03
Total assets	$ 2,944.1	$ 2,128.0	$ 2,078.1	$ 1,671.9	$ 1,416.0
Long-term debt, net of current portion	$ 976.2	$ 703.1	$ 704.0	$ 432.9	$ 389.2

(1) Included in operating income for 2013 are: 1) gains of $26.9 million primarily related to the 2013 SunBelt Chlor Alkali Partnership (SunBelt) earn-out, 2) a mark-to-market gain related to our pension and OPEB plans of $44.0 million, 3) expenses of $61.2 million related to environmental remediation costs, 4) insurance recoveries of $23.5 million, 5) $7.0 million gain on commercial litigation, 6) expenses of $52.0 million related to plant closure costs and reductions in force and 7) acquisition-related costs (including inventory fair value adjustments) of $15.2 million.

(2) Included in operating income for 2012 are: 1) gains of $23.4 million for the 2012 SunBelt earn-out , 2) a mark-to-market loss related to our pension and OPEB plans of $42.0 million, 3) expenses of $12.8 million related to environmental remediation costs, 4) expenses of $11.5 million related to plant closure costs and reductions in force and 5) acquisition-related costs of $9.3 million.

(3) Included in operating income for 2011 are: 1) gains of $146.3 million related to the sale of our equity interest in SunBelt Chlor Alkali Partnership (SunBelt), which includes the 2011 earn-out of $18.1 million, 2) a mark-to-market loss related to our pension and OPEB plans of $83.8 million, 3) environmental remediation costs of $9.7 million and 4) acquisition-related costs of $6.6 million. Included in net income for 2011 is a $29.5 million tax benefit related to our investment in O’Sullivan Engineered Films and a $13.0 million tax benefit primarily related with the reversal of valuation allowances.

(4) Included in operating income for 2010 are: 1) gains of $23.9 million related to legal and insurance settlements, 2) insurance recoveries of $16.7 million related to reimbursement of previously incurred environmental expenses, 3) a gain of $16.3 million related to the sale of our 50% interest in BayOne, 4) debt extinguishment costs of $29.5 million, 5) environmental remediation costs of $20.5 million and 6) a mark-to-market loss related to our pension and OPEB plans of $9.6 million. Included in net income are tax benefits of $107.1 million associated with the reversal of our valuation allowances.

(5) Included in operating income for 2009 results are: 1) $40.4 million related to a curtailment gains related to amendments to certain pension and benefit plans, 2) insurance recoveries of $23.9 million related to reimbursement of previously incurred environmental expenses, 3) a mark-to-market gain related to our pension and OPEB plans of $26.4 million, 4) charges of $27.2 million related to employee separation and plant phase-out costs, 5) environmental remediation costs of $11.7 million and 6) goodwill impairment charges of $5.0 million.

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

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide information that is supplemental to, and should be read together with, our consolidated financial statements and the accompanying notes contained in this Annual Report on Form 10-K. Information in this Item 7 is intended to assist the reader in obtaining an understanding of our consolidated financial statements, the changes in certain key items in those financial statements from year to year, the primary factors that accounted for those changes, and any known trends or uncertainties that we are aware of that may have a material effect on our future performance, as well as how certain accounting principles affect our consolidated financial statements.

The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Cautionary Note on Forward-Looking Statements" and Item 1A, "Risk Factors."

Our Business

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, with 2013 sales of $3.8 billion, we have manufacturing sites and distribution facilities in North America, South America, Europe and Asia. We currently employ approximately 7,000 people and offer more than 35,000 polymer solutions to over 10,000 customers across the globe. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value-added solutions to designers, assemblers and processors of plastics (our customers).

Business Model and Key Concepts

The central focus of our business model is to provide specialized material and service solutions to our customers by leveraging our global footprint, product and technology breadth, manufacturing expertise, fully integrated information technology network, broad market reach and raw material procurement strength. These resources enable us to capitalize on dynamic changes in the end markets we serve, which include transportation, packaging, building and construction, industrial, healthcare, consumer, wire and cable, electrical and electronics, and appliance.

Key Challenges

Overall, our business faces exposure resulting from economic downturns, especially as it relates to affected markets such as building and construction, consumer, electrical, and industrial. Maintaining profitability during periods of raw material price volatility is another critical challenge. Further, we need to capitalize on the opportunity to accelerate development of products that meet a growing body of environmental laws and regulations such as lead and phthalate restrictions included in the Restrictions on the Use of Certain Hazardous Substances and the Consumer Product Safety Information Act of 2008.

Strategy and Key Trends

To address these challenges and achieve our vision, we have implemented a strategy with four core components: specialization, globalization, operational excellence and commercial excellence. Specialization differentiates us through products, services, technology, and solutions that add value. Globalization allows us to service our customers with consistency wherever their operations might be around the world. Operational excellence empowers us to respond to the voice of the customer while focusing on continuous improvement. Commercial excellence enables us to deliver value to customers by supporting their growth and profitability.

In the short term, we will maintain our focus on top-line growth, improving or maintaining the cost/price relationship with regard to raw materials and improving working capital efficiency. In addition to driving top-line growth, we have established margin improvement targets for all businesses. In 2014, our capital expenditures will be focused primarily to support sales growth, our continued investment in the Spartech integration and restructuring activities, and other strategic investments. We also continue to consider acquisitions and other synergy opportunities that complement our core platforms. These actions will ensure that we continue to invest in capabilities that advance the pace of our transformation and continue to support growth in key markets and product offerings.

We will continue our enterprise-wide Lean Six Sigma program directed at improving profitability and cash flow by applying proven management techniques and strategies to key areas of the business, such as pricing, supply chain and operations management, productivity and quality. Long-term trends that currently provide opportunities to leverage our strategy include the drive toward sustainability in polymers and their processing, the emergence of biodegradable and bio-based polymers, consumer concern over the use of bisphenol-A (BPA) in infant-care products and developing legislation that bans lead and certain phthalates from toys and child-care items.

Recent Developments

On May 30, 2013, PolyOne sold its vinyl dispersion, blending and suspension resin assets (Resin Business) to Mexichem Specialty Resins Inc. (Mexichem), a wholly-owned subsidiary of Mexichem, S.A.B. de C.V., for $250.0 million cash consideration. This sale resulted in the recognition of a pre-tax gain of $223.7 million ($138.5 million, net of tax), which is reflected within the *Income from discontinued operations, net of income taxes* of the Consolidated Statements of Income. As a result of the sale of our Resin Business, this business has been removed from the Performance Products and Solutions segment and presented as a discontinued operation. See Note 16, *Segment Information* for further information.

On March 13, 2013, PolyOne acquired Spartech Corporation (Spartech), a supplier of sustainable plastic sheet, color and engineered materials, and packaging solutions, based in Clayton, Missouri, with 2012 sales of $1,149.4 million and net income from continuing operations of $2.7 million. At the effective time of the merger, each issued and outstanding share of Spartech common stock was canceled and converted into the right to receive consideration equal to $2.67 in cash and 0.3167 shares of PolyOne common stock. PolyOne paid $83.4 million in cash and issued approximately 10.0 million shares of its common stock to Spartech's stockholders. PolyOne funded the cash portion of the consideration, and the repayment of certain portions of Spartech's debt, with a portion of the net proceeds of its issuance of 5.25% senior notes due 2023, discussed in Note 6, *Financing Arrangements*.

The Spartech acquisition expands PolyOne's specialty portfolio with adjacent technologies in attractive end markets where we already participate, as well as new end markets such as aerospace and security. By combining Spartech's leading market positions in sheet, rigid barrier packaging and specialty cast acrylics with PolyOne's capabilities, we believe we can better serve our customers and accelerate growth. As a result of the acquisition of Spartech, we created a new segment. Spartech's former Custom Sheet and Rollstock and Packaging Technology businesses are reported within this new segment referred to as "Designed Structures and Solutions", and the remaining Spartech businesses were split among PolyOne's existing Global Color, Additives and Inks, Global Specialty Engineered Materials and Performance Products and Solutions segments.

Highlights and Executive Summary

A summary of PolyOne's sales, operating income, income from continuing operations net of income taxes, net income from continuing operations attributable to PolyOne common shareholders, liquidity and total debt is included in the following table:

(In millions)	2013	2012	2011
Sales	$ 3,771.2	$ 2,860.8	$ 2,709.4
Operating income	231.5	137.5	203.0
Income from continuing operations net of income taxes	92.9	53.2	153.4
Net income from continuing operations attributable to PolyOne common shareholders	94.0	53.3	153.4
Liquidity	$ 650.9	$ 381.2	$ 340.1
Total debt	$ 988.9	$ 706.9	$ 707.0

Results of Operations

(Dollars in millions, except per share data)	2013	2012	2011	Variances — Favorable (Unfavorable) 2013 versus 2012 Change	2013 versus 2012 % Change	2012 versus 2011 Change	2012 versus 2011 % Change
Sales	$ 3,771.2	$ 2,860.8	$ 2,709.4	$ 910.4	31.8 %	$ 151.4	5.6 %
Cost of sales	3,109.0	2,329.7	2,280.1	(779.3)	(33.5)%	(49.6)	(2.2)%
Gross margin	662.2	531.1	429.3	131.1	24.7 %	101.8	23.7 %
Selling and administrative expense	457.6	417.0	378.3	(40.6)	(9.7)%	(38.7)	(10.2)%
Income related to previously owned equity affiliates	26.9	23.4	152.0	3.5	15.0 %	(128.6)	(84.6)%
Operating income	231.5	137.5	203.0	94.0	68.4 %	(65.5)	(32.3)%
Interest expense, net	(63.5)	(50.8)	(33.7)	(12.7)	(25.0)%	(17.1)	(50.7)%
Debt extinguishment costs	(15.8)	—	(0.9)	(15.8)	(100.0)%	0.9	100.0 %
Other (expense) income, net	(1.2)	(3.4)	0.5	2.2	64.7 %	(3.9)	(780.0)%
Income from continuing operations, before income taxes	151.0	83.3	168.9	67.7	81.3 %	(85.6)	(50.7)%
Income tax expense	(58.1)	(30.1)	(15.5)	(28.0)	(93.0)%	(14.6)	(94.2)%
Net income from continuing operations	$ 92.9	$ 53.2	$ 153.4	$ 39.7	74.6 %	$ (100.2)	(65.3)%
Income from discontinued operations, net of income taxes	149.8	18.6	19.2	131.2	705.4 %	(0.6)	(3.1)%
Net income	242.7	71.8	$ 172.6	170.9	238.0 %	(100.8)	(58.4)%
Net loss attributable to noncontrolling interests	1.1	0.1	—	1.0	1,000 %	0.1	100.0 %
Net income attributable to PolyOne common shareholders	$ 243.8	$ 71.9	$ 172.6	$ 171.9	239.1 %	$ (100.7)	(58.3)%
Earnings per share attributable to PolyOne common shareholders - basic:							
Continuing operations	$ 0.98	$ 0.60	$ 1.66				
Discontinued operations	1.57	0.21	0.21				
Total	$ 2.55	$ 0.81	$ 1.87				
Earnings per share attributable to PolyOne common shareholders - diluted:							
Continuing operations	$ 0.97	$ 0.59	$ 1.63				
Discontinued operations	1.56	0.21	0.21				
Total	$ 2.53	$ 0.80	$ 1.84				

Sales

Sales increased 31.8% in 2013 compared to 2012, 30.6% of which is attributable to the acquisitions of Spartech and Glasforms. Improved mix and increased pricing, primarily associated with higher raw material costs, increased sales 3.3%, while favorable currency exchange rates impacted sales by 0.4%. These increases were partially offset by volume declines of 2.5%.

Sales increased 5.6% in 2012 compared to 2011, 7.4% is related to the acquisition of ColorMatrix and a 1.6% increase related to improved sales mix and increased market pricing associated with raw material inflation. These increases were partially offset by declines in volume of 1.9%, primarily associated with weak demand in Europe, and unfavorable currency exchange rates of 1.5%.

Cost of sales

As a percent of sales, cost of sales increased from 81.4% in 2012 to 82.4% in 2013 primarily due to a $15.7 million increase in restructuring charges as a result of the Spartech re-alignment actions, and a $24.9 million increase in net environmental charges, primarily related to a revision to our Calvert City reserve of $47.0 million, offset by insurance recoveries of $23.5 million. Additionally, the increase in costs of goods sold was impacted by Spartech sales, which currently have lower margins than organic PolyOne sales. These items more than offset PolyOne's organic margin improvement.

Cost of sales as a percentage of sales decreased from 84.2% in 2011 to 81.4% in 2012. The improvement in cost of sales as a percentage of sales was driven primarily by the increase in sales associated with ColorMatrix, a specialty platform business, which, like our other specialty businesses, has higher gross margins than our other segments. Additionally, improved mix favorably impacted cost of sales as a percentage of sales.

Selling and administrative expense

These costs include selling, technology, administrative functions, corporate and general expenses. Selling and administrative expense in 2013 increased $40.6 million, primarily related to acquisitions and acquisition-related costs totaling $70.3 million, increased restructuring costs of $24.8 million and increased stock based compensation expense of $6.1 million. Additionally, organic segment selling and administrative expense increased $16.3 million, primarily driven by additional commercial resources and inflation. These increases more than offset a commercial litigation gain of $7.0 million, and a $83.1 million favorable difference in the pension and other post-retirement mark-to-market adjustment. In 2013, we recognized a gain of $42.4 million compared to a charge of $40.7 million in 2012. This favorable mark-to-market adjustment was driven primarily by increased discount rates and returns on plan assets in excess of our weighted average assumed rate of return of 8.41% on plan assets in 2013.

Selling and administrative expense increased $38.7 million in 2012 compared to 2011, primarily due to the acquisition of ColorMatrix, which resulted in increased selling and administrative expense and higher amortization expense associated with acquired intangible assets. Additionally, in 2012 we incurred $11.1 million of charges related to plant closures and reductions in force that were included in selling and administrative expense. These actions, and the related charges, were in response to weak demand in Europe. These increases were partially offset by lower pension and post-retirement costs, primarily driven by a $40.7 million decrease, within *selling and administrative expense*, for the 2012 pension and other post-retirement mark-to-market adjustment compared to 2011. This decrease was driven primarily by improved returns on plan assets in 2012 versus 2011.

Income Related to Previously Owned Equity Affiliates

Income related to previously owned equity affiliates for 2013, 2012 and 2011 is summarized as follows:

(In millions)	**2013**	**2012**	**2011**
Income related to equity affiliates	$ —	$ —	$ 5.7
Gain on sale of investment in SunBelt	26.9	23.4	146.3
Income related to previously owned equity affiliates	$ 26.9	$ 23.4	$ 152.0

Effective February 28, 2011, we sold our 50% equity investment in SunBelt and recognized a pre-tax gain of $128.2 million. We also recognized a gain of $18.1 million and $23.4 million associated with the first and second of the three annual contingent earn-outs associated with the sale in 2011 and 2012, respectively. In 2013, we recognized a gain of $26.9 million, primarily associated with the third and final earn-out. The gains associated with our sale of our equity investment in SunBelt are reflected within *Corporate and eliminations* in our segment reporting.

Interest expense, net

Interest expense, net increased $12.7 million in 2013 compared to 2012, primarily due to higher average borrowing levels in 2013 related to the 5.25% senior notes due 2023 issued on February 28, 2013, in connection with the Spartech acquisition.

Interest expense, net increased $17.1 million in 2012 compared to 2011, primarily due to higher average borrowing levels in 2012 related to the senior secured term loan entered into on December 21, 2011, in connection with the ColorMatrix acquisition.

Debt extinguishment costs

Debt extinguishment costs of $15.8 million for 2013 includes $5.2 million related to the repurchase of $44.7 million aggregate principal amount of our 7.375% senior notes due 2020 and our 7.50% debentures due 2015. Debt extinguishment costs for 2013 also includes $10.6 million related to the repayment of the outstanding principal amount of $297.0 million under our senior secured term loan.

Debt extinguishment costs for 2011 include costs related to our repurchase of the aggregate principal of $22.9 million of our 8.875% senior notes that were due in 2012 at a premium of $0.9 million.

Income tax expense from continuing operations

In 2013 and 2012, we recognized tax expense of $58.1 million and $30.1 million, respectively. This increase was driven primarily by increased earnings in 2013, and a shift in earnings to the United States as a result of the acquisitions of Spartech and Glasforms, which have earnings primarily in the United States.

In 2012 and 2011, we recognized tax expense of $30.1 million and $15.5 million, respectively. In 2011, we recognized income tax expense primarily related to the sale of our equity interest in the SunBelt joint venture offset by a tax benefit associated with our divested investment in O'Sullivan Engineered Films, Inc. of $29.5 million. We also recognized a tax benefit related to a reduction in deferred tax valuation allowances related to various state and foreign deferred tax assets of $13.0 million.

Segment Information

Operating income is the primary financial measure that is reported to the chief operating decision makers for purposes of making decisions about allocating resources to the segment and assessing its performance. Operating income at the segment level does not include: corporate general and administrative costs that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives, such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-out costs; executive separation agreements; share-based compensation costs; environmental remediation costs for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses related to pension and post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by the chief operating decision makers. These costs are included in *Corporate and eliminations*.

As a result of the acquisition of Spartech in March 2013, we created a new segment. Spartech's former Custom Sheet and Rollstock and Packaging Technology businesses are reported within this new segment, referred to as "Designed Structures and Solutions", and the remaining Spartech businesses were split among PolyOne's existing Global Specialty Engineered Materials, Global Color, Additives and Inks and Performance Products and Solutions segments.

PolyOne has five reportable segments: (1) Global Specialty Engineered Materials; (2) Global Color, Additives and Inks; (3) Designed Structures and Solutions, (4) Performance Products and Solutions; and (5) PolyOne Distribution.

Our segments are further discussed in Note 16, *Segment Information*, to the accompanying consolidated financial statements.

Sales and Operating Income — 2013 compared with 2012 and 2012 compared with 2011

				2013 versus 2012		2012 versus 2011	
(Dollars in millions)	**2013**	**2012**	**2011**	**Change**	**% Change**	**Change**	**% Change**
Sales:							
Global Specialty Engineered Materials	$ 615.5	$ 543.6	$ 575.1	$ 71.9	13.2 %	$ (31.5)	(5.5)%
Global Color, Additives and Inks	852.3	778.2	617.7	74.1	9.5 %	160.5	26.0 %
Designed Structures and Solutions	597.4	—	—	597.4	100.0 %	—	— %
Performance Products and Solutions	773.2	630.3	639.1	142.9	22.7 %	(8.8)	(1.4)%
PolyOne Distribution	1,075.2	1,030.3	996.5	44.9	4.4 %	33.8	3.4 %
Corporate and eliminations	(142.4)	(121.6)	(119.0)	(20.8)	(17.1)%	(2.6)	(2.2)%
Sales	$ 3,771.2	$ 2,860.8	$ 2,709.4	$ 910.4	31.8 %	$ 151.4	5.6 %
Operating income:							
Global Specialty Engineered Materials	$ 57.2	$ 47.0	$ 45.9	10.2	21.7 %	$ 1.1	2.4 %
Global Color, Additives and Inks	104.0	75.3	50.2	28.7	38.1 %	25.1	50.0 %
Designed Structures and Solutions	33.4	—	—	33.4	100.0 %	—	— %
Performance Products and Solutions	56.0	38.8	27.7	17.2	44.3 %	11.1	40.1 %
PolyOne Distribution	63.3	66.0	56.0	(2.7)	(4.1)%	10.0	17.9 %
Corporate and eliminations	(82.4)	(89.6)	23.2	7.2	8.0 %	(112.8)	(486.2)%
Operating income	$ 231.5	$ 137.5	$ 203.0	$ 94.0	68.4 %	$ (65.5)	(32.3)%
Operating income as a percentage of sales:							
Global Specialty Engineered Materials	9.3%	8.6%	8.0%	0.7% points		0.6% points	
Global Color, Additives and Inks	12.2%	9.7%	8.1%	2.5% points		1.6% points	
Designed Structures and Solutions	5.6%	—%	—%	—		—	
Performance Products and Solutions	7.2%	6.2%	4.3%	1.0% points		1.9% points	
PolyOne Distribution	5.9%	6.4%	5.6%	(0.5)% points		0.8% points	
Total	6.1%	4.8%	7.5%	1.3% points		(2.7)% points	

Global Specialty Engineered Materials

Sales increased $71.9 million, or 13.2%, in 2013 compared to 2012. Sales increased 10.0% due to the Spartech and Glasforms acquisitions and 2.6% due to organic sales primarily in the consumer and health care end markets, while favorable foreign exchange rates impacted sales by 0.6%.

Operating income increased $10.2 million in 2013 compared to 2012. This increase was driven primarily by organic improvements in sales and mix.

Sales decreased $31.5 million, or 5.5%, in 2012 compared to 2011. Volume declines of 4.7% related primarily to decreased demand in Europe and unfavorable currency exchange rates of 3.3% more than offset a 2.5% improvement in sales related to pricing associated with raw material inflation and improved product mix.

While sales decreased over the prior year, operating income increased $1.1 million in 2012 as compared to 2011, driven by margin expansion resulting from improved product mix and cost reductions as a result of restructuring actions.

Global Color, Additives and Inks

Sales increased $74.1 million, or 9.5%, in 2013 compared to 2012. Sales increased 8.0% as a result of the Spartech acquisition, 6.8% due to improved price and mix and 0.9% due to favorable exchange rate impacts. These increases were partially offset by a 6.2% decline in volume primarily in the industrial and packaging end markets.

Operating income increased $28.7 million in 2013 compared to 2012. The increase is primarily due to improvement in mix and the Spartech acquisition.

Sales increased $160.5 million, or 26.0%, in 2012 compared to 2011 primarily due to the ColorMatrix acquisition positively impacting sales by 32.3%. Increased pricing, associated with raw material inflation, and improved product mix increased sales by 7.4%. These increases were partially offset by volume declines of 10.0%, primarily related to decreased demand in Europe, and unfavorable currency exchange rates of 3.7%.

Operating income increased $25.1 million in 2012 compared to 2011 primarily due to ColorMatrix adding $23.8 million of operating income in 2012.

Designed Structures and Solutions

The Designed Structures and Solutions segment is comprised of the former Spartech Custom Sheet and Rollstock and Packaging Technology segments. Sales for this segment were $597.4 million since the date of acquisition. Operating income for this segment was $33.4 million since the date of acquisition.

Performance Products and Solutions

Sales increased $142.9 million, or 22.7%, in 2013 compared to 2012. Sales increased 25.3% due to the Spartech acquisition and 2.2% due to improved pricing and mix. These increases were partially offset by volume declines of 4.8% primarily related to contract manufacturing for the transportation end market.

Operating income increased $17.2 million in 2013 compared to 2012 primarily due to improved price and mix and the Spartech acquisition.

Sales decreased $8.8 million, or 1.4%, in 2012 compared to 2011 due to volume declines of 2.0%, primarily in construction and industrial applications. The sales decrease was partially offset by improvements in pricing, primarily associated with raw material inflation, and improved mix of 0.5% and favorable foreign currency exchange rates of 0.1%.

Operating income increased $11.1 million in 2012 compared to 2011 primarily due to expanding margins as a result of improved product mix.

PolyOne Distribution

Sales increased $44.9 million, or 4.4%, in 2013 compared to 2012. Increased pricing associated with higher raw material costs increased sales by 3.1%, while volume increases favorably impacted sales by 1.3%.

Operating income decreased $2.7 million in 2013 compared to 2012 primarily due to higher raw material costs.

Sales increased $33.8 million, or 3.4%, in 2012 compared to 2011 primarily due to increased volume of 3.6%, most notably in the appliance, transportation and healthcare end markets. This increase was partially offset by unfavorable pricing, primarily associated with raw material price declines, and mix of 0.2%.

Operating income increased $10.0 million in 2012 compared to 2011 primarily due to higher volumes.

Corporate and Eliminations

The following table breaks down Corporate and eliminations into its various components for 2013, 2012 and 2011:

(In millions)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Environmental remediation costs	$ (61.2)	$ (12.8)	$ (9.7)
Gains from insurance and legal settlements (a)	30.5	—	3.3
Employee separation and plant phase-out	(52.0)	(11.5)	(2.8)
Gain on sale related to investment in equity affiliate (b)	26.9	23.4	146.3
Incentive and share based compensation	(41.7)	(33.2)	(24.3)
Mark-to-market pension adjustment gain (loss) (c)	44.0	(42.0)	(83.8)
Acquisition-related costs, including inventory fair value adjustments	(15.2)	(9.3)	(6.6)
SunBelt joint venture	—	—	5.0
All other and eliminations (d)	(13.7)	(4.2)	(4.2)
Total Corporate and eliminations	$ (82.4)	$ (89.6)	$ 23.2

(a) These settlements related to the reimbursement of previously incurred environmental costs of $23.5 million and a $7.0 million gain from commercial litigation.
(b) On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin Corporation. Gains of $146.3 million related to this sale include a $18.1 million earn-out for 2011 performance. The gain for 2012 and 2013 primarily represents the second and third of a three year annual earn-out related to the sale of our equity interest in SunBelt.
(c) We have elected to immediately recognize actuarial gains and losses, after consideration of inventory capitalization, in our operating results in the year in which the gains or losses occur related to our pension and other post-retirement benefit plans. Amounts shown here reflect such adjustments.
(d) All other and eliminations is comprised of intersegment eliminations and corporate general and administrative costs that are not allocated to segments.

Liquidity and Capital Resources

Our objective is to finance our business through operating cash flow and an appropriate mix of debt and equity. By laddering the maturity structure, we avoid concentrations of debt, reducing liquidity risk. We may from time to time seek to retire or purchase our outstanding debt with cash and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. We may also seek to repurchase our outstanding common stock securities. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

The following table summarizes our liquidity as of December 31, 2013:

(In millions)	As of December 31, 2013
Cash and cash equivalents	$ 365.2
Revolving credit availability	285.7
Liquidity	$ 650.9

As of December 31, 2013, approximately 59% of the Company’s cash and cash equivalents resided outside the United States. Repatriation of these funds could result in potential foreign and domestic taxes. Based on current projections, we believe that we will be able to continue to manage and control working capital, discretionary spending and capital expenditures and that cash provided by operating activities, along with available borrowing capacity under our revolving credit facilities, should allow us to maintain adequate levels of available capital resources to fund our operations, meet debt service obligations and continue to repurchase our outstanding common stock.

Expected sources of cash in 2014 include cash from operations, available liquidity under our revolving credit facility, if needed, and cash earn-outs from the sale of previously owned equity affiliates. We expect the third and final of the three cash earn-outs from the sale of our equity interest in SunBelt of $26.8 million to be paid in the first half of 2014. Expected uses of cash in 2014 include interest payments, cash taxes, contributions to our defined benefit pension plans, dividend payments, share repurchases, environmental remediation at inactive and formerly owned sites and capital expenditures. Capital expenditures are currently estimated to be $100 million in 2014, primarily to support sales growth, our continued investment in recent acquisitions, the North American Realignment, and other strategic investments.

On March 1, 2013, the agreement governing our $300.0 million five-year senior secured revolving credit facility was amended and restated. The amendment and restatement resulted in an increase in commitments of $100.0 million for a maximum facility size of $400.0 million, subject to a borrowing base with advances against certain U.S. and Canadian accounts receivable and inventory. We have the option to increase the availability under the facility to $450.0 million, subject to meeting certain requirements and obtaining commitments for such increase. In connection with the amendment and restatement, we also extended the maturity date to March 1, 2018. As of December 31, 2013, we were in compliance with all covenants, there were no outstanding borrowings under our asset-backed revolving credit facility which had availability of $282.3 million.

Cash Flows

The following summarizes our cash flows from operating, investing and financing activities.

(In millions)	2013	2012	2011
Cash provided by (used in):			
Operating Activities	$ 109.0	$ 106.9	$ 72.5
Investing Activities	(60.1)	(72.3)	(422.5)
Financing Activities	104.8	(17.5)	163.9
Effect of exchange rate on cash	1.5	1.0	(0.1)
Net increase (decrease) in cash and cash equivalents	$ 155.2	$ 18.1	$ (186.2)

Operating activities

In 2013, net cash provided by operating activities was $109.0 million as compared to $106.9 million in 2012. The increase in net cash provided by operating activities of $2.1 million is primarily driven by higher earnings and improved working capital, which more than offset increased income tax payments associated with higher earnings and the gain on the Resin Business sale, which resulted in tax payments associated with the $85.2 million of income tax expense recognized on the gain.

Working capital as a percentage of sales, which we define as accounts receivable, plus inventory, less accounts payable, divided by sales increased from 10.3% at December 31, 2012 to 10.7% at December 31, 2013. The increase in working capital primarily relates to the acquisitions of Spartech and Glasforms, which unfavorably impacted working capital as a percentage of sales by 0.6%, while organic working capital as a percentage of sales improved by 0.2%. Days sales outstanding as of December 31, 2013 and December 31, 2012 were 49.2 and 47.6, respectively.

In 2012, net cash provided by operating activities was $106.9 million as compared to $72.5 million in 2011. The increase in net cash provided by operating activities of $34.4 million is primarily related to an increase in cash generated from earnings and an increase in tax refunds of $12.0 million received in 2012 as compared to 2011, partially offset by an increase in pension contributions of $31.2 million and interest payments of $13.8 million in 2012.

Investing Activities

Net cash used by investing activities during 2013 of $60.1 million primarily reflects our acquisition of Spartech for $258.8 million, net of cash acquired, and capital expenditures of $76.4 million. These cash outflows were partially offset by cash proceeds received of $275.7 million primarily related to the sale of our Resin Business for $250.0 million and the $23.2 million payment for year two of the three year earn-out from the sale of our 50% equity investment in SunBelt.

Net cash used by investing activities during 2012 of $72.3 million reflects our acquisition of Glasforms for $33.8 million, net of cash acquired and capital expenditures of $57.4 million. These cash outflows were partially offset by cash proceeds of $18.9 million, primarily related to the receipt of the first of three earn-outs related to our 2011 sale of our equity investment in SunBelt.

Net cash used by investing activities during 2011 of $422.5 million reflects our acquisitions of ColorMatrix for $486.1 million, net of cash acquired, and Uniplen for $21.8 million, net of cash acquired, capital expenditures of $54.1 million, and an earn-out payment of $0.5 million related to our 2009 acquisition of New England Urethane (NEU). These cash outflows were offset by cash proceeds of $140.0 million from the sale of our equity investment in SunBelt and other assets.

Financing Activities

Net cash used in financing activities in 2013 reflects repayment of our long-term debt of $343.3 million, debt financing costs of $13.0 million, premium on early extinguishment of long-term debt of $4.6 million, repurchases of $131.6 million of our outstanding common stock and dividend payments of $21.5 million. These cash outflows were more than offset by proceeds received from the issuance of our 5.25% senior notes due 2023 of $600.0 million, net proceeds from borrowings under our credit facilities of $11.5 million and income tax benefits of $7.3 million related to the exercise of equity awards.

Net cash used in financing activities in 2012 reflects scheduled payments on our long-term debt of $3.0 million, repurchase of common shares for treasury of $15.9 million under our stock repurchase program and dividend payments of $16.9 million. These cash outflows were partially offset by net proceeds on the exercise of stock awards of $15.1 million and proceeds received from noncontrolling interests of $2.4 million related to the start-up of our joint venture in Saudi Arabia.

Net cash provided by financing activities of $163.9 million in 2011 reflects net proceeds from our new term loan of $297.0 million and the exercise of stock awards of $6.9 million. These cash inflows were partially offset by $73.6 million for the repurchase of outstanding common shares, $22.9 million for the repurchase of our 8.875% senior notes due in 2012, $20.0 million for the repayment of our 6.58% medium-term notes at maturity, debt financing costs of $11.5 million, dividend payments of $11.1 million and $0.9 million of debt extinguishment costs associated with the early repurchase of the 2012 notes.

Total Debt

The following summarizes our debt as of December 31, 2013 and 2012.

(Dollars in millions)	December 31, 2013	December 31, 2012 (1)
7.500% debentures due 2015	$ 48.7	$ 50.0
Senior secured term loan due 2017	—	294.5
7.375% senior notes due 2020	316.6	360.0
5.250% senior notes due 2023	600.0	—
Other debt	23.6	2.4
Total debt	$ 988.9	$ 706.9
Less: short-term and current portion of long-term debt	12.7	3.8
Total long-term debt, net of current portion	$ 976.2	$ 703.1

(1) Senior secured term loan includes $2.5 million of unamortized discounts.

In 2013, we repurchased $43.4 million aggregate principal amount of our 7.375% senior notes due 2020, $1.3 million aggregate principal amount of our 7.50% debentures due 2015 and $1.6 million of our other debt. In 2013, we recognized debt extinguishment costs of $5.2 million related to the early retirement of debt, which is shown within the *Debt extinguishment costs* line in our *Consolidated Statements of Income*.

On March 1, 2013, the agreement governing our $300.0 million five-year senior secured revolving credit facility was amended and restated. The amendment and restatement resulted in an increase in commitments of $100.0 million for a maximum facility size of $400.0 million, subject to a borrowing base with advances against certain U.S. and Canadian accounts receivable and inventory. We have the option to increase the availability under the facility to $450.0 million, subject to meeting certain requirements and obtaining commitments for such increase. In connection with the amendment and restatement, we also extended the maturity date to March 1, 2018. As of December 31, 2013, we were in compliance with all covenants, had no outstanding borrowings and had availability of $282.3 million under this facility.

On February 28, 2013, we issued $600.0 million aggregate principal amount of senior notes, which mature on March 15, 2023. The senior notes bear interest at an annual rate of 5.25% payable semi-annually, in arrears, on March 15 and September 15 of each year, which commenced on September 15, 2013. We used a portion of the proceeds to repay the outstanding principal amount of $297.0 million on our senior secured term loan. As a result of the repayment of our senior secured term loan, we recognized $10.6 million of debt extinguishment costs.

On October 2, 2012, the Company entered into a credit line with Saudi Hollandi Bank for $10.7 million, with an interest rate equal to the Saudi Arabia Interbank Offered Rate (SAIBOR) plus a fixed rate of 0.85%. In 2013, the Company renewed this credit line and increased the borrowing capacity to $16.0 million. The credit line is being used to fund capital expenditures related to the manufacturing facility in Jeddah, Saudi Arabia and is subject to an annual renewal. As of December 31, 2013, we were in compliance with all covenants, and borrowings under the credit line were $12.3 million with an interest rate of 1.85%.

For additional information about our financing arrangements, see Note 6, *Financing Arrangements,* to the accompanying consolidated financial statements.

Concentrations of Credit Risk

Financial instruments, including foreign exchange contracts, and trade accounts receivable, subject us to potential credit risk. Concentration of credit risk for trade accounts receivable is limited due to the large number of customers constituting our customer base and their distribution among many industries and geographic locations. We are exposed to credit risk with respect to foreign exchange contracts in the event of non-performance by the counter-parties to these financial instruments. We believe that the risk of incurring material losses related to this credit risk is remote. We do not require collateral to support the financial position of our credit risks.

Guarantee of Indebtedness of Others

On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin for $132.3 million in cash and the assumption by Olin of the obligations under our guarantee of senior secured notes issued by SunBelt of $42.7 million at the time of sale, $24.4 million as of December 31, 2013. Until the guarantee is formally assigned to Olin, we remain obligated under the guarantee, although Olin has agreed to indemnify us for amounts that we may be obligated to pay under the guarantee. These notes mature in December 2017.

Letters of Credit

Our revolving credit facility provides up to $50.0 million for the issuance of letters of credit, $20.9 million of which was used at December 31, 2013. These letters of credit are issued by the bank in favor of third parties and are mainly related to insurance claims.

Contractual Cash Obligations

The following table summarizes our obligations under debt agreements, operating leases, interest obligations, pension and other post-retirement plan obligations and purchase obligations as of December 31, 2013:

	Payment Due by Period				
(In millions)	**Total**	**2014**	**2015 & 2016**	**2017 & 2018**	**Thereafter**
Total debt (1)	$ 988.9	$ 12.7	$ 57.7	$ 1.1	$ 917.4
Operating leases	76.7	18.7	25.7	13.0	19.3
Interest on long-term debt obligations (2)	473.4	59.5	114.1	110.3	189.5
Pension and post-retirement obligations (3)	64.9	6.6	13.3	12.9	32.1
Purchase obligations (4)	15.7	8.9	5.9	0.9	—
Total	$ 1,619.6	$ 106.4	$ 216.7	$ 138.2	$ 1,158.3

(1) Total debt includes both the current and long-term portions of debt, as reported in Note 6, *Financing Arrangements*, to the consolidated financial statements.
(2) Represents estimated contractual interest payments for all debt.
(3) Pension and post-retirement obligations relate to our U.S. and international pension and other post-retirement plans. The expected payments associated with these plans represent an actuarial estimate of future assumed payments based upon retirement and payment patterns. Due to uncertainties regarding the assumptions involved in estimating future required contributions to our pension and non-pension postretirement benefit plans, including: (i) interest rate levels, (ii) the amount and timing of asset returns and (iii) what, if any, changes may occur in pension funding legislation, the estimates in the table may differ materially from actual future payments.
(4) Purchase obligations are primarily comprised of service agreements related to telecommunication, information technology, utilities and other manufacturing plant services and certain capital commitments.

The table also excludes the liability for unrecognized income tax benefits, since we cannot predict with reasonable certainty the timing of cash settlements, if any, with the respective taxing authorities. At December 31, 2013, the gross liability for unrecognized income tax benefits, including interest and penalties, totaled $18.2 million.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K other than the SunBelt debt guarantee described previously in the *Guarantee of Indebtedness of Others* section.

Critical Accounting Policies and Estimates

Significant accounting policies are described more fully in Note 1, *Description of Business and Summary of Significant Accounting Policies*, to the accompanying consolidated financial statements. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires us to make estimates and assumptions about future events that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and assumptions that we believe are reasonable considering the related facts and circumstances. The application of these critical accounting policies involves the exercise of judgment and use of assumptions for future uncertainties. Accordingly, actual results could differ significantly from these estimates. We believe that the following discussion addresses our most critical accounting policies, which are those that are the most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective and complex judgments. We have reviewed these critical accounting policies and related disclosures with the Audit Committee of our Board of Directors.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Pension and Other Post-retirement Plans		
• We account for our defined benefit pension plans and other post-retirement plans in accordance with FASB ASC Topic 715, *Compensation — Retirement Benefits.* We immediately recognize actuarial gains and losses, after consideration of inventory capitalization, in our operating results in the year in which the gains or losses occur. In 2013, we recognized a $44.0 million gain as a result of the recognition of these actuarial gains, which favorably impacted our statement of income, statement of comprehensive income, and the funded status of our pension plans. These gains were mainly driven by an increase in discount rates and asset returns in excess of our assumed rate of return of 8.41%.	• Asset returns and interest rates significantly affect the value of future assets and liabilities of our pension and post-retirement plans and therefore the funded status of our plans. It is difficult to predict these factors due to the volatility of market conditions. • To develop our discount rate, we consider the yields of high-quality, fixed-income investments with maturities that correspond to the timing of our benefit obligations. • To develop our expected long-term return on plan assets, we consider our historical long-term asset return experience, the expected investment portfolio mix of plan assets and an estimate of long-term investment returns. The weighted-average expected long-term rate of return on plan assets was 8.41% for 2013, 8.43% for 2012 and 8.50% 2011. • As our funded levels have improved during 2013, we have shifted our U.S. qualified pension assets to a larger fixed income weighting. As a result, we have lowered our weighted average expected return on plan assets to 6.85% in 2014. While this change will lower our expected return on plan assets, our strategy is for our assets to increase/decrease proportionally with our liability such that our funding levels do not deteriorate. Further, our weighted average discount rate, which is used to determine our 2014 net periodic cost increased to 4.83%. This increase will result in an increase to the interest cost component of our net periodic pension cost for 2014.	• The weighted average discount rates used to value our pension liabilities as of December 31, 2013 and 2012 were 4.83% and 4.12%, post-retirement liabilities were 4.38% and 3.71%. As of December 31, 2013, an increase/decrease in the discount rate of 50 basis points, holding all other assumptions constant, would have increased or decreased pre-tax income and the related pension and post-retirement liability by approximately $28.6 million. An increase/decrease in the discount rate of 50 basis points as of December 31, 2013 would result in a change of approximately $1.3 million in the 2014 net periodic benefit cost. • As we recognize returns on our plan assets based upon the actual returns of these assets through a mark-to-market adjustment that is recorded in the fourth quarter, no sensitivity analysis for a one percentage increase/decrease in our expected long-term return on plan assets has been provided.
Goodwill and Indefinite-lived Intangible Assets		
• Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. We follow the guidance in ASC 350, *Intangibles — Goodwill and Other*, and test goodwill for impairment at least annually, absent a triggering event that would warrant an impairment assessment. On an ongoing basis, absent any impairment indicators, we perform our goodwill impairment testing as of the first day of October of each year.	• We have identified our reporting units at the operating segment level, or in some cases, one level below the operating segment level. Goodwill is allocated to the reporting units based on the estimated fair value at the date of acquisition. • We estimated fair value using the best information available to us, including market information and discounted cash flow projections also referred to as the income approach. • The income approach requires us to make assumptions and estimates regarding projected economic and market conditions, growth rates, operating margins and cash expenditures.	• If actual results are not consistent with our assumptions and estimates, we may be exposed to additional goodwill impairment charges. • Based on our 2013 annual impairment test, no reporting unit is considered at risk and the fair value of the majority of our reporting units significantly exceeded the corresponding carrying value.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
• At December 31, 2013, our Consolidated Balance Sheet reflected $96.3 million of indefinite lived trade name assets, which includes, $33.2 million associated with the trade name acquired as part of the acquisition of GLS and $63.1 million associated with trade names acquired as part of the ColorMatrix acquisition.	• We estimate the fair value of trade names using a "relief from royalty payments" approach. This approach involves two steps: (1) estimating reasonable royalty rate for the trade name and (2) applying this royalty rate to a net sales stream and discounting the resulting cash flows to determine fair value. Fair value is then compared with the carrying value of the trade name.	• If actual results are not consistent with our assumptions and estimates, we may be exposed to impairment charges related to our indefinite lived trade names. • Based on our 2013 annual impairment test, no trade names were considered at risk.
Income Taxes		
• We account for income taxes using the asset and liability method under ASC 740. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, deferred tax assets are also recorded with respect to net operating losses and other tax attribute carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when realization of the benefit of deferred tax assets is not deemed to be more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. • We recognize net tax benefits under the recognition and measurement criteria of ASC Topic 740, Income Taxes, which prescribes requirements and other guidance for financial statement recognition and measurement of positions taken or expected to be taken on tax returns. We record interest and penalties related to uncertain tax positions as a component of income tax expense.	• The ultimate recovery of certain of our deferred tax assets is dependent on the amount and timing of taxable income that we will ultimately generate in the future and other factors such as the interpretation of tax laws. This means that significant estimates and judgments are required to determine the extent that valuation allowances should be provided against deferred tax assets. We have provided valuation allowances as of December 31, 2013 aggregating to $29.3 million against such assets based on our current assessment of future operating results and these other factors. At December 31, 2013, the gross liability for unrecognized income tax benefits, including interest and penalties, totaled $18.2 million.	• Although management believes that the estimates and judgments discussed herein are reasonable, actual results could differ, which could result in income tax expense or benefits that could be material.
Environmental Liabilities		
• Based upon our estimates, we have $125.9 million accrued at December 31, 2013 to cover probable future environmental expenditures. Any such provision is recognized using the Company's best estimate of the amount of loss incurred, or at the lower end of an estimated range, when a single best estimate is not determinable. In some cases, the Company may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, the Company records such amounts only when it is probable that they will be collected.	• This accrual represents our best estimate of the remaining probable costs based upon information and technology currently available. Depending upon the results of future testing, the ultimate remediation alternatives undertaken, changes in regulations, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued. However, such additional costs, if any, cannot currently be estimated. Our estimate of this liability may be revised as new regulations or technologies are developed or additional information is obtained.	• If further developments or resolution of these matters are not consistent with our assumptions and judgments, we may need to recognize a significant adjustment in a future period. • As noted in Note 13, *Commitments and Contingencies*, we recorded a $47.0 million adjustment related to our ongoing remedial investigation and feasibility study (RIFS) at Calvert City. As we progress through certain benchmarks such as completion of the RIFS, issuance of a record of decision and remedial design, additional information may become available that requires an adjustment to our existing reserves.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Share-Based Compensation		
Ÿ We have share-based compensation plans that include non-qualified stock options, incentive stock options, restricted stock units and stock appreciation rights (SARs). See Note 15, *Share-Based Compensation*, to the accompanying consolidated financial statements for a complete discussion of our stock-based compensation programs. • We determined the fair value of the SARs granted in 2013 and 2012 based on a Monte Carlo simulation method. For SARs granted during 2011, we used the Black-Scholes method.	Ÿ Option-pricing models and generally accepted valuation techniques require management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the future volatility of our stock price, future forfeiture rates and risk-free rates of return.	• We do not believe there is a reasonable likelihood there will be a material change in the future estimates or assumptions we use to determine share-based compensation expense.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in interest rates on debt obligations and foreign currency exchange rates that could impact our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities, including the use of derivative financial instruments. We intend to use these derivative financial instruments as risk management tools and not for speculative investment purposes.

Interest rate exposure — Interest on our asset-backed revolving credit facility is based upon a Prime rate or LIBOR, plus a margin. Interest on the credit line with Saudi Hollandi Bank is based upon SAIBOR plus a fixed rate of 0.85%. All other debt obligations are primarily fixed rate obligations. There would be no material impact on our interest expense or cash flows from either a 10% increase or decrease in market rates of interest on our outstanding variable rate debt as of December 31, 2013.

Foreign currency exposure — We enter into intercompany lending transactions that are denominated in various foreign currencies and are subject to financial exposure from foreign exchange rate movement from the date a loan is recorded to the date it is settled or revalued. To mitigate this risk, we enter into foreign exchange forward contracts, which had a fair value of less than $0.1 million at December 31, 2013. Gains and losses on these contracts generally offset gains and losses on the assets and liabilities being hedged.

We face translation risks related to the changes in foreign currency exchange rates. Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of *Accumulated other comprehensive loss* in the Shareholders' equity section of the accompanying Consolidated Balance Sheets. Net sales and expenses in our foreign operations' foreign currencies are translated into varying amounts of U.S. dollars depending upon whether the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may either positively or negatively affect our net sales and expenses from foreign operations as expressed in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

MANAGEMENT'S REPORT

The management of PolyOne Corporation is responsible for preparing the consolidated financial statements and disclosures included in this Annual Report on Form 10-K. The consolidated financial statements and disclosures included in this Annual Report fairly present in all material respects the consolidated financial position, results of operations, shareholders' equity and cash flows of PolyOne Corporation as of and for the year ended December 31, 2013.

Management is responsible for establishing and maintaining disclosure controls and procedures designed to ensure that the information required to be disclosed by the Company is captured and reported in a timely manner. Management has evaluated the design and operation of the Company's disclosure controls and procedures at December 31, 2013 and found them to be effective.

Management is also responsible for establishing and maintaining a system of internal control over financial reporting that is 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. Internal control over financial reporting includes policies and procedures that provide reasonable assurance that: PolyOne Corporation's accounting records accurately and fairly reflect the transactions and dispositions of the assets of the Company; unauthorized or improper acquisition, use or disposal of Company assets will be prevented or timely detected; the Company's transactions are properly recorded and reported to permit the preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles; and the Company's receipts and expenditures are made only in accordance with authorizations of management and the Board of Directors of the Company.

Management has assessed the effectiveness of PolyOne's internal control over financial reporting as of December 31, 2013 and has prepared Management's Annual Report On Internal Control Over Financial Reporting contained on page 71 of this Annual Report, which concludes that as of December 31, 2013, PolyOne's internal control over financial reporting is effective and that no material weaknesses were identified.

/s/ STEPHEN D. NEWLIN	/s/ BRADLEY C. RICHARDSON
Stephen D. Newlin	Bradley C. Richardson
Chairman, President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

February 13, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of PolyOne Corporation

We have audited PolyOne Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). PolyOne Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying “Management's Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, PolyOne Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, 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 PolyOne Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 13, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 13, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of PolyOne Corporation

We have audited the accompanying consolidated balance sheets of PolyOne Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013. 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 also 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 PolyOne Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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), PolyOne Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 13, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 13, 2014

Consolidated Statements of Income

(In millions, except per share data)	Year Ended December 31, 2013	2012	2011
Sales	$ 3,771.2	$ 2,860.8	$ 2,709.4
Cost of sales	3,109.0	2,329.7	2,280.1
Gross margin	662.2	531.1	429.3
Selling and administrative expense	457.6	417.0	378.3
Income related to previously owned equity affiliates	26.9	23.4	152.0
Operating income	231.5	137.5	203.0
Interest expense, net	(63.5)	(50.8)	(33.7)
Debt extinguishment costs	(15.8)	—	(0.9)
Other (expense) income, net	(1.2)	(3.4)	0.5
Income from continuing operations, before income taxes	151.0	83.3	168.9
Income tax expense	(58.1)	(30.1)	(15.5)
Net income from continuing operations	92.9	53.2	153.4
Income from discontinued operations, net of income taxes	149.8	18.6	19.2
Net income	242.7	71.8	172.6
Net loss attributable to noncontrolling interests	1.1	0.1	—
Net income attributable to PolyOne common shareholders	$ 243.8	$ 71.9	$ 172.6
Earnings per share attributable to PolyOne common shareholders - basic:			
Continuing operations	$ 0.98	$ 0.60	$ 1.66
Discontinued operations	1.57	0.21	0.21
Total	$ 2.55	$ 0.81	$ 1.87
Earnings per share attributable to PolyOne common shareholders - diluted:			
Continuing operations	$ 0.97	$ 0.59	$ 1.63
Discontinued operations	1.56	0.21	0.21
Total	$ 2.53	$ 0.80	$ 1.84
Cash dividends declared per common share	$ 0.26	$ 0.20	$ 0.16
Weighted-average number of common shares outstanding:			
Basic	95.5	89.1	92.2
Diluted	96.5	89.8	94.3

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

Consolidated Statements of Comprehensive Income

(In millions)	Year Ended December 31, 2013	2012	2011
Net income	$ 242.7	$ 71.8	$ 172.6
Other comprehensive loss:			
Translation adjustments	(3.7)	1.1	(9.0)
Amortization of prior service credits, net of tax of $6.5 - 2012 and $6.5 - 2011	—	(10.9)	(10.8)
Total other comprehensive loss	(3.7)	(9.8)	(19.8)
Total comprehensive income	239.0	62.0	152.8
Comprehensive loss attributable to noncontrolling interests	1.1	0.1	—
Comprehensive income attributable to PolyOne common shareholders	$ 240.1	$ 62.1	$ 152.8

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

Consolidated Balance Sheets

(In millions)	Year Ended December 31, 2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 365.2	$ 210.0
Accounts receivable, net	428.0	313.9
Inventories, net	342.5	244.4
Assets held-for-sale	—	39.3
Other current assets	117.9	81.1
Total current assets	1,253.6	888.7
Property, net	646.2	385.8
Goodwill	559.0	405.5
Intangible assets, net	365.8	340.0
Other non-current assets	119.5	108.0
Total assets	$ 2,944.1	$ 2,128.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	$ 12.7	$ 3.8
Accounts payable	386.9	296.1
Liabilities held-for-sale	—	18.0
Accrued expenses and other liabilities	209.3	141.9
Total current liabilities	608.9	459.8
Long-term debt	976.2	703.1
Post-retirement benefits other than pensions	14.7	17.0
Pension benefits	62.6	182.8
Deferred income taxes	133.8	31.8
Other non-current liabilities	169.4	102.1
Total non-current liabilities	1,356.7	1,036.8
Shareholders' equity		
Preferred stock, 40.0 shares authorized, no shares issued	—	—
Common Shares, $0.01 par, 400.0 shares authorized, 122.2 shares issued	1.2	1.2
Additional paid-in capital	1,149.8	1,016.1
Retained earnings (deficit)	211.6	(13.0)
Common shares held in treasury, at cost, 27.1 shares in 2013 and 32.7 shares in 2012	(371.0)	(364.1)
Accumulated other comprehensive loss	(14.8)	(11.1)
Total PolyOne shareholders' equity	976.8	629.1
Noncontrolling interest	1.7	2.3
Total equity	978.5	631.4
Total liabilities and equity	$ 2,944.1	$ 2,128.0

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

Consolidated Statements of Cash Flows

(In millions)	Year Ended December 31, 2013	2012	2011
Operating activities			
Net income	$ 242.7	$ 71.8	$ 172.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	109.8	69.8	57.5
Deferred income tax provision	12.9	13.4	3.6
Debt extinguishment costs	15.8	—	0.9
Provision for doubtful accounts	0.2	0.3	2.0
Stock compensation expense	16.5	10.4	5.4
Gain on sale of business	(223.7)	—	—
Income related to previously owned equity affiliates	(26.9)	(23.4)	(152.0)
Changes in assets and liabilities, net of the effect of acquisitions and divestitures:			
Decrease in accounts receivable	26.9	1.2	7.3
Decrease (increase) in inventories	20.4	(3.0)	8.0
(Decrease) increase in accounts payable	(16.6)	16.8	11.2
(Decrease) increase in pension and other post-retirement benefits	(124.5)	(41.7)	30.2
Increase (decrease) in accrued expenses and other assets and liabilities	55.5	(8.7)	(74.2)
Net cash provided by operating activities	109.0	106.9	72.5
Investing activities			
Capital expenditures	(76.4)	(57.4)	(54.1)
Business acquisitions, net of cash acquired	(259.4)	(33.8)	(508.4)
Proceeds from sale of businesses and other assets	275.7	18.9	140.0
Net cash used by investing activities	(60.1)	(72.3)	(422.5)
Financing activities			
Repayment of long-term debt	(343.3)	(3.0)	(42.9)
Premium on early extinguishment of long-term debt	(4.6)	—	(0.9)
Proceeds from long-term debt	600.0	—	297.0
Debt financing costs	(13.0)	—	(11.5)
Borrowing under credit facilities	129.0	0.8	—
Repayment under credit facilities	(117.5)	—	—
Purchase of common shares for treasury	(131.6)	(15.9)	(73.6)
Exercise of stock awards	7.3	15.1	6.9
Cash dividends paid	(21.5)	(16.9)	(11.1)
Proceeds from noncontrolling interests	—	2.4	—
Net cash provided (used) by financing activities	104.8	(17.5)	163.9
Effect of exchange rate changes on cash	1.5	1.0	(0.1)
Increase (decrease) in cash and cash equivalents	155.2	18.1	(186.2)
Cash and cash equivalents at beginning of year	210.0	191.9	378.1
Cash and cash equivalents at end of year	$ 365.2	$ 210.0	$ 191.9

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

Consolidated Statements of Shareholders' Equity

	Common Shares		Shareholders’ Equity							
(In millions)	**Common Shares**	**Common Shares Held in Treasury**	**Common Shares**	**Additional Paid-in Capital**	**Retained Earnings (Deficit)**	**Common Shares Held in Treasury**	**Accumulated Other Comprehensive Income (Loss)**	**Total PolyOne shareholders' equity**	**Non-controlling Interests**	**Total equity**
Balance at January 1, 2011	122.2	(28.3)	$ 1.2	$ 1,059.4	$ (257.5)	$ (305.6)	$ 18.5	$ 516.0	$ —	$ 516.0
Net income					172.6			172.6		172.6
Other comprehensive income							(19.8)	(19.8)		(19.8)
Cash dividends declared				(14.6)				(14.6)		(14.6)
Repurchase of common shares		(6.0)				(73.6)		(73.6)		(73.6)
Stock-based compensation and exercise of awards		0.9		(2.1)		9.8		7.7		7.7
Balance at December 31, 2011	122.2	(33.4)	$ 1.2	$ 1,042.7	$ (84.9)	$ (369.4)	$ (1.3)	$ 588.3	$ —	$ 588.3
Net income (loss)					71.9			71.9	(0.1)	71.8
Other comprehensive income							(9.8)	(9.8)		(9.8)
Noncontrolling interest activity									2.4	2.4
Cash dividends declared				(17.8)				(17.8)		(17.8)
Repurchase of common shares		(1.2)				(15.9)		(15.9)		(15.9)
Stock-based compensation and exercise of awards		1.9		(8.8)		21.2		12.4		12.4
Balance at December 31, 2012	122.2	(32.7)	$ 1.2	$ 1,016.1	$ (13.0)	$ (364.1)	$ (11.1)	$ 629.1	$ 2.3	$ 631.4
Net income (loss)					243.8			243.8	(1.1)	242.7
Other comprehensive income							(3.7)	(3.7)		(3.7)
Noncontrolling interest activity									0.5	0.5
Shares issued in connection with acquisitions		10.0		136.6		117.2		253.8		253.8
Cash dividends declared				(5.4)	(19.2)			(24.6)		(24.6)
Repurchase of common shares		(5.0)				(131.6)		(131.6)		(131.6)
Stock-based compensation and exercise of awards		0.6		2.5		7.5		10.0		10.0
Balance at December 31, 2013	122.2	(27.1)	$ 1.2	$ 1,149.8	$ 211.6	$ (371.0)	$ (14.8)	$ 976.8	$ 1.7	$ 978.5

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions, and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at manufacturing sites and distribution facilities in North America, South America, Europe and Asia. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain to provide value added solutions to designers, assemblers and processors of plastics (our customers). When used in this Annual Report on Form 10-K, the terms "we," "us," "our" and the "Company" mean PolyOne Corporation and its consolidated subsidiaries.

Our operations are located primarily in the United States, Canada, Mexico, Europe, Asia and Brazil. Our operations are reported in five reportable segments: Global Specialty Engineered Materials; Global Color, Additives and Inks; Designed Structures and Solutions; Performance Products and Solutions; and PolyOne Distribution. See Note 16, *Segment Information*, for more information.

On March 13, 2013, PolyOne acquired Spartech Corporation (Spartech), a supplier of sustainable plastic sheet, color and engineered materials, and packaging solutions, based in Clayton, Missouri. The Spartech acquisition expands PolyOne's specialty portfolio with adjacent technologies in attractive end markets where we already participate, as well as new end markets such as aerospace and security. By combining Spartech's leading market positions in sheet, rigid barrier, packaging and specialty cast acrylics with PolyOne's capabilities, we believe we can better serve our customers and accelerate growth.

On March 25, 2013, PolyOne entered into an agreement to sell its vinyl dispersion, blending and suspension resin assets (Resin Business) to Mexichem Specialty Resins Inc. (Mexichem), a wholly-owned subsidiary of Mexichem, S.A.B. de C.V., for $250.0 million cash consideration. The sale of the Resin Business occurred on May 30, 2013 which resulted in the recognition of a pre-tax gain of $223.7 million ($138.5 million, net of tax), which is reflected within the *Income from discontinued operations, net of income taxes* line of the Consolidated Statements of Income.

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of PolyOne and its subsidiaries. All majority-owned affiliates over which we have control are consolidated. Investments in affiliates and joint ventures in which our ownership is 50% or less, or in which we do not have control but have the ability to exercise significant influence over operating and financial policies, were accounted for under the equity method prior to their disposition (see Note 20, *Financial Information of Previously Owned Equity Affiliates*). Transactions with related parties, including joint ventures, are in the ordinary course of business.

Reclassifications

Certain reclassifications of the prior period amounts and presentation have been made to conform to the presentation for the current period.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with a maturity of less than three months to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Allowance for Doubtful Accounts

We evaluate the collectability of receivables based on a combination of factors. We regularly analyze significant customer accounts and, when we become aware of a specific customer's inability to meet its financial obligations to us, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position, we record a specific allowance for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record bad debt allowances for all other customers based on a variety of factors including the length of time the receivables are past due, the financial health of the customer, economic conditions and historical experience. In estimating the allowances, we take into consideration the existence of credit insurance. If circumstances related to specific customers change, our estimates of the recoverability of receivables could be adjusted further. Accounts receivable balances are written off against the allowance for doubtful accounts after a final determination of uncollectability has been made.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Long-lived Assets

Property, plant and equipment is carried at cost, net of depreciation and amortization that is computed using the straight-line method over the estimated useful lives of the assets, which ranges from 3 to 15 years for machinery and equipment and up to 40 years for buildings. Computer software is amortized over periods not exceeding 10 years. Property, plant and equipment is generally depreciated on accelerated methods for income tax purposes. We expense repair and maintenance costs as incurred. We capitalize replacements and betterments that increase the estimated useful life of an asset.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balance is removed from the respective account, and the resulting net amount, less any proceeds, is included as a component of income from continuing operations in the accompanying Consolidated Statements of Income.

We account for operating leases under the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840, *Leases.*

Finite-lived intangible assets, which consist primarily of customer relationships, sales contracts, patents and technology are amortized over their estimated useful lives. The remaining useful lives range up to 23 years.

We assess the recoverability of long-lived assets when events or changes in circumstances indicate that we may not be able to recover the assets' carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset to the expected future undiscounted cash flows associated with the asset. We measure the amount of impairment of long-lived assets as the amount by which the carrying value of the asset exceeds the fair value of the asset, which is generally determined based on projected discounted future cash flows or appraised values.

Goodwill and Indefinite Lived Intangible Assets

Goodwill is the excess of the purchase price paid over the fair value of the net assets of the acquired business. Goodwill is tested for impairment at the reporting unit level. Our reporting units have been identified at the operating segment level, or in some cases, one level below the operating segment level. Goodwill is allocated to the reporting units based on the estimated fair value at the date of acquisition.

Our annual measurement date for testing impairment of goodwill and other indefinite-lived intangibles is October 1st. We completed our testing of impairment as of October 1, noting no impairment in 2013, 2012 or 2011. The future occurrence of a potential indicator of impairment would require an interim assessment for some or all of the reporting units prior to the next required annual assessment on October 1, 2014. Refer to Note 19, *Fair Value,* for further discussion of our approach for assessing the fair value of goodwill.

Litigation Reserves

FASB ASC Topic 450, *Contingencies,* requires that we accrue for loss contingencies associated with outstanding litigation, claims and assessments for which management has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. We record expense associated with professional fees related to litigation claims and assessments as incurred. Refer to Note 13, *Commitments and Contingencies* information.

Derivative Financial Instruments

FASB ASC Topic 815, *Derivative and Hedging*, requires that all derivative financial instruments, such as foreign exchange contracts, be recognized in the financial statements and measured at fair value, regardless of the purpose or intent in holding them.

We are exposed to foreign currency changes in the normal course of business. We have established policies and procedures that manage this exposure through the use of financial instruments. By policy, we do not enter into these instruments for trading purposes or speculation. These instruments are not designated as hedges and, as a result, are adjusted to fair value, with the resulting gains and losses recognized in the accompanying Consolidated Statements of Income immediately.

Pension and Other Post-retirement Plans

We account for our pensions and other post-retirement benefits in accordance with FASB ASC Topic 715, *Compensation — Retirement Benefits*. This standard requires us to (1) recognize the funded status of the benefit plans in our Consolidated Balance Sheet, (2) recognize, as a component of other comprehensive income or net periodic benefit cost, the gains or losses and prior service costs or credits that arise during the period and (3) measure defined benefit plan assets and obligations as of December 31. We immediately recognize actuarial gains and losses, after consideration of inventory capitalization, in our operating results in the year in which the gains or losses occur. Refer to Note 12, *Employee Benefit Plans,* for more information.

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss in 2013, 2012 and 2011 were as follows:

(In millions)	Cumulative Translation Adjustment	Pension and other post-retirement benefits	Unrealized gain in available-for-sale securities	Total
Balance at January 1, 2011	$ (8.6)	$ 26.9	$ 0.2	$ 18.5
Translation adjustments	(9.0)	—	—	(9.0)
Prior service credits recognized during the year, net of tax of $6.5	—	(10.8)	—	(10.8)
Balance at December 31, 2011	(17.6)	16.1	0.2	(1.3)
Translation adjustments	1.1	—	—	1.1
Prior service credits recognized during the year, net of tax of $6.5	—	(10.9)	—	(10.9)
Balance at December 31, 2012	(16.5)	5.2	0.2	(11.1)
Translation adjustments	(3.7)	—	—	(3.7)
Balance at December 31, 2013	$ (20.2)	$ 5.2	$ 0.2	$ (14.8)

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* requires disclosures of the fair value of financial instruments. The estimated fair values of financial instruments were principally based on market prices where such prices were available and, where unavailable, fair values were estimated based on market prices of similar instruments. See Note 19, *Fair Value*, for further discussion.

Foreign Currency Translation

Revenues and expenses are translated at average currency exchange rates during the related period. Assets and liabilities of foreign subsidiaries are translated using the exchange rate at the end of the period. The resulting translation adjustments are recorded as accumulated other comprehensive income or loss. Gains and losses resulting from foreign currency transactions, including intercompany transactions that are not considered permanent investments, are included in *Other (expense) income, net* in the accompanying Consolidated Statements of Income.

Revenue Recognition

We recognize revenue when the revenue is realized or realizable and has been earned. We recognize revenue when a firm sales agreement is in place, shipment has occurred and collectability is reasonably assured.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales.

Research and Development Expense

Research and development costs from continuing operations, which were $52.6 million in 2013, $41.3 million in 2012 and $36.4 million in 2011, are charged to expense as incurred.

Environmental Costs

We expense costs that are associated with managing hazardous substances and pollution in ongoing operations on a current basis. Costs associated with environmental contamination are accrued when it becomes probable that a liability has been incurred and our proportionate share of the cost can be reasonably estimated. Any such provision is recognized using the Company's best estimate of the amount of loss incurred, or at the lower end of an estimated range, when a single best estimate is not determinable. In some cases, the Company may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, the Company records such amounts only when it is probable that they will be collected.

Equity Affiliates

We account for our investments in equity affiliates under FASB ASC Topic 323, *Investments — Equity Method and Joint Ventures*. We recognize our proportionate share of the income of equity affiliates.

Share-Based Compensation

We account for share-based compensation under the provisions of FASB ASC Topic 718, *Compensation — Stock Compensation*, which requires us to estimate the fair value of share-based awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the accompanying Consolidated Statements of Income. As of December 31, 2013, we had one active share-based employee compensation plan, which is described more fully in Note 15, *Share-Based Compensation*.

Income Taxes

Deferred income tax liabilities and assets are determined based upon the differences between the financial reporting and tax basis of assets and liabilities and are measured using the tax rate and laws currently in effect. In accordance with FASB ASC Topic 740, *Income Taxes*, we evaluate our deferred income taxes to determine whether a valuation allowance should be established against the deferred tax assets or whether the valuation allowance should be reduced based on consideration of all available evidence, both positive and negative, using a “more likely than not” standard.

Note 2 — BUSINESS COMBINATIONS

Spartech Corporation

On March 13, 2013, PolyOne acquired Spartech, a supplier of sustainable plastic sheet, color and engineered materials, and packaging solutions, based in Clayton, Missouri, with fiscal 2012 sales of $1,149.4 million and net income from continuing operations of $2.7 million.

At the effective time of the merger, each issued and outstanding share of Spartech common stock was canceled and converted into the right to receive consideration equal to $2.67 in cash and 0.3167 shares of PolyOne common stock. PolyOne paid $83.4 million in cash and issued approximately 10.0 million shares of its common stock to Spartech's stockholders. PolyOne funded the cash portion of the consideration, and the repayment of certain portions of Spartech's debt, with a portion of the net proceeds of its issuance of 5.25% senior notes due 2023, discussed in Note 6, *Financing Arrangements.*

PolyOne's management believes that the acquisition of Spartech will provide substantial synergies through enhanced operational cost efficiencies and will expand PolyOne's specialty portfolio. By combining Spartech's leading market positions in sheet, rigid barrier packaging and specialty cast acrylics with PolyOne's capabilities, we believe that we can better serve our customers and accelerate growth.

Spartech's results have been reflected within our Consolidated Statements of Income and within our newly created segment Designed Structures and Solutions, as well as our existing Global Specialty Engineered Materials, Global Color, Additives and Inks and Performance Products and Solutions segments since the date of acquisition. Sales of former Spartech businesses were $822.7 million since the date of acquisition.

Based on the closing price of PolyOne's common stock on March 13, 2013, the purchase price was comprised of the following:

(In millions, except stock price and share data)		
Spartech shares outstanding		31.2
Spartech restricted stock units		0.2
Spartech shares converted		31.4
Exchange ratio		0.3167
PolyOne shares issued		10.0
PolyOne closing stock price on March 13, 2013	$	25.05
Total value of PolyOne shares issued	$	249.9
Cash consideration transferred to Spartech shareholders		83.4
Fair value of Spartech equity awards, net of deferred tax benefits (1)		2.4
Total consideration transferred to Spartech equity holders		335.7
Spartech revolving credit facilities repaid at close (2)		77.2
Spartech senior notes repaid at close (2)		102.3
Total consideration transferred to debt and equity holders		515.2
Cash acquired		(4.1)
Total consideration transferred to debt and equity holders, net of cash acquired	$	511.1

(1) In accordance with ASC 718, *Compensation — Stock Compensation*, the fair value of replacement awards attributable to pre-combination service is recognized as part of purchase consideration. The $2.4 million represents the fair value of Spartech replacement equity awards of $3.9 million net of deferred income tax benefits of $1.5 million. The fair value of awards attributable to post-combination service amounted to $2.7 million and are being recognized as stock compensation over their requisite service periods within PolyOne's Consolidated Statements of Income.

(2) In accordance with the provisions of Spartech's 7.08% senior notes due 2016 and revolving credit facilities, at the time of closing, PolyOne repaid all borrowings under Spartech's revolving credit facilities, which amounted to $77.2 million. Additionally, PolyOne repaid $102.3 million related to Spartech's 7.08% senior notes due 2016, including $88.9 million of aggregated principal, $10.3 million make-whole provisions, and $3.1 million of interest payable.

The acquisition of Spartech has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. As of December 31, 2013, the purchase price allocation remains preliminary, primarily related to our completion of our assessment of contingencies and income taxes.

The following table summarizes PolyOne's preliminary fair value estimates at the acquisition date as of December 31, 2013:

(In millions)	Preliminary allocation
Accounts receivable, net	$ 139.7
Inventories, net	118.1
Other current assets	17.2
Property, net	280.3
Other non-current assets	20.4
Intangible assets, net	44.6
Goodwill	153.2
Total assets acquired	773.5
Short-term and current portion of long-term debt	0.5
Accounts payable	105.3
Accrued expenses	43.2
Long-term debt	11.0
Other non-current liabilities	102.4
Total liabilities assumed	262.4
Net assets acquired	$ 511.1

Goodwill is calculated as the excess of the consideration transferred over the assets acquired, and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill has been allocated to the Designed Structures and Solutions, Global Color, Additives and Inks and Performance Products and Solutions segments. Goodwill recognized as a result of this acquisition is not deductible for tax purposes. See Note 5, *Goodwill and Intangible Assets* for information about goodwill and intangible assets.

The following unaudited pro forma information of PolyOne for the years ended December 31, 2013 and 2012 includes Spartech's operating results for the respective periods, as if the acquisition and related financing occurred on January 1, 2012. The following pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction occurred on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, cost savings from operating efficiencies, potential synergies, and the impact of incremental costs incurred in integrating the businesses.

	Year Ended December 31,	
(In millions)	Pro Forma 2013	Pro Forma 2012
Sales	$ 3,989.2	$ 4,006.9
Net income from continuing operations	$ 94.7	$ 56.5

The unaudited pro forma financial information presented in the table above has been adjusted to give effect to adjustments that are: (1) directly related to the business combination; (2) factually supportable; and (3) expected to have a continuing impact. These adjustments include, but are not limited to, depreciation and amortization related to fair value adjustments to property, plant and equipment and intangible assets, and interest expense on acquisition-related debt.

In 2013, we incurred acquisition-related costs totaling of $7.6 million which have been included within *selling and administrative expense* in our Consolidated Statements of Income.

Glasforms Incorporated

On December 19, 2012, PolyOne acquired all of the outstanding equity of Glasforms Inc. (Glasforms), a leading manufacturer of glass and carbon fiber reinforced polymers and advanced composite products, with 2012 annual sales of $51.1 million. The purchase marks PolyOne's entry into advanced composite technology, an adjacency consistent with the Company's strategy of providing specialty solutions that deliver high value to customers. The acquisition date fair value of the consideration transferred was $34.3 million, net of cash acquired of $1.2 million. Glasforms results have been reflected within our Consolidated Statement of Income and within our Global Specialty Engineered Materials Segment since the date of acquisition. The acquisition resulted in goodwill of $12.4 million and $10.7 million of identifiable intangible assets.

In 2012, we incurred acquisition-related costs totaling of $3.9 million which have been included within *Selling and administrative expense* in our Consolidated Statement of Income.

ColorMatrix Group Incorporated

On December 21, 2011, PolyOne, pursuant to the terms of an Agreement and Plan of Merger (Merger Agreement) with ColorMatrix Group, Inc. and Audax ColorMatrix Holdings, LLC, acquired all of the equity of ColorMatrix Group, Inc. (ColorMatrix). ColorMatrix is a developer and manufacturer of performance enhancing, additives for plastic products, liquid colorants, and fluoropolymer and silicone colorants, and operates globally with research and development and production facilities in North America, South America, Europe, Asia and Africa. This acquisition reflects our strategy to expand our specialty business and our international presence.

The acquisition date fair value of the consideration transferred, which consisted solely of cash, was $486.1 million, net of cash acquired of $1.9 million and no assumed debt. PolyOne funded the purchase price with a combination of cash on hand and net proceeds of $285.5 million from our senior secured term loan, discussed in Note 6, *Financing Arrangements*. In 2011, we incurred approximately $3.3 million of acquisition costs related to this acquisition, which are included within *Selling and administrative expense* in our Consolidated Statements of Income.

Other Acquisitions and Joint Ventures

On October 6, 2011, we entered into an agreement with E.A. Juffali & Brothers Company Limited to form a joint venture that will enable PolyOne to expand its Global Color and Additives business into the Middle East. This joint venture is 51% owned by PolyOne and is based in Jeddah, Saudi Arabia. During 2012, funding of this joint venture occurred and construction of the manufacturing facility began. Operations commenced in 2013. The joint venture is reflected within our consolidated financial statements, including the noncontrolling interest.

Note 3 — DISCONTINUED OPERATIONS

On May 30, 2013, PolyOne sold its Resin Business to Mexichem for $250.0 million cash consideration. This sale resulted in the recognition of a pre-tax gain of $223.7 million ($138.5 million, net of tax) in the second quarter of 2013.

PolyOne has classified the Resin Business assets and liabilities as held-for-sale for periods prior to disposition in the accompanying Consolidated Balance Sheets and has classified the Resin Business operating results as a discontinued operation in the accompanying Consolidated Statements of Income for all periods presented. Previously, the Resin Business was included in the Performance Products and Solutions segment.

The Resin Business' sales, income before income taxes and net income were as follows:

	Year Ended December 31,		
(In millions)	**2013***	**2012**	**2011**
Sales	$ 55.3	$ 131.8	$ 154.1
Gain on sale	$ 223.7	$ —	$ —
Income from operations	12.2	29.7	29.8
Income before taxes	235.9	29.7	29.8
Income tax expense	(86.1)	(11.1)	(10.6)
Income from discontinued operations, net of income taxes	$ 149.8	$ 18.6	$ 19.2

* Includes the Resin Business' operating results through May 29, 2013.

The following table summarizes the assets and liabilities of the Resin Business:

(In millions)	December 31,
Assets:	**2012**
Accounts receivable, net	$ 8.8
Inventories, net	8.2
Property, net	21.7
Other assets	0.6
Assets held-for-sale	39.3
Liabilities:	
Accounts payable	15.8
Accrued expenses and other liabilities	2.2
Liabilities held-for-sale	$ 18.0

Note 4 — EMPLOYEE SEPARATION AND PLANT PHASE-OUT COSTS

In 2013, PolyOne determined it would close six former Spartech North American manufacturing facilities and one administrative office in Washington, Pennsylvania, and relocate production to other PolyOne facilities. Further, in 2013 PolyOne determined it would also close the former Spartech Donchery, France manufacturing facility. These actions are expected to be completed by the end of 2014. The manufacturing facilities' closings are part of the Company's ongoing integration of Spartech, which are designed to enable the Company to better serve customers, improve efficiency, and deliver a portion of the anticipated synergy-related cost savings in connection with the Spartech acquisition. In addition to these actions, PolyOne had incurred severance costs related to former Spartech executives and other employees, as well as asset related charges and other ongoing costs that were underway prior to PolyOne's acquisition of Spartech.

The Company anticipates that it will incur approximately $65.0 million of charges in connection with the announced Spartech actions noted above. These costs include $27.0 million of severance, $24.0 million of asset related charges, including accelerated depreciation, and $14.0 million of other ongoing costs.

The table below summarizes restructuring activity related to Spartech since the date of acquisition.

(In millions)	Long-Lived Asset Charges	Employee Separation	Other Costs	Total
Accrual balance at December 31, 2012	$ —	$ —	$ —	$ —
Charge to expense	13.6	21.1	9.4	44.1
Cash payments	—	(6.0)	(9.4)	(15.4)
Non-cash utilization	(13.6)	—	—	(13.6)
Accrual balance at December 31, 2013	$ —	$ 15.1	$ —	$ 15.1

We expect to recognize additional restructuring charges of approximately $20.9 million in 2014 related to these Spartech actions.

In addition to the Spartech related charges incurred since the date of acquisition, in 2013, we incurred $7.9 million of restructuring and employee severance charges primarily related to other actions to realign production capacities and improve return on invested capital.

Total 2013 restructuring charges of $52.0 million included $16.1 million recognized within *Cost of goods sold* and $35.9 million recognized in *Selling and administrative expenses* within the Consolidated Statements of Income and *Corporate and eliminations* within segment disclosures for the year ended December 31, 2013.

During the second quarter of 2012, the Company undertook actions to realign production capacities and improve return on invested capital. These actions were primarily in response to weak demand in Europe. During 2012 these actions resulted in charges of $11.5 million related to plant closure costs and reductions in force. These costs are primarily recognized within *Selling and administrative expense* in our Consolidated Statement of Income and within *Corporate and eliminations* in our segment disclosures. We do not expect future charges related to these actions to be material.

Note 5 — GOODWILL AND INTANGIBLE ASSETS

The total purchase price associated with acquisitions is allocated to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date, with excess amounts recorded as goodwill. The acquisition of Spartech resulted in preliminary goodwill of $153.2 million.

Goodwill as of December 31, 2013 and 2012, and changes in the carrying amount of goodwill by segment were as follows:

(In millions)	Global Specialty Engineered Materials	Global Color, Additives and Inks	Designed Structures and Solutions	Performance Products and Solutions	PolyOne Distribution	Total
Goodwill, gross at January 1, 2012	$ 101.4	$ 313.4	$ —	$ 182.4	$ 1.6	$ 598.8
Accumulated impairment losses	(12.2)	(16.1)	—	(175.0)	—	(203.3)
Goodwill, net at January 1, 2012	89.2	297.3	—	7.4	1.6	395.5
Acquisitions of businesses	10.0	0.6	—	—	—	10.6
Currency translation and other adjustments	(0.6)	—	—	—	—	(0.6)
Balance at December 31, 2012	98.6	297.9	—	7.4	1.6	405.5
Acquisitions of businesses	1.8	12.4	136.3	3.6	—	154.1
Currency translation and other adjustments	(0.5)	(0.1)	—	—	—	(0.6)
Balance at December 31, 2013	$ 99.9	$ 310.2	$ 136.3 —	$ 11.0 —	$ 1.6 —	$ 559.0

At December 31, 2013, PolyOne had $99.7 million of indefinite-lived other intangible assets that are not subject to amortization, consisting of a trade name of $33.2 million acquired as part of the 2008 acquisition of GLS Corporation (GLS), trade names of $63.1 million acquired as part of the acquisition of ColorMatrix and $3.4 million of in-process research and development (IPR&D) acquired as part of the ColorMatrix acquisition. Acquired IPR&D is accounted for as an indefinite-lived intangible asset until the project is complete. Upon completion, projects are reclassified to technology and amortized over their useful lives. IPR&D consists of one project that we expect to complete during 2014.

Indefinite and finite-lived intangible assets consisted of the following:

	As of December 31, 2013			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 190.4	$ (34.1)	$ 0.1	$ 156.4
Sales contracts	11.4	(10.9)	—	0.5
Patents, technology and other	128.5	(19.4)	0.1	109.2
Indefinite-lived trade names	96.3	—	—	96.3
In-process research and development	3.4	—	—	3.4
Total	$ 430.0	$ (64.4)	$ 0.2	$ 365.8

	As of December 31, 2012			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 173.1	$ (25.7)	$ 0.5	$ 147.9
Sales contracts	11.4	(10.8)	—	0.6
Patents, technology and other	89.3	(10.1)	0.1	79.3
Indefinite-lived trade names	96.3	—	—	96.3
In-process research and development	15.9	—	—	15.9
Total	$ 386.0	$ (46.6)	$ 0.6	$ 340.0

The fair values of intangible assets acquired in the Spartech acquisition included in the table below were determined using an income valuation approach. The fair value of these identifiable intangible assets, useful lives and valuation methodology are as follows:

(In millions)	Fair Value	Useful Life	Valuation Method
Technology	$ 27.3	7 years	Relief-from royalty
Customer Relationships	17.3	20 years	Multi-period excess earnings
	$ 44.6		

Amortization of other finite-lived intangible assets for the years ended December 31, 2013, 2012 and 2011 was $17.8 million, $13.2 million and $3.8 million, respectively.

As of December 31, 2013, we expect amortization expense on finite-lived intangibles for the next five years as follows:

	2014	2015	2016	2017	2018
Expected amortization	$18.5	$18.3	$18.3	$18.2	$18.2

Note 6 — FINANCING ARRANGEMENTS

Total debt as of December 31 consisted of the following:

(In millions)	December 31, 2013	December 31, 2012 (1)
7.500% debentures due 2015	$ 48.7	$ 50.0
Senior secured term loan due 2017	—	294.5
7.375% senior notes due 2020	316.6	360.0
5.250% senior notes due 2023	600.0	—
Other debt	23.6	2.4
Total debt	$ 988.9	$ 706.9
Less short-term and current portion of long-term debt	12.7	3.8
Total long-term debt, net of current portion	$ 976.2	$ 703.1

(1) Senior secured term loan includes $2.5 million of unamortized discounts.

In 2013, we repurchased $43.4 million aggregate principal amount of our 7.375% senior notes due 2020, $1.3 million aggregate principal amount of our 7.50% debentures due 2015 and $1.6 million of other debt. Additionally, we recognized $5.2 million of debt extinguishment costs within *Debt extinguishment costs* in our Consolidated Statements of Income in connection with these repurchases.

On February 28, 2013, PolyOne issued $600.0 million aggregate principal amount of senior notes, which mature on March 15, 2023. The senior notes bear an interest rate of 5.25% per year, payable semi-annually, in arrears, on March 15 and September 15 of each year, which commenced on September 15, 2013. We used a portion of the net proceeds of the offering to pay the cash portion of the Spartech acquisition, and to repay certain Spartech debt, including the $88.9 million aggregate principal amount of its senior notes due 2016 and related interest and make-whole payments totaling $13.4 million and all outstanding amounts under its revolving credit facility. We also used a portion of these net proceeds to make a voluntary $50.0 million contribution to our U.S. qualified defined benefit plan and to repay the outstanding principal amount of $297.0 million under our senior secured term loan.

The senior secured term loan that was paid in full with proceeds from the issuance of our 2023 bonds was entered into on December 21, 2011 and had an aggregate principal amount of $300.0 million. We used the net proceeds from the term loan to partially fund the acquisition of ColorMatrix. The term loan was recorded at par value less a discount.

We incurred debt extinguishment costs of $10.6 million related to the early retirement of our senior secured term loan including $8.2 million of deferred financing cost write-offs and $2.4 million of discounts that were written off. These costs are presented within *Debt extinguishment costs* in our Consolidated Statements of Income.

On March 1, 2013, the agreement, dated December 21, 2011, governing our $300.0 million 5-year senior secured revolving credit facility was amended and restated. The amendment and restatement resulted in an increase in commitments of $100.0 million for a maximum borrowing facility size of $400.0 million, subject to a borrowing base with advances against certain U.S. and Canadian accounts receivable and inventory. We have the option to increase the availability under the facility to $450.0 million, subject to meeting certain requirements and obtaining commitments for such increase. In connection with the amendment and restatement, we also extended the maturity date to March 1, 2018. As of December 31, 2013, we were in compliance with all covenants, had no outstanding borrowings and had availability of $282.3 million under this facility.

On October 2, 2012, the Company entered into a credit line with Saudi Hollandi Bank for $10.7 million, with an interest rate equal to the Saudi Arabia Interbank Offered Rate (SAIBOR) plus a fixed rate of 0.85%. The credit line is being used to fund capital expenditures related to the manufacturing facility in Jeddah, Saudi Arabia and is subject to an annual renewal. On November 14, 2013, the Company renewed and increased the credit line commitment with Saudi Hollandi Bank to $16.0 million, a portion of which is available for letters of credit. As of December 31, 2013, letters of credit under the credit line were $0.3 million and borrowings were $12.3 million with an interest rate of 1.85%.

During 2013, we incurred $13.0 million in debt financing related fees. These costs are included in *Other current and Other non-current assets* and are being amortized over the life of their respective agreements.

In November 2011, we repurchased the aggregate principal of $22.9 million of our 8.875% senior notes due 2012 at a premium of $0.9 million.

Aggregate maturities of debt for the next five years and thereafter are as follows:

(In millions)		
2014	$	12.7
2015		57.2
2016		0.5
2017		0.5
2018		0.6
Thereafter		917.4
Aggregate maturities	$	988.9

Included in *Interest expense, net* for the years ended December 31, 2013, 2012 and 2011 was interest income of $1.3 million, $0.8 million and $0.7 million, respectively. Total interest paid on long-term and short-term borrowings was $50.4 million in 2013, $45.8 million in 2012 and $32.0 million in 2011.

Note 7 — LEASING ARRANGEMENTS

We lease certain manufacturing facilities, warehouse space, machinery and equipment, automobiles and railcars under operating leases. Rent expense from continuing operations was $24.5 million in 2013, $20.2 million in 2012 and $21.2 million in 2011.

Future minimum lease payments under non-cancelable operating leases with initial lease terms longer than one year as of December 31, 2013 are as follows (in millions):

(In millions)		
2014	$	18.7
2015		14.9
2016		10.8
2017		7.3
2018		5.7
Thereafter		19.3
Total	$	76.7

Note 8 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net as of December 31 consist of the following:

(In millions)		2013		2012
Trade accounts receivable	$	433.2	$	318.2
Allowance for doubtful accounts		(5.2)		(4.3)
Accounts receivable, net	$	428.0	$	313.9

The following table details the changes in allowance for doubtful accounts:

(In millions)	2013	2012	2011
Balance at beginning of the year	$ (4.3)	$ (4.8)	$ (4.1)
Provision for doubtful accounts	(0.2)	(0.3)	(2.0)
Accounts written off	0.2	0.4	1.0
Currency translation and other adjustments	(0.9)	0.4	0.3
Balance at end of year	$ (5.2)	$ (4.3)	$ (4.8)

Note 9 — INVENTORIES, NET

Components of *Inventories, net* are as follows:

(In millions)	December 31, 2013	December 31, 2012
At FIFO cost:		
Finished products	$ 203.6	$ 165.0
Work in process	3.9	2.4
Raw materials and supplies	135.0	77.0
Inventories, net	$ 342.5	$ 244.4

Note 10 — PROPERTY, NET

Components of *Property, net* are as follows:

(In millions)	December 31, 2013	December 31, 2012
Land and land improvements	$ 52.5	$ 34.7
Buildings	315.4	241.4
Machinery and equipment	1,079.2	844.5
	1,447.1	1,120.6
Less accumulated depreciation and amortization	(800.9)	(734.8)
Property, net	$ 646.2	$ 385.8

Depreciation expense from continuing operations was $91.0 million in 2013, $52.6 million in 2012 and $49.4 million in 2011. Included in 2013 depreciation expense from continuing operations, was accelerated depreciation of $12.7 million related to announced restructuring actions.

Note 11 — OTHER BALANCE SHEET LIABILITIES

Other liabilities at December 31, 2013 and 2012 consist of the following:

	Accrued expenses and other liabilities		Other non-current liabilities	
	December 31,		December 31,	
(In millions)	2013	2012	2013	2012
Employment costs	$ 128.7	$ 81.5	$ 19.1	$ 22.7
Environmental	12.0	10.8	113.9	64.6
Taxes	34.7	17.2	—	—
Pension and other post-employment benefits	5.7	5.9	—	—
Accrued interest	16.2	8.0	—	—
Other	12.0	18.5	36.4	14.8
Total	$ 209.3	$ 141.9	$ 169.4	$ 102.1

Note 12 — EMPLOYEE BENEFIT PLANS

We recognize actuarial gains and losses, after consideration of inventory capitalization, in our operating results in the year in which the gains or losses occur. These gains and losses are generally only measured annually as of December 31 and, accordingly, are recorded during the fourth quarter of each year. In the fourth quarter of 2013, we recognized a pre-tax benefit of $44.0 million related to the actuarial gains during the year. We recognized a pre-tax charge of $42.0 million and $83.8 million in the fourth quarter of 2012 and 2011, respectively.

We have several pension plans; however, as of December 31, 2013, only certain foreign plans accrue benefits. The plans generally provide benefit payments using a formula that is based upon employee compensation and length of service. All U.S. defined benefit pension plans are frozen, no longer accrue benefits and are closed to new participants.

We sponsor several unfunded defined benefit post-retirement plans that provide subsidized health care and life insurance benefits to certain retirees and a closed group of eligible employees. In 2009, we adopted changes to our U.S. post-retirement healthcare plan whereby, effective January 1, 2010, the plan, for certain eligible retirees, was discontinued, and benefits were phased out through December 31, 2012. When this plan change was recognized in 2009, prior service cost amortization was calculated to fully amortize the prior service cost by the end of 2012, consistent with the period of continued benefits. Only certain employees hired prior to December 31,1999 are eligible to participate in our subsidized post-retirement health care and life insurance plans.

The following tables present the change in benefit obligation, change in plan assets and components of funded status for defined benefit pension and post-retirement health care benefit plans. Actuarial assumptions that were used are also included.

	Pension Benefits		Health Care Benefits	
(In millions)	**2013**	**2012**	**2013**	**2012**
Change in benefit obligation:				
Projected benefit obligation — beginning of year	$ 597.2	$ 543.5	$ 18.9	$ 21.9
Service cost	1.7	1.5	—	—
Interest cost	23.9	27.2	0.6	0.8
Actuarial (gain) loss	(35.5)	63.4	(1.0)	(2.0)
Benefits paid	(51.5)	(39.8)	(2.0)	(2.7)
Other	1.2	1.4	(0.1)	0.9
Projected benefit obligation — end of year	$ 537.0	$ 597.2	$ 16.4	$ 18.9
Projected salary increases	2.8	2.8	—	—
Accumulated benefit obligation	$ 534.2	$ 594.4	$ 16.4	$ 18.9
Change in plan assets:				
Plan assets — beginning of year	$ 410.4	$ 335.6	$ —	$ —
Actual return on plan assets	44.9	46.9	—	—
Company contributions	68.0	66.8	1.8	2.0
Plan participants' contributions	—	—	0.2	0.5
Benefits paid	(51.5)	(39.8)	(2.0)	(2.7)
Other	0.4	0.9	—	0.2
Plan assets — end of year	$ 472.2	$ 410.4	$ —	$ —
Under-funded status at end of year	$ (64.8)	$ (186.8)	$ (16.4)	$ (18.9)

Amounts included in the accompanying Consolidated Balance Sheets are as follows:

	Pension Benefits		Health Care Benefits	
(In millions)	**2013**	**2012**	**2013**	**2012**
Non-current assets	$ 1.8	$ —	$ —	$ —
Accrued expenses and other liabilities	4.0	4.0	1.7	1.9
Other non-current liabilities	62.6	182.8	14.7	17.0

Change in accumulated other comprehensive loss before tax:

	Pension Benefits		Health Care Benefits	
(In millions)	**2013**	**2012**	**2013**	**2012**
Prior year	$ 0.3	$ 0.3	$ —	$ (17.4)
Prior service credit recognized during year	—	—	—	17.4
Current year	$ 0.3	$ 0.3	$ —	$ —

As of December 31, 2013 and 2012, we had plans with total projected and accumulated benefit obligations in excess of the related plan assets as follows:

	Pension Benefits		Health Care Benefits	
(In millions)	**2013**	**2012**	**2013**	**2012**
Projected benefit obligation	$ 528.5	$ 596.4	$ 16.4	$ 18.9
Accumulated benefit obligation	525.6	593.6	16.4	18.9
Fair value of plan assets	461.9	409.6	—	—

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Health Care Benefits	
	2013	2012	2013	2012
Discount rate	4.83%	4.12%	4.38%	3.71%
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year	N/A	N/A	7.02%	7.39%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50%	4.63%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2027	2025

Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following impact:

(In millions)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost	$ —	$ —
Effect on post-retirement benefit obligation	1.1	(1.0)

The following table summarizes the components of net period benefit cost or gain that was recognized during each of the years in the three-year period ended December 31, 2013. Actuarial assumptions that were used are also included.

	Pension Benefits			Health Care Benefits		
(In millions)	2013	2012	2011	2013	2012	2011
Components of net periodic benefit (gains) costs:						
Service cost	$ 1.7	$ 1.5	$ 1.6	$ —	$ —	$ —
Interest cost	23.9	27.2	28.3	0.6	0.8	1.0
Expected return on plan assets	(37.4)	(27.6)	(29.2)	—	—	—
Amortization of prior service cost	—	—	0.2	—	(17.4)	(17.4)
Mark-to-market actuarial net (gains) losses	(43.0)	44.0	83.4	(1.0)	(2.0)	0.4
Net periodic benefit (gain) cost	$ (54.8)	$ 45.1	$ 84.3	$ (0.4)	$ (18.6)	$ (16.0)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Pension Benefits			Health Care Benefits		
	2013	2012	2011	2013	2012	2011
Discount rate	4.12%	5.11%	5.71%	3.71%	4.66%	5.07%
Expected long-term return on plan assets	8.41%	8.43%	8.50%	—%	—%	—%
Assumed health care cost trend rates at December 31:						
Health care cost trend rate assumed for next year	N/A	N/A	N/A	7.39%	8.35%	8.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	N/A	4.63%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	N/A	N/A	N/A	2025	2019	2018

The expected long-term rate of return on pension assets was determined after considering the historical experience of long-term asset returns by asset category, the expected investment portfolio mix and estimated future long-term investment returns. As our funded levels have improved during 2013, we have shifted our U.S. qualified pension assets to a larger fixed income weighting. As a result, we have lowered our weighted average expected return on plan assets to 6.85% in 2014. While this change will lower our expected return on plan assets, our strategy is for our assets to increase/decrease proportionally with our liability such that our funding levels do not deteriorate.

Our pension investment strategy is to diversify the portfolio among asset categories to enhance the portfolio's risk-adjusted return as well as insulate it from exposure to changes in interest rates. Our asset mix considers the duration of plan liabilities, historical and expected returns of the investments, and the funded status of the plan. The pension asset allocation is reviewed and actively managed based on the funded status of the plan. As the funded status of the plan increases, the asset allocation is adjusted to increase the mix of fixed income investments and match the duration of those investments with the duration of the plan liabilities. Based on the current funded status of the plan, our pension asset investment allocation guidelines are to invest 70% to 80% in fixed income securities, 20% to 30% in equity securities and 0% to 10% in alternative investments and cash. These alternative investments may include funds of multiple asset investment strategies and funds of hedge funds.

The fair values of pension plan assets at December 31, 2013 and 2012, by asset category, are as follows:

(In millions)	Fair Value of Plan Assets at December 31, 2013				Fair Value of Plan Assets at December 31, 2012			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category								
Cash	$ 6.6	$ —	$ —	$ 6.6	$ 3.4	$ —	$ —	$ 3.4
Common collective trusts	—	14.8	—	14.8	—	44.9	—	44.9
Large-cap equity	28.4	30.0	—	58.4	43.2	51.1	—	94.3
Mid-cap equity	—	—	—	—	42.3	—	—	42.3
Small-cap equity	22.0	—	—	22.0	39.8	—	—	39.8
International equity	59.6	—	—	59.6	80.6	—	—	80.6
Fixed-income funds	275.5	—	—	275.5	39.3	—	—	39.3
Multi-asset mutual fund	—	—	—	—	32.6	—	—	32.6
Floating rate income funds	35.3	—	—	35.3	33.2	—	—	33.2
Totals	$ 427.4	$ 44.8	$ —	$ 472.2	$ 314.4	$ 96.0	$ —	$ 410.4

Large cap equity funds invest primarily in U.S. publicly-traded equity securities of companies with a market capitalization typically in excess of $10 billion with a focus on growth or value. Mid cap equity funds invest primarily in U.S. publicly-traded equity securities of companies with a market capitalization typically greater than $2 billion but less than $10 billion with a focus on growth or value. Small cap equity funds invest primarily in U.S. publicly-traded equity securities of companies with a market capitalization typically less than $2 billion with a focus on growth or value. International equity funds invest in publicly-traded equity securities of companies predominantly in the United States, developed international countries and emerging markets typically with a market capitalization greater than $2 billion with a focus on growth or value and are invested across the capitalization spectrum. Fixed income funds invest primarily in investment grade fixed income securities. The multi-asset mutual fund strategy is based on a diverse range of investments including, but not limited to, investment grade and high yield bonds, international and emerging market bonds, inflation-indexed bonds, equities and commodities. The floating rate income fund strategy is to invest primarily in a diversified portfolio of first and second lien high-yield senior floating rate loans and other floating rate debt securities. The common collective trust fund invests primarily in cash and other short-term investments, and is used as a temporary investment for our contributions to the pension plans until the contributions are allocated to other investments according to our investment strategy.

The fair value of the common collective trust fund is based on the net asset value per share of the fund, which is based on the fair market value of the underlying fund's assets. Level 2 investments included within large cap equity are commingled trusts and are valued using a net asset value per share that is based on quoted market prices and/or other market data for the same or comparable instruments and transactions of the underlying equity investments. All other investments are Level 1 and are valued based on quoted market prices.

The estimated future benefit payments for our pension and health care plans are as follows:

(In millions)	Pension Benefits	Health Care Benefits
2014	$ 39.1	$ 1.7
2015	40.0	1.6
2016	39.5	1.6
2017	39.5	1.5
2018	39.8	1.5
2019 through 2023	195.5	6.2

We currently estimate that 2014 employer contributions will be $19.9 million to all qualified and non-qualified pension plans and $1.7 million to all healthcare benefit plans.

PolyOne sponsors various voluntary retirement savings plans (RSP). Under the provisions of the plans, eligible employees receive defined Company contributions and are eligible for Company matching contributions based on their eligible earnings contributed to the plan. In addition, we may make discretionary contributions to the plans for eligible employees based on a specific percentage of each employee's compensation.

Following are our contributions to the RSP:

(In millions)	2013	2012	2011
Retirement savings match	$ 9.8	$ 7.6	$ 7.1
Retirement benefit contribution	4.0	3.8	3.9
Total contributions	$ 13.8	$ 11.4	$ 11.0

Note 13 — COMMITMENTS AND CONTINGENCIES

Environmental — We or our subsidiaries have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with the investigation and remediation of certain environmental sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in our experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. We initiate corrective and preventive environmental projects of our own to ensure safe and lawful activities at our operations. We believe that compliance with current governmental regulations at all levels will not have a material adverse effect on our financial condition.

In September 2007, we were informed of rulings by the United States District Court for the Western District of Kentucky on several pending motions in the case of Westlake Vinyls, Inc. v. Goodrich Corporation, et al., which had been pending since 2003. The Court held that PolyOne must pay the remediation costs at the former Goodrich Corporation (now Westlake Vinyls, Inc.) Calvert City facility, together with certain defense costs of Goodrich Corporation. The rulings also provided that PolyOne can seek indemnification for contamination attributable to Westlake Vinyls.

The environmental obligation at the site arose as a result of an agreement between The B.F.Goodrich Company (n/k/a Goodrich Corporation) and our predecessor, The Geon Company, at the time of the initial public offering in 1993, by which the Geon Company became a public company, to indemnify Goodrich Corporation for environmental costs at the site. At the time, neither PolyOne nor The Geon Company ever owned or operated the facility. Following the Court rulings, the parties to the litigation entered into settlement negotiations and agreed to settle all claims regarding past environmental costs incurred at the site. The settlement agreement provides a mechanism to pursue allocations of future remediation costs at the Calvert City facility to Westlake Vinyls, Inc. While we do not currently assume any allocation of costs in our current reserve, we will adjust our reserve, in the future, consistent with any such future allocation of costs.

A remedial investigation and feasibility study (RIFS) is underway at Calvert City. During the third quarter of 2013, we submitted a remedial investigation report to the United States Environmental Protection Agency (USEPA). The USEPA has required certain changes to the remedial investigation report, and development of a final report by the USEPA is ongoing. We have also undertaken steps to develop a feasibility study, including engaging a third party to perform ground water modeling at this site. Utilizing the preliminary results of the ground water modeling study that we obtained in the fourth quarter of 2013 we were able to develop estimates for potential remedies at Calvert City. Based upon this information, we recognized a $47.0 million charge in the fourth quarter of 2013 associated with the anticipated remedy. This charge represents our best estimate of the construction of a barrier wall and future remediation costs at this location, above existing accruals. We expect to finalize the RIFS in 2014 and expect the majority of expenditures associated with this change to occur throughout 2016 and 2017. We are pursuing available insurance coverage for these expenditures. No receivable has been recognized for future recoveries.

On March 13, 2013, PolyOne acquired Spartech. One of Spartech's subsidiaries, Franklin-Burlington Plastics, Inc. (Franklin-Burlington), operated a plastic resin manufacturing facility in Kearny, New Jersey, located adjacent to the Lower Passaic River. Spartech acquired the owner of this facility, Franklin Plastics Corp., in a 1986 stock transaction, and Franklin Plastics Corp. subsequently became Franklin-Burlington. The USEPA has requested that companies located in the area of the Lower Passaic River, including Franklin-Burlington, cooperate in an investigation of contamination of the Lower Passaic River. In response, Franklin-Burlington and approximately 70 other companies (collectively, the Cooperating Parties) agreed, pursuant to an Administrative Order of Consent with the USEPA, to assume responsibility for development of a RIFS of the Lower Passaic River. The RIFS costs are exclusive of any costs that may ultimately be required to remediate the Lower Passaic River area being studied or costs associated with natural resource damages that may be assessed. By agreeing to bear a portion of the cost of the RIFS, Franklin-Burlington did not admit to or agree to bear any such remediation or natural resource damage costs. The USEPA continues to evaluate the remedial options, and the scope and cost of any remedial activity has not yet been determined.

Given the uncertainties related to the Lower Passaic River, including the fact that the final remedial actions and scope, and the ultimate allocation to Franklin-Burlington, have not yet been determined, we are not able to assess or estimate our remedial liability, if any, related to this matter.

Based on our estimates we had accruals totaling $125.9 million and $75.4 million as of December 31, 2013 and 2012, respectively, for probable future environmental expenditures relating to previously contaminated sites. These accruals are undiscounted and included in *Accrued expenses and other liabilities* and *Other non-current liabilities* on the accompanying Consolidated Balance Sheets. The accruals represent our best estimate of probable future costs that we can reasonably estimate, based upon information and technology that is currently available and our view of the most likely remedy. Depending upon the results of future testing, completion and results of remedial investigation and feasibility studies, the ultimate remediation alternatives undertaken, changes in regulations, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at December 31, 2013. However, such additional costs, if any, cannot be currently estimated. Our estimate of this liability may be revised as new regulations or technologies are developed or additional information is obtained.

We believe that the probability is remote that losses in excess of amounts we have accrued would be materially adverse to our financial position, results of operations or cash flows.

The following table details the changes in the environmental accrued liabilities:

(In millions)	**2013**	**2012**	**2011**
Balance at beginning of the year	$ 75.4	$ 76.2	$ 87.4
Environmental expenses	61.2	12.8	9.7
Net cash payments	(14.3)	(13.7)	(20.8)
Currency translation and other	3.6	0.1	(0.1)
Balance at end of year	$ 125.9	$ 75.4	$ 76.2

Included in *Cost of sales* in the accompanying Consolidated Statements of Income are insurance reimbursements received for previously incurred environmental costs of $23.5 million and $3.3 million in 2013 and 2011, respectively.

Litigation related to the Merger with Spartech — On March 5, 2013, counsel for the parties in the lawsuits entered into a memorandum of understanding, in which they agreed on the terms of a settlement of the In re Spartech Corporation Shareholder Litigation, including dismissal with prejudice and a release of all claims made therein against all defendants. Defendants agreed to the terms of the proposed settlement in order to avoid the substantial burden, expense, risk, inconvenience, and distraction of continued litigation, including the risk of delaying or adversely affecting the merger. On October 22, 2013, the parties entered into a stipulation of settlement. The proposed settlement remains conditioned upon, among other things, final approval of the proposed settlement by the Circuit Court of St. Louis County, Missouri. There can be no assurance that the court will approve the settlement, or that the settlement conditions will be met. PolyOne is insured with respect to these lawsuits.

Other Litigation — In 2013, we received $7.0 million in connection with the resolution of commercial litigation in which we had an interest. We recognized this gain within *Selling and administrative expense* in our Consolidated Statements of Income.

We are involved in various pending or threatened claims, lawsuits and administrative proceedings, all arising from the ordinary course of business concerning commercial, product liability, employment and environmental matters that seek remedies or damages. We believe that the probability is remote that losses in excess of the amounts we have accrued would be materially adverse to our financial position, results of operations or cash flows.

Guarantees — On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin Corporation for $132.3 million in cash and the assumption by Olin of the obligations under our guarantee of senior secured notes issued by SunBelt of $42.7 million at the time of sale, $24.4 million as of December 31, 2013. Until the guarantee is formally assigned to Olin, we remain obligated under the guarantee, although Olin has agreed to indemnify us for amounts that we may be obligated to pay under the guarantee.

Note 14 — INCOME TAXES

Income from continuing operations, before income taxes is summarized below based on the geographic location of the operation to which such earnings are attributable. Certain foreign operations are branches of PolyOne and are, therefore, subject to United States as well as foreign income tax regulations. As a result, pre-tax income by location and the components of income tax expense by taxing jurisdiction are not directly related.

Income from continuing operations, before income taxes consists of the following:

(In millions)	2013	2012	2011
Domestic	$ 105.2	$ 46.2	$ 120.2
Foreign	45.8	37.1	48.7
Income from continuing operations, before income taxes	$ 151.0	$ 83.3	$ 168.9

A summary of income tax expense from continuing operations is as follows:

(In millions)	2013	2012	2011
Current:			
Federal	$ (17.4)	$ (1.7)	$ 3.1
State	(2.8)	(0.9)	(1.2)
Foreign	(23.3)	(14.7)	(14.1)
Total current	$ (43.5)	$ (17.3)	$ (12.2)
Deferred:			
Federal	$ (12.9)	$ (15.8)	$ (18.8)
State	(1.8)	0.1	13.9
Foreign	0.1	2.9	1.6
Total deferred	$ (14.6)	$ (12.8)	$ (3.3)
Total income tax expense	$ (58.1)	$ (30.1)	(15.5)

Refer to Note 3, *Discontinued Operations* for income tax expense allocated to discontinued operations.

Reconciliation of income taxes from the U.S. statutory rate of 35% to the consolidated effective tax rate is as follows:

(In millions)	2013	2012	2011
Income tax expense at 35% of income from continuing operations, before income taxes	$ (52.8)	$ (29.2)	$ (59.1)
State tax, net of federal benefit	(3.9)	(1.3)	(2.2)
Differences in rates of foreign operations	(1.2)	3.3	3.9
Changes in valuation allowances	(3.1)	(0.9)	13.0
U.S. research and development credit	2.1	—	0.6
Tax benefits associated with O’Sullivan Engineered Films	—	—	29.5
Recognition of uncertain tax positions	0.5	0.1	(4.5)
Other, net	0.3	(2.1)	3.3
Income tax expense	$ (58.1)	$ (30.1)	$ (15.5)

In 2011, we recognized income tax expense primarily related to the sale of our SunBelt joint venture offset by a tax benefit associated with our divested investment in O'Sullivan Engineered Films, Inc. We also recognized a tax benefit related to a reduction in deferred tax valuation allowances related to various state and foreign deferred tax assets of $13.0 million.

Components of our deferred tax liabilities and assets as of December 31, 2013 and 2012 were as follows:

(In millions)	2013	2012
Deferred tax liabilities:		
Tax over book depreciation	$ 87.1	$ 39.1
Intangibles	126.1	98.8
Other, net	19.9	9.2
Total deferred tax liabilities	$ 233.1	$ 147.1
Deferred tax assets:		
Pension and other Post-retirement benefits	$ 20.6	$ 64.7
Employment costs	36.8	23.4
Environmental	49.3	27.9
Net operating loss carryforwards	38.0	31.2
Other, net	32.6	10.4
Total deferred tax assets	$ 177.3	$ 157.6
Valuation allowances	(29.3)	(18.9)
Net deferred tax liabilities	$ (85.1)	$ (8.4)

As of December 31, 2013, we have combined state net operating loss carryforwards of $230.9 million that expire at various dates from 2014 through 2032. Various foreign subsidiaries have net operating loss carryforwards totaling $106.4 million that expire at various dates from 2014 through 2022. We have provided valuation allowances of $23.1 million against certain foreign and state loss carryforwards.

No provision has been made for income taxes on undistributed earnings of consolidated non-U.S. subsidiaries of $286.5 million at December 31, 2013 since it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. It is not practicable to estimate the additional income taxes and applicable foreign withholding taxes that would be payable on the remittance of such undistributed earnings.

We made worldwide income tax payments of $120.3 million and received refunds of $2.9 million in 2013. We made worldwide income tax payments of $30.8 million and $32.6 million in 2012 and 2011, respectively, and received refunds of $13.0 million and $1.0 million in 2012 and 2011, respectively. The increase in income tax payments made in 2013 is primarily related to higher 2013 earnings and the gain recognized related to the divestiture of the Resin Business.

The Company records provisions for uncertain tax provisions in accordance with ASC Topic 740, *Income Taxes*. A reconciliation of unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits		
(In millions)	2013	2012	2011
Balance as of January 1	$ 14.5	$ 15.1	$ 9.9
Additions based on tax positions related to the current year	—	0.2	4.5
Additions for tax positions of prior years	1.1	—	1.3
Reductions for tax positions of prior years	(0.9)	(0.4)	(0.6)
Settlements and other	0.5	(0.4)	—
Balance as of December 31	$ 15.2	$ 14.5	$ 15.1

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes. As of December 31, 2013 and 2012, we had accrued $3.0 million and $2.3 million for interest and penalties, respectively.

Although the timing and outcome of tax settlements are uncertain, it is reasonably possible that during the next 12 months a reduction in unrecognized tax benefits may occur up to $3.8 million based on the outcome of tax examinations and as a result of the expiration of various statues of limitations.

If all unrecognized tax benefits were recognized, the net impact on the provision for income tax expense would be $12.9 million.

The Company is currently being audited by the IRS and multiple state and foreign taxing jurisdictions. We are no longer subject to U.S. federal income tax examinations for periods preceding 2007 and with limited exceptions, for periods preceding 2006 for state and 2002 for foreign tax examinations.

Note 15 — SHARE-BASED COMPENSATION

Share-based compensation cost is based on the value of the portion of share-based payment awards that are ultimately expected to vest during the period. Share-based compensation cost recognized in the accompanying

Consolidated Statements of Income includes compensation cost for share-based payment awards based on the grant date fair value estimated in accordance with the provision of FASB ASC Topic 718, *Compensation — Stock Compensation*. Share-based compensation expense is based on awards expected to vest, therefore has been reduced for estimated forfeitures. We estimate forfeitures at the time of grant and revise that estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Equity and Performance Incentive Plans

On May 12, 2010, our shareholders approved the PolyOne Corporation 2010 Equity and Performance Incentive Plan (2010 EPIP). The 2010 EPIP provides for the award of a variety of share-based compensation alternatives, including non-qualified stock options, incentive stock options, restricted stock, restricted stock units (RSUs), performance shares, performance units and stock appreciation rights (SARs). On May 19, 2012, our shareholders approved an amendment to this plan whereby, among other provisions, a total of 5.0 million common shares (a 2.0 million increase from the amount authorized in May of 2010) are reserved for grant under the 2010 EPIP. It is anticipated that all share-based grants and awards that are earned and exercised will be issued from PolyOne common shares that are held in treasury.

Share-based compensation is included in *Selling and administrative expense* in the accompanying Consolidated Statements of Income. A summary of compensation expense by type of award follows:

(In millions)	2013	2012	2011
Stock appreciation rights	$ 6.1	$ 5.1	$ 2.3
Restricted stock units	10.4	5.3	3.1
Total share-based compensation	$ 16.5	$ 10.4	$ 5.4

Stock Appreciation Rights

During the years ended December 31, 2013, 2012 and 2011, the total number of SARs granted were 0.5 million, 0.8 million and 0.5 million, respectively. Awards granted in 2013 and 2012 vest in one-third increments annually over a three-year service period and upon the achievement of certain stock price targets. Awards granted in 2011 vest in one-third increments annually over a three-year service period. Outstanding SARs have contractual terms ranging from seven to ten years from the date of the grant.

The SARs granted during 2013 and 2012 were valued using a Monte Carlo simulation method as the vesting is dependent on the achievement of certain stock price targets. These SARs have time and market-based vesting conditions but vest no earlier than their three year graded vesting schedule. As of December 31, 2013, all market conditions were met. Exercises are assumed to occur between vesting and maturity and the resulting expected term is an output from the Monte Carlo simulation valuation model. The expected volatility was determined based on the average weekly volatility for our common shares for the contractual life of the awards. The expected dividend assumption was determined based upon PolyOne's dividend yield at the time of grant. The risk-free rate of return was based on available yields on U.S. Treasury bills of the same duration as the contractual life of the awards. Forfeitures were estimated at 3% per year based on our historical experience.

The SARs granted during 2011 were valued using the Black-Scholes method as the awards only have time-based vesting requirements. The expected term of SARs granted was determined based on the “simplified method” described in Staff Accounting Bulletin (SAB) Topic 14.D.2, which is permitted if historical exercise experience is not sufficient. The expected volatility was determined based on the average weekly volatility for our common shares for the expected term of the awards. Expected dividends were determined based upon the declared dividend yield at the time the SAR was granted. The risk-free rate of return was based on available yields on U.S. Treasury bills of the same duration as the expected option term. Forfeitures were estimated at 3% per year based on our historical experience.

The following is a summary of the weighted average assumptions related to the grants issued during 2013, 2012 and 2011:

	2013	2012	2011
Expected volatility (weighted-average)	50.0%	53.0%	56.0%
Expected dividends	1.04%	1.37%	—%
Expected term (in years)	7.4	8.0	6.0
Risk-free rate	2.12%	2.05%	2.86%
Value of SARs granted	$10.83	$6.92	$8.12

A summary of SAR activity for 2013 is presented below:

Stock Appreciation Rights In millions, except per share data)	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2013	2.1	$ 11.31	6.58	$ 19.2
Granted	0.5	23.08	—	
Spartech Replacement award issuance	0.5	25.05	—	
Exercised	(0.9)	11.49	—	
Forfeited or expired	(0.1)	18.05	—	
Outstanding as of December 31, 2013	2.1	$ 16.63	6.33	$ 39.3
Vested and exercisable as of December 31, 2013	1.0	$ 14.94	3.99	$ 20.6

The total intrinsic value of SARs exercised during 2013, 2012 and 2011 was $14.9 million, $25.5 million and $8.0 million, respectively. As of December 31, 2013, there was $3.2 million of total unrecognized compensation cost related to SARs, which is expected to be recognized over the weighted average remaining vesting period of 17 months.

Restricted Stock Units

Restricted Stock Units (RSUs) represent contingent rights to receive one common share at a future date provided certain vesting criteria are met.

During 2013, 2012 and 2011, the total number of RSUs granted were 0.5 million, 0.6 million and 0.3 million, respectively. These RSUs, which vest on the third anniversary of the grant date, were granted to executives and other key employees. Compensation expense is measured on the grant date using the quoted market price of our common shares and is recognized on a straight-line basis over the requisite service period.

As of December 31, 2013, 1.3 million RSUs remain unvested with a weighted-average grant date fair value of $18.60. Unrecognized compensation cost for RSUs at December 31, 2013 was $9.3 million, which is expected to be recognized over the weighted average remaining vesting period of 15 months.

Note 16 — SEGMENT INFORMATION

A segment is a component of an enterprise whose operating results are regularly reviewed by the enterprise's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating income is the primary measure that is reported to our chief operating decision makers for purposes of allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative expenses that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-out costs; executive separation agreements; share-based compensation costs; asset impairments; environmental remediation costs and other liabilities for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses associated with our pension and other post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by our chief operating decision makers. These costs are included in *Corporate and eliminations*.

Segment assets are primarily customer receivables, inventories, net property, plant and equipment, intangibles and goodwill. Intersegment sales are generally accounted for at prices that approximate those for similar transactions with unaffiliated customers. *Corporate and eliminations* includes cash, debt, environmental liabilities, retained assets and liabilities of discontinued operations, and other unallocated corporate assets and liabilities. The accounting policies of each segment are consistent with those described in Note 1, *Description of Business and Summary of Significant Accounting Policies*.

The following is a description of each of our five reportable segments.

Global Specialty Engineered Materials

Global Specialty Engineered Materials is a leading provider of specialty polymer formulations, services and solutions for designers, assemblers and processors of thermoplastic materials across a wide variety of markets and end-use applications. Our product portfolio, which we believe to be one of the most diverse in our industry, includes specialty formulated high-performance polymer materials that are manufactured using thermoplastic resins and elastomers, which are then combined with advanced polymer additives, reinforcement, filler, colorant and/or biomaterial technologies. Our technical and market expertise enables us to expand the performance range and structural properties of traditional engineering-grade thermoplastic resins to meet evolving customer needs. Global Specialty Engineered Materials has manufacturing, sales and service facilities located throughout North America, Europe, Asia and South America. Our product development and application reach is further enhanced by the capabilities of our Innovation Centers in the United States, Germany and China, which produce and evaluate prototype and sample parts to help assess end-use performance and guide product development. Our manufacturing capabilities are targeted at meeting our customers' demand for speed, flexibility and critical quality.

On December 19, 2012, the Company acquired Glasforms, a leading manufacturer of glass and carbon fiber reinforced polymers and advanced composite products. Glasforms results are included within the Global Specialty Engineered Materials segment from the date of the acquisition.

Global Color, Additives and Inks

Global Color, Additives and Inks is a leading provider of specialized custom color and additive concentrates in solid and liquid form for thermoplastics, dispersions for thermosets, as well as specialty inks, plastisols, and vinyl slush molding solutions. Color and additive solutions include an innovative array of colors, special effects and performance-enhancing and eco-friendly solutions. When combined with a non-base resin, our solutions help customers achieve differentiated specialized colors and effects targeted at the demands of today's highly design-oriented consumer and industrial end markets. Our additive concentrates encompass a wide variety of performance and process enhancing characteristics and are commonly categorized by the function that they perform, such as UV stabilization, antimicrobial, anti-static, blowing or foaming, antioxidant, lubricant, and productivity enhancement. Our colorant and additives concentrates are used in a broad range of polymers, including those used in medical and pharmaceutical devices, food packaging, personal care and cosmetics, transportation, building products, wire and cable markets. We also provide custom-formulated liquid systems that meet a variety of customer needs and chemistries, including vinyl, natural rubber and latex, polyurethane and silicone. Our offering also includes proprietary inks and latexes for diversified markets such as recreational and athletic apparel, construction and filtration, outdoor furniture and healthcare. Our liquid polymer coatings and additives are largely based on vinyl and are used in a variety of markets, including building and construction, consumer, healthcare, industrial, packaging, textiles, appliances, transportation, and wire and cable. Global Color, Additives and Inks has manufacturing, sales and service facilities located throughout North America, South America, Europe, Asia and Africa.

On December 21, 2011, the Company completed the acquisition of all of the outstanding equity interests of ColorMatrix for $486.1 million, net of cash acquired. ColorMatrix is highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants.

Designed Structures and Solutions

On March 13, 2013, the Company completed the acquisition of Spartech, a supplier of plastic sheet, color and engineered materials, and packaging solutions. As a result of the acquisition, a new reportable segment, "Designed Structures and Solutions", was created. Designed Structures and Solutions is comprised of the former Spartech Custom Sheet and Rollstock and Packaging Technologies businesses. We believe PolyOne's Designed Structures and Solutions segment is a market leader in providing specialized, full service and innovative solutions in engineered polymer structures, rigid barrier packaging and specialty cast acrylics. We utilize a variety of polymers, specialty additives and processing technologies to produce a complete portfolio of sheet, custom rollstock and specialty film, laminate and acrylic solutions. Our solutions can be engineered to provide structural or functional performance in an application or deliver design and visual aesthetics to meet our customers' needs. Our offering also includes a wide range of sustainable, cost-effective stock and custom packaging solutions for various industry processes used in the food, medical, consumer and graphic arts markets. In addition to packaging, we also work closely with customers to provide solutions for transportation, building and construction, healthcare and consumer markets. Designed Structures and Solutions has manufacturing, sales and service facilities located throughout North America.

Performance Products and Solutions

Performance Products and Solutions is comprised of the Geon Performance Materials and Producer Services business units. The Geon business delivers an array of products and services for vinyl molding and extrusion processors located in North America and Asia. The Geon brand name carries strong recognition globally. Geon Performance Materials' products are sold to manufacturers of durable plastic parts and consumer-oriented products. We also offer a wide range of services including materials testing, component analysis, custom formulation development, colorant and additive services, part design assistance, structural analysis, process simulations, mold design and flow analysis and extruder screw design. Vinyl is used across a broad range of markets and applications, including, but not limited to: wire and cable, healthcare, building and construction, consumer and recreational products and transportation and packaging. The Producer Services business unit offers contract manufacturing and outsourced polymer manufacturing services to resin producers and polymer marketers, primarily in the United States and Mexico, as well as its own proprietary compounds for pressure pipe and drip irrigation applications. As a strategic and integrated supply chain partner, Producer Services offers resin producers a way to develop custom products for niche markets by using our process technology expertise and multiple manufacturing platforms.

As a result of the announced sale of our Resin Business on March 25, 2013, this business has been removed from the Performance Products and Solutions segment and presented as a discontinued operation.

PolyOne Distribution

Our PolyOne Distribution business distributes more than 3,500 grades of engineering and commodity grade resins, including PolyOne-produced compounds, to the North American, South America and Asia markets. These products are sold to over 6,000 custom injection molders and extruders who, in turn, convert them into plastic parts that are sold to end-users in a wide range of industries. Representing over 25 major suppliers, we offer our customers a broad product portfolio, just-in-time delivery from multiple stocking locations and local technical support.

Financial information by reportable segment is as follows:

Year Ended December 31, 2013 (In millions)	Sales to External Customers	Intersegment Sales	Total Sales	Operating Income	Depreciation and Amortization (1)	Capital Expenditures (1a)	Total Assets
Global Specialty Engineered Materials	$ 571.9	$ 43.6	$ 615.5	$ 57.2	$ 18.8	$ 14.3	$ 379.6
Global Color, Additives and Inks	844.6	7.7	852.3	104.0	38.8	29.3	962.0
Designed Structures and Solutions	597.3	0.1	597.4	33.4	21.2	13.4	549.4
Performance Products and Solutions	690.9	82.3	773.2	56.0	15.5	12.4	278.7
PolyOne Distribution	1,066.5	8.7	1,075.2	63.3	0.6	0.3	216.7
Corporate and eliminations	—	(142.4)	(142.4)	(82.4)	13.9	6.5	557.7
Total	$ 3,771.2	$ —	$ 3,771.2	$ 231.5	$ 108.8	$ 76.2	$ 2,944.1

(1) Excludes $1.0 million of depreciation expense associated with the Resin Business.

(1a) Excludes$0.2 million of capital expenditures associated with the Resin Business.

Year Ended December 31, 2012 (In millions)	Sales to External Customers	Intersegment Sales	Total Sales	Operating Income	Depreciation and Amortization (2)	Capital Expenditures (2a)	Total Assets
Global Specialty Engineered Materials	$ 504.9	$ 38.7	$ 543.6	$ 47.0	$ 14.3	$ 12.9	$ 396.6
Global Color, Additives and Inks	776.1	2.1	778.2	75.3	32.9	28.2	901.7
Performance Products and Solutions	554.9	75.4	630.3	38.8	13.7	4.6	205.4
PolyOne Distribution	1,024.9	5.4	1,030.3	66.0	0.7	0.6	212.9
Corporate and eliminations	—	(121.6)	(121.6)	(89.6)	4.2	8.5	411.4
Total	$ 2,860.8	$ —	$ 2,860.8	$ 137.5	$ 65.8	$ 54.8	$ 2,128.0

(2) Excludes $4.0 million of depreciation expense associated with the Resin Business.
(2a) Excludes $2.6 million of capital expenditures associated with the Resin Business.

Year Ended December 31, 2011 (In millions)	Sales to External Customers	Intersegment Sales	Total Sales	Operating Income	Depreciation and Amortization (3)	Capital Expenditures (3a)	Total Assets
Global Specialty Engineered Materials	$ 540.2	$ 34.9	$ 575.1	$ 45.9	$ 14.8	$ 9.2	$ 349.7
Global Color, Additives and Inks	615.0	2.7	617.7	50.2	19.6	14.9	927.1
Performance Products and Solutions	562.1	77.0	639.1	27.7	15.0	12.7	222.5
PolyOne Distribution	992.1	4.4	996.5	56.0	0.7	0.2	183.5
Corporate and eliminations	—	(119.0)	(119.0)	23.2	3.1	13.4	395.3
Total	$ 2,709.4	$ —	$ 2,709.4	$ 203.0	$ 53.2	$ 50.4	$ 2,078.1

(3) Excludes $4.3 million of depreciation expense associated with the Resin Business.
(3a) Excludes $3.7 million of capital expenditures associated with the Resin Business.

Gains and losses related to divestiture of equity investments are reflected in *Corporate and eliminations.* Amounts related to equity affiliates were $26.9 million, $23.4 million and $152.0 million for 2013, 2012 and 2011, respectively.

Our sales are primarily to customers in the United States, Canada, Mexico, Europe, South America and Asia, and the majority of our assets are located in these same geographic areas. Following is a summary of sales and long-lived assets based on the geographic areas where the sales originated and where the assets are located:

(In millions)	2013	2012	2011
Net sales:			
United States	$ 2,538.2	$ 1,724.1	$ 1,628.3
Europe	519.7	488.1	491.3
Canada	267.8	248.1	248.7
Asia	239.0	221.2	196.3
Mexico	158.1	141.8	102.6
South America	48.4	37.5	42.2
Long-lived assets:			
United States	$ 444.4	$ 240.9	$ 235.2
Europe	103.0	82.2	86.9
Canada	13.2	5.7	5.9
Asia	51.8	45.1	39.3
Mexico	20.5	3.5	2.7
South America	13.3	8.4	4.6

Note 17 — COMMON SHARE DATA

Weighted-average shares used in computing net income per share are as follows:

(In millions)	2013	2012	2011
Weighted-average shares — basic:	95.5	89.1	92.2
Plus dilutive impact of stock options and share-based awards	1.0	0.7	2.1
Weighted-average shares — diluted:	96.5	89.8	94.3

Basic net income per common share is computed as net income available to common shareholders divided by the weighted average basic shares outstanding. Diluted net income per common share is computed as net income available to common shareholders divided by the weighted average diluted shares outstanding.

Outstanding share-based awards and options with exercise prices greater than the average price of the common shares are anti-dilutive and are not included in the computation of diluted net income per share. The number of anti-dilutive options and awards was 0.3 million, 1.2 million and 0.5 million at December 31, 2013, 2012 and 2011, respectively.

In August 2008, our Board of Directors approved a stock repurchase program authorizing us, to repurchase up to 10.0 million of our common shares, in the open market or in privately negotiated transactions. On October 11, 2011, PolyOne's Board of Directors increased the common share repurchase authorization amount by 5.25 million and on October 23, 2012 increased the authorization an additional 13.2 million. As of December 31, 2013, the total common shares available for repurchase is 15.0 million. PolyOne may make all or part of any repurchases pursuant to accelerated share repurchases or Rule 10b5-1 plans.

We purchased 5.0 million, 1.2 million and 6.0 million shares in 2013, 2012 and 2011, respectively, at an aggregate price of $131.6 million, $15.9 million and $73.6 million, respectively, under these authorizations.

Note 18 — DERIVATIVE INSTRUMENTS

When translating results from foreign operations into U.S. dollars, we are subject to foreign exchange related risks in our operating results. We are also exposed to foreign exchange risk arising from intercompany lending transactions denominated in various foreign currencies that are subject to foreign exchange rate movement over the term of the loans. To mitigate these risks we enter into foreign exchange option and forward contracts. The counterparties to these instruments are financial institutions with strong credit ratings. PolyOne maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit ratings of these institutions.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Consolidated Balance Sheets. These instruments are not designated as a hedge, and therefore, any gain or loss is immediately recognized in income.

The fair values of derivative financial instruments recorded in the Consolidated Balance Sheets are as follows:

	December 31, 2013	
(In millions)	**Notional**	**Other current assets**
Foreign currency forwards	$ 12.8	$ —

	December 31, 2012	
(In millions)	**Notional**	**Other current assets**
Foreign currency options	$ 31.2	$ 0.6
Foreign currency forwards	13.8	—
Total		$ 0.6

The effects of derivative instruments on our Consolidated Statements of Income are as follows:

(In millions)	**2013**	**2012**	**2011**	**Location**
Foreign currency options - (losses)	$ (0.4)	$ (1.4)	$ —	Selling and administrative expense
Foreign currency forwards - (losses)	(0.6)	(0.4)	(1.8)	Other (expense) income, net

Note 19 — FAIR VALUE

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial instruments accounted for at fair value on a recurring basis as of December 31, 2013 and 2012 are as follows:

	December 31, 2013			
(In millions)	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Other observable inputs (Level 2)**	**Unobservable inputs (Level 3)**
Cash and cash equivalents	$ 365.2	$ 365.2	$ —	$ —

	December 31, 2012			
(In millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Cash and cash equivalents	$ 210.0	$ 210.0	$ —	$ —
Foreign currency options	0.6	—	0.6	—

The fair value of derivative instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and spot and forward foreign currency rates as well as option volatility and non-performance risk.

Other Fair Value Measurements

The estimated fair value of PolyOne's debt instruments at December 31, 2013 and 2012 was $1,010.3 million and $741.0 million, respectively, compared to carrying values of $988.9 million and $706.9 million as of December 31, 2013 and 2012, respectively. The fair value of PolyOne's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and represent Level 2 measurements within the fair value hierarchy.

In accordance with the provisions of FASB ASC Topic 350, *Intangibles — Goodwill and Other*, we assess the fair value of goodwill on an annual basis. The implied fair value of goodwill is determined based on significant unobservable inputs, as summarized below. Accordingly, these inputs fall within Level 3 of the fair value hierarchy. No impairment charges were included in 2013, 2012 or 2011. We use an income approach to estimate the fair value of our reporting units. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that is determined based on current market conditions. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs and number of units, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital requirements. We validate our estimates of fair value under the income approach by considering the implied control premium and conclude whether the implied control premium is reasonable based on other recent market transactions.

Indefinite-lived intangible assets consist of a trade name acquired as part of the January 2008 acquisition of GLS, trade names acquired as part of the December 2011 acquisition of ColorMatrix, and in-process research and development acquired as part of the ColorMatrix acquisition. Indefinite-lived intangible assets are tested for impairment annually at the same time we test goodwill for impairment. The implied fair value of indefinite-lived intangible assets is determined based on significant unobservable inputs, as summarized below. Accordingly, these inputs fall within Level 3 of the fair value hierarchy. No impairment charges were included in 2013, 2012 or 2011.

The fair value of the trade names is calculated using a "relief from royalty" methodology. This approach involves two steps (1) estimating reasonable royalty rates for the trade name and (2) applying this royalty rate to a net sales stream and discounting the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of the trade name. The fair value of in-process research and development was calculated using the income approach.

Note 20— FINANCIAL INFORMATION OF PREVIOUSLY OWNED EQUITY AFFILIATES

On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin Corporation for $132.3 million in cash, the assumption by Olin of the obligations under our guarantee of senior secured notes issued by SunBelt of $42.7 million at the time of sale, $24.4 million as of December 31, 2013, and three potential annual earn-out payments, if SunBelt met certain performance targets.

We recognized a pre-tax gain of $128.2 million, net of associated transaction costs and equity income for period prior to the divestiture of $5.7 million, within *Income related to previously owned equity affiliates* for the sale of our equity interest in SunBelt for the year ended December 31, 2011. Additionally, we recognized a $26.9 million, $23.4 million and $18.1 million pre-tax gain associated with the three annual earn-out payments related to the sale of our 50% equity interest in SunBelt made in 2013, 2012 and 2011, respectively.

Note 21 — SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2013 Quarters				2012 Quarters			
(In millions, except per share data)	Fourth (2)	Third (3)	Second (4)	First (5)	Fourth (6)	Third (7)	Second (8)	First (9)
Sales	$ 923.6	$ 1,008.9	$ 1,037.6	$ 801.1	$ 651.0	$ 707.7	$ 756.6	$ 745.5
Gross Margin	114.9	181.3	203.7	162.3	119.7	135.1	144.0	132.3
Operating income	48.7	61.6	80.7	40.5	13.3	43.5	43.3	37.4
Net income from continuing operations	20.6	23.0	38.3	11.0	0.1	19.4	18.4	15.3
Net income from continuing operations attributable to PolyOne shareholders	$ 21.0	$ 23.2	$ 38.6	$ 11.2	$ 0.2	$ 19.4	$ 18.4	$ 15.3
Net income from continuing operations per common share attributable to PolyOne common shareholders: (1)								
Basic net income - continuing operations	$ 0.22	$ 0.24	$ 0.39	$ 0.12	$ —	$ 0.22	$ 0.21	$ 0.17
Diluted net income - continuing operations	$ 0.22	$ 0.24	$ 0.39	$ 0.12	$ —	$ 0.22	$ 0.20	$ 0.17

(1) Per share amounts for the quarter and the full year have been computed separately. The sum of the quarterly amounts may not equal the annual amounts presented because of differences in the average shares outstanding during each period.
(2) Included for the fourth quarter 2013 are: 1) gains from the SunBelt earn-out of $26.8 million, 2) mark-to-market pension and other post-retirement benefit gains of $44.0 million, 3) environmental remediation costs of $52.6 million, 4) a gain related to the reimbursement of previously incurred environmental costs of $3.4 million and 5) employee separation and plant phase-out costs of $28.3 million.
(3) Included for the third quarter 2013 are: 1) $5.3 million in environmental remediation costs, 2) $10.9 million in employee separation and plant phase-out costs, 3) $7.0 million gain on commercial litigation, 4) $5.2 million in debt extinguishment costs associated with our outstanding debt repurchases and 5) $1.2 million of acquisition and divestiture-related costs.
(4) Included for the second quarter 2013 are: 1) pre-tax gain of $223.7 million related to the sale of the Resin Business, 2) $2.9 million in employee separation and plant phase-out costs, 3) acquisition and divestiture-related costs of $4.9 million, 4) environmental remediation costs of $1.3 million and 5) a gain related to the reimbursement of previously incurred environmental costs of $14.9 million.
(5) Included for the first quarter 2013 are: 1) $9.9 million in employee separation and plant phase-out costs 2) acquisition and divestiture-related costs of $8.7 million, 3) environmental remediation costs of $2.0 million, 4) a gain related to the reimbursement of previously incurred environmental costs of $5.2 million and 5) $10.6 million in debt extinguishment costs related to the early retirement of our senior secured term loan.
(6) Included for the fourth quarter 2012 are: 1) gains from the SunBelt earn-out of $23.0 million, 2) mark-to-market pension and other post-retirement benefit losses of $42.0 million, 3) environmental remediation costs of $3.1 million, 4) acquisition-related costs of $2.0 million, 5) bridge loan commitment fees of $1.3 million and 6) employee separation and plant phase-out costs of $1.0 million.
(7) Included for the third quarter 2012 are: 1) $5.2 million in environmental remediation costs and 2) $1.3 million in employee separation and plant phaseout costs.
(8) Included for the second quarter 2012 are: 1) $8.7 million in employee separation and plant phase-out costs and 2) environmental remediation costs of $2.9 million.
(9) Included for the first quarter 2012 are: 1) $5.4 million related to expensing the fair market value of acquired ColorMatrix inventory and 2) environmental remediation costs of $1.6 million.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

PolyOne’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of PolyOne’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2013. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Management’s annual report on internal control over financial reporting

The following report is provided by management in respect of PolyOne’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934):

1. PolyOne’s management is responsible for establishing and maintaining adequate internal control over financial reporting.

2. Under the supervision of and with participation of PolyOne’s management, including the Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2013 based on the guidelines established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992 Framework). Management believes that the COSO framework is a suitable framework for its evaluation of financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of PolyOne’s internal control over financial reporting, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of PolyOne’s internal control over financial reporting are not omitted and is relevant to an evaluation of internal control over financial reporting.

3. Based on the results of our evaluation, management has concluded that such internal control over financial reporting was effective as of December 31, 2013. There were no material weaknesses in internal control over financial reporting identified by management. The results of management's assessment were reviewed with our Audit Committee.

4. Ernst & Young LLP, who audited the consolidated financial statements of PolyOne for the year ended December 31, 2013, also issued an attestation report on PolyOne’s internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board. This attestation report is set forth on page 36 of this Annual Report on Form 10-K and is incorporated by reference into this Item 9A.

Changes in internal control over financial reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations in internal control over financial reporting

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding PolyOne’s directors, including the identification of the audit committee and the audit committee financial expert, is incorporated by reference to the information contained in PolyOne’s Proxy Statement with respect to the 2014 Annual Meeting of Shareholders (2014 Proxy Statement). Information concerning executive officers is contained in Part I of this Annual Report on Form 10-K under the heading “Executive Officers of the Registrant.”

The information regarding Section 16(a) beneficial ownership reporting compliance is incorporated by reference to the material under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2014 Proxy Statement.

The information regarding any changes in procedures by which shareholders may recommend nominees to PolyOne’s Board of Directors is incorporated by reference to the information contained in the 2014 Proxy Statement.

PolyOne has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. PolyOne’s code of ethics is posted under the Investor Relations tab of its website at www.polyone.com. PolyOne will post any amendments to, or waivers of, its code of ethics that apply to its principal executive officer, principal financial officer and principal accounting officer on its website.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive officer and director compensation is incorporated by reference to the information contained in the 2014 Proxy Statement.

The information regarding compensation committee interlocks and insider participation and the compensation committee report is incorporated by reference to the information contained in the 2014 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTER

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,219,089	$18.33	1,913,463[1]
Equity compensation plans not approved by security holders	—	—	—
Total	2,219,089	$18.33	1,913,463

(1) In addition to options, warrants and rights, the PolyOne Corporation 2010 Equity and Performance Incentive Plan (2010 EPIP) authorizes the issuance of restricted stock, RSUs, and performance shares. The 2010 EPIP limits the total number of shares that may be issued as one or more of these types of awards to 2.0 million. On May 9, 2012 our shareholders approved an amendment to this plan whereby, among other provisions, a total of 5.0 million common shares are reserved for grant under the 2010 EPIP. This number in the table also includes shares available under our existing Deferred Compensation Plan for Non-Employee Directors. This plan provides our non-employee Directors with a vehicle to defer their compensation in the form of shares. This plan provides that the aggregate number of our common shares that may be granted under the Deferred Compensation Plan for Non-Employee Directors in any fiscal year during the term of the plan will be equal to one-tenth of one percent, 0.1%, of the number of our common shares outstanding as of the first day of that fiscal year. At the end of 2013, 71,701 common shares remained available under this plan and our current Directors had a total of 264,439 shares deferred as of December 31, 2013. The deferred shares are held in a trust and are currently part of our outstanding common shares.

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

The information regarding certain relationships and related transactions and director independence is incorporated by reference to the information contained in the 2014 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding fees paid to and services provided by PolyOne’s independent registered public accounting firm and the pre-approval policies and procedures of the audit committee is incorporated by reference to the information contained in the 2014 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANACIAL STATEMENT SCHEDULES

(a)(1) Financial Statements:

The following consolidated financial statements of PolyOne Corporation are included in Item 8:

- Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011
- Consolidated Balance Sheets at December 31, 2013 and 2012
- Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011
- Consolidated Statements of Shareholders’ Equity for the years ended December 31, 2013, 2012 and 2011
- Notes to Consolidated Financial Statements

All other schedules for which provision is made in Regulation S-X of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a)(3) Exhibits.

Refer to the Exhibit Index, which is incorporated by reference herein.

SIGNATURES

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

POLYONE CORPORATION

February 13, 2014	BY:	/S/ BRADLEY C. RICHARDSON
		Bradley C. Richardson Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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 and on the dates indicated.

Signature and Title		
/S/ STEPHEN D. NEWLIN Stephen D. Newlin	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	Date: February 13, 2014
/S/ BRADLEY C. RICHARDSON Bradley C. Richardson	Executive President and Chief Financial Officer (Principal Financial and Accounting Officer)	Date: February 13, 2014
/S/ CAROL A. CARTWRIGHT Carol A. Cartwright	Director	Date: February 13, 2014
/S/ RICHARD H. FEARON Richard H. Fearon	Director	Date: February 13, 2014
/S/ GREGORY J. GOFF Gregory J. Goff	Director	Date: February 13, 2014
/S/ GORDON D. HARNETT Gordon D. Harnett	Director	Date: February 13, 2014
/S/ SANDRA BEACH LIN Sandra Beach Lin	Director	Date: February 13, 2014
/S/ RICHARD A. LORRAINE Richard A. Lorraine	Director	Date: February 13, 2014
/S/ WILLIAM H. POWELL William H. Powell	Director	Date: February 13, 2014
/S/ KERRY J. PREETE Kerry J. Preete	Director	Date: February 13, 2014
/S/ FARAH M. WALTERS Farah M. Walters	Director	Date: February 13, 2014
/S/ WILLIAM A. WULFSOHN William A. Wulfsohn	Director	Date: February 13, 2014

EXHIBIT INDEX

Exhibit No.	Exhibit Description
2.1†	Purchase Agreement, dated as of February 28, 2011, by and among PolyOne Corporation, 1997 Chloralkali Venture, LLC, Olin Corporation and Olin SunBelt II, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed March 3, 2011, SEC File No. 1-16091).
2.2†	Agreement and Plan of Merger, dated as of September 30, 2011, among PolyOne Corporation, 2011 ColorNewton Inc., ColorMatrix Group, Inc., and Audax ColorMatrix Holdings, LLC (Incorporated by reference to Exhibit 2.1 to PolyOne Corporation's current report on Form 8-K filed on October 5, 2011, SEC File No. 1-16091).
2.3†	Agreement and Plan of Merger, dated October 23, 2012, by and among PolyOne Corporation, 2012 RedHawk, Inc., 2012 RedHawk, LLC and Spartech Corporation (Incorporated by reference to Exhibit 2.1 to PolyOne Corporation's current report on Form 8-K filed on October 24, 2012, SEC File No. 1-16091)
2.4†	Asset Purchase Agreement, dated as of March 25, 2013, by and between PolyOne Corporation and Mexichem Specialty Resins Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed March 27, 2013, SEC File No. 1-16091)
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-16091)
3.2	Amendment to the Second Article of the Articles of Incorporation, as filed with the Ohio Secretary of State, November 25, 2003 (incorporated by reference to Exhibit 3.1a to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, SEC File No. 1-16091)
3.3	Regulations (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 17, 2009, SEC File No. 1-16091)
4.1	Indenture, dated as of December 1, 1995, between the Company and NBD Bank, as trustee (incorporated by reference to Exhibit 4.3 to The Geon Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-11804)
4.2	Indenture, dated as of September 24, 2010, between the Company and Wells Fargo Bank, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, SEC File No. 1-16091)
4.3	First Supplemental Indenture, dated as of September 24, 2010, between the Company and Wells Fargo Bank, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report Form 10-Q for the quarter ended September 30, 2010, SEC File No. 1-16091)
4.4	Indenture, dated February 28, 2013, between PolyOne Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 5, 2013, SEC File No. 1-16091)
10.1	Amended and Restated Credit Agreement, dated March 1, 2013, among the Company, PolyOne Canada and certain other subsidiaries of the Company, Wells Fargo Capital Finance, LLC, as administrative agent, Bank of America, N.A. and U.S. Bank National Association, as syndication agents, PNC Bank National Association and KeyBank National Association, as documentation agents, and Wells Fargo Capital Finance, LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and bookrunners (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 5, 2013, SEC File No. 1-16091)
10.2	Registration Rights Agreement, dated February 28, 2013, between PolyOne Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 5, 2013, SEC File No. 1-16091)
10.3+	Form of Award Agreement under the 2010 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, SEC File No. 1-16091)
10.4+	PolyOne Corporation 2010 Equity and Performance Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, Registration Statement No. 333-166775, filed on May 12, 2010)
10.5+	PolyOne Senior Executive Annual Incentive Plan (effective January 1, 2011) (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A, SEC File No. 1-16091, filed on March 29, 2010)
10.6+	Form of Grant of Stock-Settled Stock Appreciation Rights under the 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, SEC File No. 1-16091)
10.7+	1999 Incentive Stock Plan, as amended and restated through August 31, 2000 (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-16091)
10.8+	Amended and Restated Benefit Restoration Plan (Section 401(a)(17)) (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, SEC File No. 1-16091)
10.9+	2005 Equity and Performance Incentive Plan (amended and restated by the Board as of July 21, 2005) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, SEC File No. 1-16091)
10.10+	Amended and Restated Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, SEC File No. 1-16091)
10.11+	Form of Management Continuity Agreement for Executive Officers prior to 2011 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, SEC File No. 1-16091)
10.12+	Form of Management Continuity Agreement for Executive Officers after 2011**

Exhibit No.	Exhibit Description
10.13+	Schedule of Executive Officers with Management Continuity Agreements**
10.14+	PolyOne Supplemental Retirement Benefit Plan (As Amended and Restated Effective January 1, 2014)**
10.15+	Amended and Restated Letter Agreement, dated as of July 16, 2008, between the Company and Stephen D. Newlin, originally effective as of February 13, 2006 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, SEC File No. 1-16091)
10.16	Assumption of Liabilities and Indemnification Agreement, dated March 1, 1993, amended and restated by Amended and Restated Assumption of Liabilities and Indemnification Agreement, dated April 27, 1993 (incorporated by reference to Exhibit 10.14 to The Geon Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-11804)
10.17	Unconditional and Continuing Guaranty, between the Company and Olin Corporation and Sunbelt Chlor Alkali Partnership (incorporated by reference to Exhibit 10(c) to The Geon Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, SEC File No. 1-11804)
10.18	Asset Contribution Agreement - PVC Partnership (Geon) (incorporated by reference to Exhibit 10.3 to The Geon Company's Current Report on Form 8-K filed on May 13, 1999, SEC File No. 1-11804)
10.19+	Form of Award Agreement for Stock-Settled Stock Appreciation Rights (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, SEC File No. 1-16091)
10.20+	PolyOne Corporation 2008 Equity and Performance Incentive Plan (incorporated herein by reference to Appendix A to the Registrant's proxy statement on Schedule 14A (SEC File No. 1-16091), filed on March 25, 2008)
10.21+	Form of Award Agreement for Stock-Settled Stock Appreciation Rights (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 1-16091)
10.22+	First Amendment to The Geon Company Section 401(a)(17) Benefit Restoration Plan (December 31, 2007 Restatement) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, SEC File No. 1-16091)
10.23+	Form of Grant of Stock-Settled Stock Appreciation Rights under the 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, SEC File No. 1-16091)
10.24+	Executive Severance Plan, as amended and restated effective February 17, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, SEC File No. 1-16091)
10.25	First Amendment to the PolyOne Corporation 2010 Equity and Performance Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A, SEC File No. 1-16091, filed on March 23, 2012)
10.26+	Form of 2012 Award Agreement under the PolyOne Corporation 2010 Equity and Performance Incentive Plan, as amended (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, SEC File No. 1-16091)
10.27+	Form of 2013 Award Agreement under the PolyOne Corporation 2010 Equity and Performance Incentive Plan, as amended**
10.28+	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 5, 2006, SEC File No. 1-16091)
21.1	Subsidiaries of the Company**
23.1	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP**
31.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
31.2	Certification of Bradley C. Richardson, Executive Vice President and Chief Financial Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
32.1	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Stephen D. Newlin, Chairman, President and Chief Executive Officer**
32.2	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Bradley C. Richardson, Executive Vice President and Chief Financial Officer**
101 .INS	XBRL Instance Document**
101 .SCH	XBRL Taxonomy Extension Schema Document**
101 .CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101 .LAB	XBRL Taxonomy Extension Label Linkbase Document**

Exhibit No.	Exhibit Description
101 .PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101 .DEF	XBRL Taxonomy Definition Linkbase Document**

+ Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants

† The exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be provided to the Securities and Exchange Commission upon request.

** Filed herewith.

PolyOne Corporation
33587 Walker Road
Avon Lake, OH 44012
Phone 440.930.1000
www.polyone.com

[Date]

[Name]
[Title]
[Address]

Dear ___________________________:

PolyOne Corporation (the "Company") considers the establishment and maintenance of a sound and vital senior management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change of control may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the distraction and even the departure of senior management personnel to the detriment of the Company and its shareholders. Accordingly, the Company's Board of Directors has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's senior management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change of control of the Company.

In order to induce you to remain in the employ of the Company, and to continue your employment notwithstanding the occurrence or threat of occurrence of a transaction that results in a change of control of the Company, this letter agreement ("Agreement") sets forth the benefits that the Company agrees shall be provided to you in the event a Change of Control (as hereinafter defined in Paragraph 3) should occur during the term of this Agreement and in the event that your employment is thereafter terminated under such circumstances as are expressly provided in Paragraph 4.

In making provision for the payment of these benefits, it is not the Company's intention to alter in any way the compensation and benefits that would be paid to you in the absence of a Change of Control.

1. TERM. This Agreement shall commence on [DATE] and shall continue through December 31, _____, *provided*, *however*, that commencing on January 1, _____and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year, unless at least 90 days prior to such January 1st date, the Company shall have given notice that it does not wish to extend this Agreement; provided, however, that prior to the occurrence of a Change of Control, notwithstanding such

extension, the term of this Agreement shall automatically end when you cease to serve as an elected officer of the Company. Upon the occurrence of a Change of Control during the term of this Agreement, including any extensions thereof, this Agreement shall automatically be extended until the end of your Period of Employment (as hereinafter defined in Paragraph 2), and may not be terminated by the Company during such time.

2. PERIOD OF EMPLOYMENT. Your "Period of Employment" shall commence on the date on which a Change of Control occurs and shall end on the date that is ____ months after the date on which such Change of Control occurs. Notwithstanding the foregoing, however, your Period of Employment shall not extend beyond the Mandatory Retirement Date (as hereinafter defined in Paragraph 3) applicable to you.

3. CERTAIN DEFINITIONS. For purposes of this Agreement:

(a) A "Change of Control" shall mean

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided, however*, that for purposes of this subparagraph (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subparagraph (ii), below), (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any Person pursuant to a transaction that complies with clauses (A), (B) and (C) of subparagraph (iii) below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% of more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board" (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction ("Business Combination") excluding, however, such a Business

Combination pursuant to which (A) the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

(b) The term "Mandatory Retirement Date" shall mean the compulsory retirement date, if any, established by the Company for those executives of the Company who, by reason of their positions and the size of their nonforfeitable annual retirement benefits under the Company's pension, profit-sharing, and deferred compensation plans, are exempt from the provisions of the Age Discrimination in Employment Act, 29 U.S.C. Sections 621, et seq., which date shall not in any event be earlier for any executive than the last day of the month in which such executive reaches age 65.

(c) The term "Section 409A Guidance" shall mean collectively Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any proposed, temporary or final regulations or other formal guidance issued by the Secretary of the Treasury or the Internal Revenue Service with respect thereto.

4. COMPENSATION UPON TERMINATION OF EMPLOYMENT. If, during the Period of Employment, the Company shall terminate your employment for any reason (other than for a reason and as expressly provided in Paragraph 5 hereof), or if you shall terminate your employment for "Good Reason" (as hereinafter defined in subparagraph 4(g)), then the Company shall be obligated to compensate you as follows:

(a) (i) If the Change of Control constitutes a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of the Section 409A Guidance (a "Section 409A Change of Control"), the Company shall pay to you in a lump sum an amount equal to the product of one-twelfth of your annualized Base Salary, multiplied by the number of months, including fractional months, in the Payment Period. For purposes of this Paragraph 4, (A) the "Payment Period" shall be equal to the shorter of (I) _____ months, commencing on the Date of Termination, or (II) the period from the Date of Termination to your Mandatory Retirement Date, if any, and (B) "Base Salary" shall be equal to your base salary at the rate in effect immediately prior to the Change of Control or, if greater, immediately prior to the Date of Termination. If the Change of Control does not constitute a Section 409A Change of Control, the Company shall continue your Base Salary for the Payment Period.

(ii) Subject to Paragraph 4(f), payment made pursuant to this Paragraph 4(a): (A) shall be made, in the case of payment following a Section 409A Change of Control, on the date 60 calendar days after the Date of Termination (the "Initial Payment Date"), and (B) shall commence, in the case of payments following a Change of Control that does not constitute a Section 409A Change of Control, with the first payroll period that commences on or after the Initial Payment Date. Each payment under this Paragraph 4 shall be considered a separate payment and not one of a series of payments.

(b) The Company shall pay you in a lump sum an amount equal to the product of (x) the number of months, including fractional months, in the Payment Period and (y) under the Company's annual bonus or similar incentive plan (the "Annual Incentive Plan"), one-twelfth of your "target annual incentive amount". Your "target annual incentive amount" under the Annual Incentive Plan is determined by multiplying your incentive target percentage for the calendar year in which the Change of Control occurs by your annual base salary in effect immediately prior to the Change of Control. Subject to Paragraph 4(f), payment made pursuant to this Paragraph 4(b) shall be made on the Initial Payment Date.

(c) (i) The Company shall maintain in full force and effect, for your continued benefit, for the Payment Period, all health and welfare benefit plans and programs or arrangements, other than the Company's long-term disability plan, in which you were entitled to participate immediately prior to the Date of Termination (collectively, the "Health Plans"), as long as your continued participation is possible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall provide you with benefits substantially similar to those to which you would have been entitled to receive under such plans and programs ("Comparable Benefits"), had you continued to participate in them as an employee of the Company. Notwithstanding the preceding two sentences, this subparagraph 4(c)(i) shall not restrict the Company's right to modify or discontinue any benefit; *provided*, *however*, that you shall not be treated less favorably than similarly situated active employees (including non-highly compensated, salaried employees as similarly situated for such purpose) who were employed by the Company immediately prior to the Change of Control.

(ii) You will be required to pay the full cost during the Payment Period of continuation coverage in the Health Plans and of any Comparable Benefits that are subject to Code section 105 on an after-tax basis. On the Initial Payment Date and on January 2 of each of the years during the Payment Period following the year in which the Initial Payment Date occurs, the Company will make a payment to you (the "Health Plans Premium Reimbursement") equal to the difference between (A) the amount you are required to pay during the calendar year of payment for such continuation coverage and, with respect to the payment on the Initial Payment Date, the amount, if any, you are required to pay for such continuation coverage in the prior year, and (B) the amount you would have been required to pay during such years for such continuation coverage if you had paid the same percentage of the cost that a similarly situated active employee would pay, as of the Date of Termination. The Company will reimburse the amount of the federal, state and local taxes imposed on you as a result of your receipt of the Health Plans Premium Reimbursement, such reimbursement to be made subject to Paragraph 4(f) and no later than December 31 of the year following the year in which you remitted the applicable taxes. Your right to continuation coverage under the Health Plans and any Comparable Benefits pursuant to Paragraph 4(c)(i) shall satisfy the Health Plans' obligation to provide you continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(iii) If you have met the requirements for retirement eligibility under the Company's general retirement policies on the Date of Termination, the Company shall provide you after the end of the Payment Period with those health and welfare benefits, if any, as in effect from time to time, to which you would have been entitled under the Company's general retirement policies if you had been eligible to retire and you had retired immediately prior to the Change of Control, with the Company paying that percentage of the premium cost of the plans that it would have paid under the terms of the plans in effect immediately prior to the Change of Control with respect to individuals who retire at age 65, regardless of your actual age on the Date of Termination. If the percentage of premium cost that the Company pays for you is greater than the percentage of premium cost that the Company pays for other similarly situated retirees, the Company may treat the differential amount as taxable to you and pay you an additional amount in cash equal to the amount necessary to cause the after-tax value of the benefit that you receive to be equal to the after-tax value of the benefit you would have received had the Company not treated the differential amount as taxable to you. Such payment shall be made subject to Paragraph 4(f) and no later than December 31 of the year following the year in which you remitted the applicable taxes. Notwithstanding the preceding two sentences, this subparagraph 4(c)(iii) shall not restrict the Company's right to modify or discontinue any benefit, or the portion of the premium cost thereof paid by the Company; *provided*, *however*, that you shall not be treated less favorably with respect to any such modification or discontinuance than similarly situated individuals (including non-highly compensated, salaried employee retirees as similarly situated for such purpose) who retired at or after age 65 under the terms and conditions in effect immediately prior to the Change of Control (or under the terms and conditions that would have applied to persons who were eligible to retire, if they had retired, immediately prior to the Change of Control);

(d) The Company shall pay you a financial planning/tax preparation allowance equal to the full amount of the annual financial planning/tax preparation allowance you were entitled to receive immediately prior to the Change of Control (without the requirement to submit itemized invoices). Such amount will be paid (i) in a lump sum on the Initial Payment Date if the Change of Control constitutes a Section 409A Change of Control, or (ii) in twelve equal monthly installments commencing on the Initial Payment Date if the Change of Control does not constitute a Section 409A Change of Control; and

(e) (i) The Company shall, in addition to the benefits to which you are entitled under the retirement plans or programs in which, as of immediately prior to the Change of Control, you both participate and are actually accruing benefits, pay you in a lump sum in cash an amount equal to the excess, if any, of (A) the actuarial equivalent of the retirement pension to which you would have been entitled under the terms of such retirement plans or programs had you accumulated additional years of continuous service under such plans equal in length to your Payment Period, over (B) the actuarial equivalent of the retirement pension to which you are entitled under the terms of such retirement plans or programs, determined without regard to this subparagraph (i). For purposes of subparagraph (i), (w) the terms of a retirement plan or program shall be those in effect immediately prior to the Change of Control or the Date of Termination, whichever is more favorable to you; (x) the length of the Payment Period shall be added to total years of continuous service for determining vesting and the amount of benefit accrual and to the age that you will be considered to be for the purposes of determining eligibility for normal or early retirement calculations; (y) your actual age shall be used for determining the amount of any actuarial reduction; and (z) for the purposes of calculating benefit accrual, the amount of compensation you shall be deemed to have received during each month of your Payment Period shall be equal to the sum of your Base Salary prorated on a monthly basis, plus under the Annual Incentive Plan, one-twelfth of your "target annual incentive amount" in effect prior to the Change of Control for the calendar year in which the Change of Control occurs. For purposes of this subparagraph (i), "retirement plan or program" shall mean any plan or program to the extent such plan or program is a "defined benefit plan," within the meaning of Section 3(35) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and "actuarial equivalent" shall be determined using the same methods and assumptions as those utilized immediately prior to the Change of Control under the applicable retirement plan or program in which you participate for purposes of this subparagraph (i). Subject to Paragraph 4(f), payment made pursuant to this Paragraph 4(e)(i) shall be made on the Initial Payment Date.

(ii) The Company shall, in addition to the benefits to which you are entitled under any defined contribution plans and programs in which, as of immediately prior to the Change of Control, you are eligible to participate and receive employer contributions, pay you in a lump sum in cash an amount equal to the product of (A) the sum of all amounts payable to you under subparagraphs 4(a) and 4(b), multiplied by (B) the sum of (x) the aggregate maximum percentage(s) of eligible compensation you were eligible to receive as employer matching contributions under all such defined contribution plans for the plan year(s) in which occurs the Change of Control or the Date of Termination, whichever is more favorable to you, determined without regard to any change in any such plan adverse to you adopted after the Change of Control, plus (y) the aggregate maximum percentage(s) of eligible compensation you were eligible to receive as employer non-elective contributions under all such defined contribution plans for the plan year(s) in which occurs the Change of Control or the Date of Termination, whichever is more favorable to you, determined without regard to any change in any such plan adverse to you adopted after the Change of Control. For purposes of this subparagraph (ii), defined contribution plan or program shall mean any plan or program to the extent such plan or program is a "defined contribution plan," within the meaning of Section 3(34) of ERISA; "employer matching contributions" shall mean those employer contributions that are conditioned upon your making employee after-tax contributions and/or employee pre-tax contributions and that are not "discretionary contributions" (as hereinafter defined), but in no event shall employer matching contributions be deemed to include employee pre-tax contributions regardless of whether employee pre-tax contributions are considered employer contributions for any purpose; "employer non-elective contributions" shall mean employer contributions that are not employer matching contributions and that are not "discretionary contributions" (as hereinafter defined); "discretionary contributions" shall mean employer contributions that under the terms of the applicable defined contribution plan as in effect immediately prior to the Change of Control or the Date of Termination, whichever is more favorable to you, were not required to be made, determined without regard to any requirement that the participant be employed during the plan year or at another relevant time in order to be eligible to receive such contributions, except that an employer contribution that would otherwise be considered a discretionary contribution under this definition shall not be considered a discretionary contribution if prior to the Date of Termination, the Company (or other employer related to the Company maintaining the plan) has communicated to participants in such plan that such contribution will, or is likely to, be made. For purposes of determining the maximum percentage of eligible compensation you were eligible to receive as employer matching contributions and/or for purposes of determining the maximum percentage of eligible compensation you were eligible to receive as employer non-elective contributions, if under the terms of the applicable defined contribution plan the contribution structure is a per capita structure or a step-rate or similar structure, or if the contribution structure has changed during the plan year, then the maximum percentage shall be determined or adjusted as necessary or appropriate to carry out the intent of this subparagraph (ii); provided that if you are also covered with respect to any such defined contribution plan (the "first plan") by another defined contribution plan that provides for contributions in respect of any limitations under the terms of the first plan, there shall be no duplication of payment with respect to those arrangements. Subject to Paragraph 4(f), payment made pursuant to this Paragraph 4(e)(ii) shall be made on the Initial Payment Date.

(f) Notwithstanding anything to the contrary in this Paragraph 4, if you are a "specified employee," as determined by the Company in its Specified Employee Designation Procedure, on the Date of Termination and any payment under this Agreement would be considered to be deferred compensation under Section 409A of the Code, then any such payment that is considered to be deferred compensation that would otherwise be payable during the six-month period following the Date of Termination will instead be paid on the earlier of (i) the first business day of the seventh month following the Date of Termination, or (ii) your death. Any amount that would have been paid during the six-month period following the Date of Termination if payment would have been made or commenced on the Initial Payment Date shall not be paid during such period, but instead shall be paid on the first business day of the seventh month following the Date of Termination.

(g) For purposes of this Agreement, “Good Reason” shall mean the failure of the Company to remedy any of the following within 10 calendar days after receipt by the Company within the Employment Period of written notice thereof from you:

(i) except as a result of the termination of your employment pursuant to Paragraph 5 hereof and without your express written consent, (A) one or more changes in your duties, responsibilities, reporting relationships and status that, when considered in the aggregate as compared with your duties, responsibilities, reporting relationships and status immediately prior to a Change of Control, constitute a material demotion, (B) the assignment to you of new duties or responsibilities that, in the aggregate, (1) are materially inconsistent with, and (2) materially and adversely change, your positions, duties, responsibilities, reporting relationships and status as in effect immediately prior to a Change of Control, (C) a reduction in your annual Base Salary or target annual incentive amount, (D) the failure to continue your health, welfare and retirement benefits, perquisites, vacation policy, fringe benefits, long-term incentive compensation programs, and relocation benefits and policies (including indemnification against loss on the sale of your residence in connection with your relocation) on either a substantially similar basis or with substantially similar aggregate economic value, as compared with immediately prior to a Change of Control, (E) the Company requires that you change the principal location of your work, which results in an additional commute of more than 50 miles, or (F) the Company requires you to travel away from your office in the course of discharging your responsibilities or duties at least one-third more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison) than was required of you for the calendar year immediately preceding the Change of Control;

(ii) the failure of the Company to obtain the assumption of and the agreement to perform this Agreement by any successor as contemplated in Paragraph 11 hereof; or

(iii) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Paragraph 6 hereof.

5. TERMINATION FOR CAUSE OR UPON DISABILITY, RETIREMENT OR DEATH. If your employment is terminated for any of the following reasons and in accordance with the provisions of this Paragraph 5, you shall not be entitled by virtue of this Agreement to any of the benefits provided in the foregoing Paragraph 4:

(a) If, as a result of your incapacity due to physical or mental illness, you shall have been absent from your duties with the Company on a full-time basis for 120 consecutive business days, and within thirty (30) days after a written Notice of Termination (as hereinafter defined in Paragraph 6) is given, you shall not have returned to the full-time performance of your duties;

(b) If the Company shall have Cause. For the purposes of this Agreement, the Company shall have “Cause” to terminate your employment hereunder upon (i) the willful and continued failure by you to substantially perform your duties with the Company, which failure causes material and demonstrable injury to the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and after you have been given a period (hereinafter known as the “Cure Period”) of at least thirty (30) days to correct your performance, or (ii) the willful engaging by you in other gross misconduct materially and demonstrably injurious to the Company. For purposes of this paragraph, no act, or failure to act, on your part shall be considered “willful” unless conclusively demonstrated to have been done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of the Company.

Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a Notice of Termination which shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board (excluding you for this purpose, if you are then a member of the Board) at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (i) or (ii), including the expiration of the Cure Period without the correction of your performance, or of the preceding subparagraph and specifying the particulars thereof in detail.

(c) If you die while employed by the Company or if you retire from such employment during your Period of Employment, then you shall not be entitled to any of the benefits provided by this Agreement and the benefits to which you or your beneficiary shall be entitled shall be determined without regard to the provisions hereof.

6. NOTICE OF TERMINATION. Any termination of your employment by the Company or any termination by you for Good Reason shall be communicated by written notice to the other party hereto. For purposes of this Agreement, such notice shall be referred to as a "Notice of Termination." Such notice shall, to the extent applicable, set forth the specific reason for termination, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

7. DATE OF TERMINATION. "Date of Termination" shall mean the date on which you incur a "separation from service" from the Company within the meaning of Section 409A(c)(2)(A)(i) of the Code.

(a) If you terminate your employment for Good Reason, the proposed Date of Termination shall be the date specified in the Notice of Termination, which in no event will be more than sixty (60) days after Notice of Termination is given;

(b) If your employment is terminated for Cause under subparagraph 5(b), the proposed Date of Termination shall be the date on which a Notice of Termination is given, except that the Date of Termination shall not be any date prior to the date on which the Cure Period expires without the correction of your performance;

(c) If your employment pursuant to this Agreement is terminated following absence due to physical incapacity, under subparagraph 5(a), then the proposed Date of Termination shall be thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such thirty (30) day period); or

(d) If your employment is terminated by the Company other than under subparagraph 7(b) or 7(c), the proposed Date of Termination shall be the date specified in the Notice of Termination.

Subject to subparagraph 10(b), a termination of employment by either the Company or by you shall not affect any rights you or your surviving spouse may have pursuant to any other agreement or plan of the Company providing benefits to you, except as provided in such agreement or plan.

8. ADJUSTMENT OF PAYMENTS. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by you or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement

or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by the Company's independent accountants, which shall provide detailed supporting calculations both to the Company and to you within 15 business days of the Date of Termination or such earlier time as is requested by the Company. The fact that your right to payments or benefits may be reduced by reason of the limitations contained in this Section 8 will not of itself limit or otherwise affect any other of your rights under this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 8, the Company will reduce your payment and/or benefits, to the extent required, in the following order: (i) the payments described in Paragraph 4(a)(i) of this Agreement; (ii) the lump sum payment described in Paragraph 4(b) of this Agreement; (iii) the lump sum payment described in Paragraph 4(e)(i) of this Agreement; (iv) the lump sum payment described in Paragraph 4(e)(ii) of this Agreement; (v) the Health Plans Premium Reimbursement described in Paragraph 4(c)(ii) of this Agreement; (vi) the payments described in Paragraph 4(c)(iii) of this Agreement; (vii) the benefits described in Paragraph 4(d) of this Agreement; and (viii) the benefits described in Paragraph 4(c)(i) of this Agreement.

9. COVENANTS.

(a) During the term of this Agreement specified in Paragraph 1 (the "Term") and for a period ending one year following the Date of Termination, if you have received or are receiving benefits under this Agreement, you shall not, without the prior written consent of an officer of the Company, directly or indirectly, engage in any Competitive Activity. For this purpose, "Competitive Activity" means your participation in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 10% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any publicly-traded enterprise, if such ownership is less than 5% of the outstanding voting securities or units of such enterprise or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.

(b) During the Term, the Company agrees that it will disclose to you its confidential or proprietary information (as defined in this subparagraph 9(b)) to the extent necessary for you to carry out your obligations to the Company. You hereby covenant and agree that you will not during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" shall include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by your breach of this subparagraph 9(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information shall include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" shall also include any subsidiary controlled by the Company (collectively, the "Restricted Group"). The foregoing obligations imposed by this subparagraph 9(b) shall not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information has become, through no fault of yours, generally known to the public or (iii) if you are required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement). These rights of the Company are in addition to and without limitation to those rights and remedies otherwise available by law for protection of the types of such confidential or proprietary information.

(c) You hereby covenant and agree that during the Term and for a period ending one year after the Date of Termination you will not, without the prior written consent of the Company, on your behalf or on behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee or customer of the Restricted Group to give up, or to not commence, employment or a business relationship with the Restricted Group.

(d) You and the Company agree that the covenants contained in this Paragraph 9 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court shall have the right, power and authority to excise or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants as so amended. You acknowledge and agree that the remedy at law available to the Company for breach of any of your obligations under this Paragraph 9 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, you acknowledge, consent and agree that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of your violation of any such provision of this Agreement, the Company shall be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage.

10. NO OBLIGATION TO MITIGATE DAMAGES; NO EFFECT ON OTHER CONTRACTUAL RIGHTS.

(a) You shall not be required to refund the amount of any payment or employee benefit provided for or otherwise mitigate damages under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for under this Agreement be reduced by any compensation or the value of any benefits earned by you as the result of any employment by another employer after the date of termination of your employment with the Company, or otherwise. Subject to subparagraph 10(b), the provisions of this Agreement, and any payment or benefit provided for hereunder, shall not reduce any amount otherwise payable, or in any way diminish your existing rights, or rights which would occur solely as a result of the passage of time, under any other agreement, contract, plan or arrangement with the Company.

(b) To the extent, and only to the extent, a payment or benefit that is paid or provided under this Agreement would also be paid or provided under the terms of another plan, program, agreement or arrangement of, or assumed by, the Company or any of its affiliates, or required to be provided by local law, including, without limitation, any employment agreement or Management Continuity Agreement, you will be entitled to payment or benefit under this Agreement or such other plan, program, agreement, arrangement or legal requirement, whichever provides for greater benefits, but will not be entitled to benefits under both this Agreement and such other plan, program, agreement, arrangement or legal requirement.

11. SUCCESSORS AND BINDING AGREEMENT.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to you, to assume and agree to perform this Agreement.

(b) This Agreement shall be binding upon the Company and any successor of or to the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed “the Company” for the purposes of this Agreement), but shall not otherwise be assignable by the Company.

(c) This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you pursuant to Paragraph 4 hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance

with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.
12. NOTICES. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.
13. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.
14. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by you and the 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 shall 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, express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way. References to Paragraphs and subparagraphs are to paragraphs and subparagraphs of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation shall also include any successor provision thereto.
15. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.
16. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.
17. WITHHOLDING OF TAXES. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.
18. NONASSIGNABILITY. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Paragraph 11 above. Without limiting the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and in the event of any attempted assignment or transfer contrary to this Paragraph 18, the Company shall have no liability to pay any amounts so attempted to be assigned or transferred.
19. DISPUTE RESOLUTION.

(a) All disputes arising out of, relating to or concerning this Agreement, the breach of this Agreement, your termination, or the termination of your employment shall be resolved pursuant to this Paragraph 19. This includes all claims or disputes whether arising in tort or contract and whether arising under statute or common law, including, without limitation, Ohio Revised Code Chapter 4112.01 et seq., Ohio Revised Code Section 4117.01, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act of 1967, as amended, and all other federal and state employment statutes. Any such dispute shall be resolved by arbitration held in

Cleveland, Ohio, under the then-current Employment Dispute rules of the American Arbitration Association (“AAA”). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections l-16, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This agreement to arbitrate shall be specifically enforceable. Notwithstanding the foregoing, the Company shall not be required to seek or participate in arbitration regarding any breach of your covenants contained in Paragraph 9, but may pursue its remedies for such breach in a court of competent jurisdiction in the city in which the Company’s principal executive offices are based.

(b) You and the Company agree that you or it must file any request for arbitration with the AAA and serve on the other party within six (6) months after the date on which the dispute arose and hereby waive any statute of limitations to the contrary.

(c) The arbitrator shall have no authority to extend, modify, or suspend any of the terms of this Agreement. The arbitrator is not empowered to award damages in excess of compensatory damages and you and the Company hereby waive any right to recover such damages with respect to any dispute resolved by arbitration. The Company shall pay the fees and costs of the arbitrator. The arbitrator shall make his award in writing and shall accompany it with an opinion discussing the evidence and setting forth the reasons for his award. The decision of the arbitrator within the scope of the submission shall be final and binding on you and the Company, and any right to judicial action on any matter subject to arbitration hereunder is waived (unless otherwise required by applicable law), except suit to enforce this arbitration award. If the rules of the AAA differ from those of this Paragraph 19, the provisions of this Paragraph 19 shall control.

20. LEGAL FEES AND EXPENSES. If a Change of Control shall have occurred, thereafter the Company shall pay and be solely responsible for:

(i) 00% of the first $100,000 and

(ii) 70% of any excess above $100,000, of

any and all attorneys’ and related fees and expenses incurred by you to successfully (in whole or in part, and whether by modification of the Company’s position, agreement, compromise, settlement, or administrative or judicial determination) enforce this Agreement or any provision hereof or as a result of the Company or any shareholder of the Company contesting the validity or enforceability of this Agreement or any provision hereof. To secure the foregoing obligation, the Company shall, within 90 days after being requested by you to do so, enter into a contract with an insurance company, open a letter of credit or establish an escrow in a form satisfactory to you. All reimbursements under this Paragraph 20 shall be for expenses incurred by you during your lifetime. Reimbursement shall be made no sooner than the first business day of the seventh month following the Date of Termination and in all events shall be made prior to the last day of the calendar year following the calendar year in which you incurred the expense. In no event will the amount of expenses so reimbursed by the Company in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each provision of reimbursement pursuant to this Paragraph 20 shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code.

21. EMPLOYMENT RIGHTS. Nothing expressed or implied in this Agreement shall create any right or duty on your part or on the part of the Company to have you remain in the employment of the Company prior to the commencement of the Period of Employment; *provided, however*, that any termination of your employment, for any reason other than those set forth in Paragraph 5, following the commencement of any discussion with a third party, or the announcement by a third party of the commencement of, or the intention to commence, a tender offer, or other intention to acquire all or a portion of the equity securities of the Company that ultimately results in a Change of Control shall (unless such termination is conclusively demonstrated to have been wholly unrelated to any such activity relating to a Change of Control) be deemed to be a termination of your employment after a Change of Control for

purposes of this Agreement and both the Period of Employment and the Payment Period shall be deemed to have begun on the date of such termination.

22. RIGHT OF SETOFF. There shall be no right of setoff or counterclaim against, or delay in, any payment by the Company to you or your designated beneficiary or beneficiaries provided for in this Agreement in respect of any claim against you or any debt or obligation owed by you, whether arising hereunder or otherwise.

23. RIGHTS TO OTHER BENEFITS. Except as provided in subparagraph 10(b), the existence of this Agreement and your rights hereunder shall be in addition to, and not in lieu of, your rights under any other of the Company's compensation and benefit plans and programs, and under any other contract or agreement between you and the Company.

24. RELEASE. Notwithstanding any provision of this Agreement to the contrary, the Company shall not pay or provide any compensation or benefits hereunder in connection with the termination of your employment unless, prior to the sixtieth (60th) day following the Date of Termination, you first sign a general release substantially in the form attached hereto as Exhibit A and you do not revoke such release during the time period set forth therein for revocation.

25. SURVIVAL. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Paragraphs 4, 8, 9, 19, 20, 21 and 26 shall survive any termination or expiration of this Agreement or the termination of your employment following a Change of Control for any reason whatsoever.

26. SOURCE OF PAYMENT. All payments under this Agreement shall be made solely from the general assets of the Company or one of its subsidiaries (or from a grantor trust, if any, established by the Company for purposes of making payments under this Agreement and other similar agreements), and you shall have the rights of an unsecured general creditor of the Company with respect thereto. The Company may, but need not, establish a trust to fund its obligations under the Agreement; provided, however, that if the Company establishes such a trust, any funds contained therein shall remain liable for the claims of the Company's general creditors. Notwithstanding the above, upon the earlier to occur of (a) a Change of Control or (b) a declaration by the Company's Board of Directors that a Change of Control is imminent, to the extent permitted by applicable law, the Company shall promptly, to the extent it has not previously done so, establish a trust to fund its obligations under this Agreement and transfer to the trustee of such trust, to be added to the principal thereof, an amount sufficient to fund all payments which would be made to you hereunder if your employment was terminated on the date of the Change of Control under circumstances in which payments under Paragraph 4 hereof would become due and payable to you, including, without limitation, cash in an amount sufficient to fund payments of all future welfare plan benefits as provided in subparagraph 4(c) hereof, in each case based on reasonable estimates. In no event shall any amount be transferred to a trust described in this Paragraph 26 if, pursuant to Section 409A(b)(3)(A) of the Code, such amount would, for purposes of Section 83 of the Code, be treated as property transferred in connection with the performance of services.

27. SECTION 409A COMPLIANCE. It is intended that this Agreement 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 distributed or made available to you or your beneficiaries. This Agreement shall be administered in a manner consistent with such intent.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

POLYONE CORPORATION

Accepted And Agreed To As Of The Date Hereof	By direction of the Compensation Committee of the Board of Directors
[Name] [Title]	By [Name] [Title]

Exhibit 10.13

SCHEDULE OF EXECUTIVES WITH MANAGEMENT CONTINUITY AGREEMENTS

Title	Name	Years /Comp*	Excise Tax Gross Up?
Chairman, President and Chief Executive Officer	Stephen D. Newlin	3	Y
Executive Vice President and Chief Operating Officer	Robert M. Patterson	3	Y
Executive Vice President and Chief Financial Officer	Bradley C. Richardson	2	N
Executive Vice President, Global Operations and Process Improvement	Thomas J. Kedrowski	3	Y
Senior Vice President, President of Performance Products and Solutions	Michael A. Garratt	2	N
Senior Vice President, Chief Commercial Officer	Michael E. Kahler	3	Y
Senior Vice President, President of Designed Structures and Solutions	Julie McAlindon	1	Y
Senior Vice President and President, Global Specialty Engineered Materials	Craig M. Nikrant	1	Y
Senior Vice President, President of Distribution	Kurt C. Schuering	1	Y
Senior Vice President and Chief Information and Human Resources Officer	Kenneth M. Smith	3	Y
Senior Vice President and President, Global Specialty Color, Additives and Inks	John V. Van Hulle	1	Y

* Years of compensation payable upon change of control

Exhibit 10.14

POLYONE SUPPLEMENTAL RETIREMENT BENEFIT PLAN
(As Amended and Restated Effective January 1, 2014)

PolyOne Corporation does hereby amend and completely restate the PolyOne Supplemental Retirement Benefit Plan on the terms and conditions described herein. This restatement, to the extent it accurately sets forth the intended provisions regarding deferral elections in the first sentence of Section 4, is effective as of January 1, 2004, the original effective date of adoption of the Plan. In all other respects, this restatement is effective as of January 1, 2014.

Section 1. Purpose of Plan

The purpose of the Plan is to provide for certain employees the benefits they would have received under the Retirement Plan but for (i) the dollar limitation on Compensation taken into account under the Retirement Plan as a result of Section 401(a)(17) of the Code, (ii) the limitations imposed under Section 415 of the Code, and (iii) the limitations under Sections 402(g), 401(k)(3), 401(m) and 414(v) of the Code. The Plan is intended to qualify as an unfunded, deferred compensation plan for a select group of management or highly compensated employees under ERISA. This Plan is expected to encourage the continued employment of the participating employees whose management and individual performance are largely responsible for the success of the Employer and to facilitate the recruiting of key management and highly compensated employees required for the continued growth and profitability of the Employer.

SECTION 2. Definitions

2.1 **"Administrator"** means the Retirement Plan Committee appointed by the Board.

2.2 **"Beneficiary"** means the person or entity determined to be a Participant's beneficiary pursuant to Section 13.

2.3 **"Board"** means the board of directors of PolyOne Corporation.

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

2.5 **"Compensation"** shall have the meaning set forth in the Retirement Plan, without regard to the limit contained in Section 401(a)(17) of the Code.

2.6 **"Employer"** means PolyOne Corporation and each other affiliate (within the meaning of Sections 414(b), (c) and (m) of the Code), employees of which are selected to participate in the Plan.

2.7 **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.8 **"Participant"** means an employee or former employee of the Employer who is eligible to participate in the Plan pursuant to Section 3.

2.9 **"Plan"** means the PolyOne Supplemental Retirement Benefit Plan, as set forth herein and as amended from time to time.

2.10 **"Plan Year"** means June 1, 2003 to December 31, 2003 and thereafter, the calendar year.

2.11 **"Retirement Plan"** means the PolyOne Retirement Savings Plan, as amended from time to time.

2.12 **"Specified Employee"** means a specified employee as determined by the Employer in its Specified Employee Designation Procedure.

2.13 **"Termination Date"** means the date on which the Participant incurs a "separation from service" from the Employer within the meaning of Section 409A of the Code.

2.14 **"Unforeseeable Emergency"** means an event which results in a severe financial hardship to a Participant resulting from (a) an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary or a dependent of the Participant, (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances as a result of events beyond the control of the Participant.

Section 3. Eligible Employees

For Plan Years commencing prior to January 1, 2005, the Board shall determine which management employees and highly compensated employees of the Employer shall be eligible to participate in the Plan. For Plan Years commencing on or after January 1, 2005, each management employee and highly compensated employee of the Employer shall be eligible to participate in the Plan for any Plan Year if such employee's projected annual base compensation plus target incentive compensation for such Plan Year exceeds the limitation on compensation under Section 401(a)(17) of the Code for the Plan Year.

Section 4. Election to Defer Compensation

A Participant may elect, by filing an election with the Administrator (pursuant to Section 5) on or prior to December 31 of the preceding Plan Year (or such earlier date as specified by the Administrator), to direct the Employer to reduce his or her Compensation for a Plan Year by an amount equal to the difference between (i) a specified percentage, in 1% increments, with a maximum of 50%, of his or her Compensation for the Plan Year, and (ii) the maximum elective deferrals under Section 4.1 of the Retirement Plan actually permitted to be contributed for him or her to the Retirement Plan for such Plan Year by reason of the application of the limitations under Sections 402(g), 401(a)(17) and 401(k)(3) of the Code. Any election so made shall be binding for any following Plan Year, unless revised on or before December 31 of the preceding Plan Year (or such other earlier date specified by the Administrator). If, for any Plan Year, a Participant does not file such an election, the Participant's Compensation will not be reduced for such Plan Year. Notwithstanding the foregoing, with respect to the first taxable year in which a person becomes a Participant, such Participant may, within 30 days of becoming a Participant, make an election to defer Compensation earned subsequent to the date of the election.

Section 5. Manner of Election

Any election made by a Participant pursuant to this Plan shall be made in writing by executing such form(s) as the Administrator shall from time to time prescribe or through any other method designated by the Administrator.

Section 6. Accounts

PolyOne Corporation shall establish and maintain on its books with respect to each Participant two accounts: (a) the “Grandfathered Account” for amounts that are “deferred” (as such term is defined for purposes of Section 409A of the Code) as of December 31, 2004 (and earnings thereon) and (b) the “Post-2004 Account” for amounts that are deferred on Compensation earned after December 31, 2004 (and earnings thereon). Each such Account shall be further sub-divided into sub-accounts which shall record (1) any Compensation deferred by the Participant under the Plan pursuant to the Participant’s election and earnings thereon (the “Deferrals Sub-Account”) and (2) any Employer contributions made on behalf of the Participant pursuant to Section 7 and Section 8 below and earnings thereon (the “Employer Contributions Sub-Account”).

SECTION 7. MATCHING CONTRIBUTIONS

As of each payroll period, the Employer shall allocate Employer Matching Contributions to the account of each Participant who either (a) has a valid election to defer Compensation to the Plan in effect for such payroll period or (b) has a valid election to defer Compensation to the Retirement Plan in effect for such payroll period, but for whom, for such payroll period, the allocation of matching contributions under the Retirement Plan has been reduced or eliminated as a result of the limitations imposed by Section 401(a)(17) of the Code. The amount of Employer Matching Contributions allocated to each such Participant shall be determined in accordance with Section 4.2(a) of the Retirement Plan, provided, however, in no event will the sum of the Employer Matching Contributions under this Plan and the employer matching contributions required to be made under the Retirement Plan for any Participant for a Plan Year exceed 4.5% of such Participant’s Compensation for the Plan Year, and Employer Matching Contributions under this Plan will be reduced as necessary to satisfy this requirement.

SECTION 8. EMPLOYER CONTRIBUTIONS

As of each payroll period, the Employer shall allocate to the account of each Participant an amount equal to the difference between, (a) the retirement contributions that would otherwise be contributed on behalf of the Participant under Section 4.2(b) of the Retirement Plan if the provisions of the Retirement Plan were administered without regard to the limitations imposed by Sections 401(a)(17) and 415 of the Code and (b) the retirement contributions made on his or her behalf under the Retirement Plan for such payroll period.

Section 9. Credits and Adjustments to Accounts

Each Participant’s account shall be credited with any amounts deferred under the Plan and any Employer contributions made on behalf of the Participant. Each Participant’s account shall be reduced by the amount of any distributions to the Participant from the Plan. Pursuant to procedures established by the Administrator, each Participant’s account shall be adjusted as of each business day the New York Stock Exchange is open to reflect the earnings or losses of any hypothetical investment media as may be designated by the Administrator pursuant to Section 10 below.

Section 10. Investment of Accounts

For purposes of determining the amount of earnings and appreciation and losses and depreciation to be credited to a Participant’s account, such account shall be deemed invested in the investment options (designated by the Administrator as available under the Plan; provided that in no event shall the Administrator designate PolyOne Corporation common stock as an investment option under the Plan) as the Participant may elect from time to time, or be deemed to have elected, in accordance with such rules and procedures as the Administrator may establish. However, no provision of the Plan shall require the Employer to actually invest any amounts in any fund or in any other investment vehicle.

Section 11. VESTING

A Participant shall be 100% vested in that portion of his or her account which is attributable to elective deferrals made under Section 5, employer matching contributions made under Section 7 and the employer contributions made prior to March 21, 2009 under Section 8 that correspond to transition contributions under Section 4.2(c) of the Retirement Plan. That portion of a Participant's account attributable to employer contributions under Section 8 of the Plan that correspond to retirement contributions under Section 4.2(b) of the Retirement Plan shall vest in accordance with the following schedule:

Years of Service	**Vested Percentage**
Less than 3 years	*0%*
3 years and thereafter	*100%*

Notwithstanding the foregoing, for purposes of any Participant who was a Participant in the M.A. Hanna Company Capital Accumulation Plan and/or the M.A. Hanna Company 401(k) and Retirement Plan as of May 31, 2003, such Participant shall have a vested right to a portion of the Participant's account derived from any employer contributions under Section 8 of the Plan that correspond to retirement contributions under Section 4.2(b) of the Retirement Plan as follows:

Years of Service	**Vested Percentage**
Less than 1 year	*0%*
1, but less than 2	*20%*
2, but less than 3	*40%*
3 or more	*100%*

For purposes of this Section 11, a Participant will be credited with the same number of Years of Service under the Plan as he or she is credited with under the Retirement Plan.

Section 12. Time and Manner of Distribution

12.1(a) Payment of Grandfathered Account.

(1) A Participant's Grandfathered Account shall commence to be paid to such Participant within thirty days of the date of the Participant's termination of employment with the Employer or any affiliate (within the meaning of Sections 414(b), (c) and (m) of the Code) in the form of payment selected by the Participant on an election form approved by and received by the Administrator or its designee.

(2) The following are the available choices for the form of payment of a Participant's Grandfathered Account:

(A) A single lump sum in cash; or

(B) Substantially equal annual cash installments over a period not exceeding 10 years.

This Section 12.1 and all other provisions of this Plan notwithstanding, if a Participant fails to elect a form of payment before payment is to commence pursuant to Section 12.1(a), the Participant's Grandfathered Account shall be paid in the form of a single lump sum payment in cash. In addition, the Board, in its sole and absolute discretion, may direct that payment of any or all of a Participant's Grandfathered Account be accelerated and paid prior to the time the Grandfathered Account would otherwise be payable in accordance with the Participant's election, and in that event the Administrator shall make payment to the Participant at the time and in the manner directed by the Board. In no event, however, shall the Employer, the Administrator or any other person or party have the power to delay payment of the account beyond the time elected by the Participant.

12.1(b) Payment of Post-2004 Account: In-Service Distribution Elections

(1) For the Plan Year commencing on January 1, 2014 and each Plan Year thereafter, the Participant shall elect, on the election form described in Section 5 or through any other method designated by the Administrator, the time of payment from the options described in this subsection (1) with respect to the amounts in the Participant's Deferrals Sub-Account relating to Compensation earned in such Plan Year (such election, a "Deferrals Sub-Account Election"). Such election, once made, shall be binding with respect to the portion of the Participant's Deferrals Sub-Account to which the election relates, unless changed pursuant to subsection (2) of this Section. The following are the available choices for the time of payment of amounts credited to a Participant's Deferrals Sub-Account:

(A) A date certain, provided that such date shall be at least two years from the first day of the Plan Year with respect to which the applicable deferrals are credited to the Participant's Post-2004 Account; or

(B) The Participant's Termination Date.

Notwithstanding anything herein to the contrary, if a Participant fails to make a valid Deferrals Sub-Account Election for a Plan Year, the Participant will be deemed to have elected to commence payment of the portion of his Deferrals Sub-Account attributable to the deferral of Compensation earned during such Plan Year (and any earnings thereon) on the Participant's Termination Date.

(2) A Participant may elect to change a Deferrals Sub-Account Election, provided that the following requirements are met: (A) the election to change does not take effect until at least 12 months after the date on which the election is made, (B) the election to change is made at least 12 months prior to the date on which that payment is scheduled to be made, and (C) in the case of an election related to a distribution not described in Section 12.2 or 12.3, the payment under such election will be made no less than five years from the original date on which such payment would be made.

(3) Amounts with respect to which a Participant has made the election described in Section 12.1(b)(1)(A) shall be paid to such Participant in a cash lump sum within thirty days of the earlier of (A) the date elected by the Participant in his Deferrals Sub-Account Election form with respect to such amounts, and (B) the Participant's Termination Date; provided, however, that the Participant shall not have the right to designate the taxable year of payment, and further provided that if the payment is to be made within thirty days of the Participant's Termination Date, and the Participant is a Specified Employee, the payment shall be distributed on the first day of the seventh month after the date of such Specified Employee's Termination Date (or, if earlier, his or her date of death).

12.1(c) Payment of Post-2004 Account: Termination Date Distributions

(1) The portion of a Participant's vested Post-2004 Account for which the election described in Section 12.1(b)(1)(A) was not made (the "Termination Date Balance") shall commence to be paid to such Participant within thirty days of the date of the Participant's Termination Date in the form of payment selected by the Participant on an election form approved by and received by the Administrator or its designee, provided that the Participant shall not have the right to designate the taxable year of payment. Notwithstanding the foregoing, the Termination Date Balance of a Specified Employee shall commence to be distributed on the first day of the seventh month after the date of such Specified Employee's Termination Date (or, if earlier, his or her date of death).

(2) The following are the available choices for the form of payment of a Participant's vested Post-2004 Account:

(A) A single lump sum in cash; or

(B) Substantially equal annual cash installments over a period not exceeding 10 years.

The Participant shall elect, on the election form described in Section 5 or through any other method designated by the Administrator, the form in which his or her Termination Date Balance shall be paid. Such election, once made, shall be binding with respect to his or her entire Termination Date Balance, unless changed pursuant to subsection (3) of this Section. Each installment payment shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code. This Section 12.1 and all other provisions of this Plan notwithstanding, (i) if a Participant who is a Participant in the Plan on November 8, 2010 fails to elect a form of payment before the date by which an election to defer compensation must first be made by such Participant under Section 4, the Participant's Termination Date Balance shall be paid in the form of substantially equal annual cash installments over a period of 10 years and (ii) if a Participant who first becomes a Participant in the Plan after November 8, 2010 fails to elect a form of payment before the date by which an election to defer compensation must first be made by such Participant under Section 4, the Participant's Termination Date Balance shall be paid in the form of a single lump sum payment in cash.

(3) A Participant may change the form of payment elected with regard to his Termination Date Balance by a subsequent election form approved by and received by the Administrator or its designee; provided, that unless otherwise permitted in accordance with Section 409A of the Code, the election to change may not take effect until at least 12 months after the date the election to change is made and the first payment under such election will be made no less than 5 years from the original date on which payment of the amount credited to the Participant's vested account is to commence.

12.2 Death Before Payments Commence or are Completed. If a Participant dies while employed by the Employer or while receiving installment payments, the value of his or her vested account shall be paid to the Participant's Beneficiary in a single lump sum cash payment, within 90 days after the Participant's death, provided that the Participant's Beneficiary shall not have the right to designate the taxable year of payment.

12.3 Unforeseeable Emergency Distribution. The Administrator may at any time, upon written request of a Participant, cause to be paid to such Participant, an amount equal to all or any part of the Participant's vested account (other than the amount, if any, credited to the Participant's Granfathered Account) if the Administrator determines, based on such reasonable evidence that it shall require, that such payment is necessary for the purpose of alleviating the consequences of an Unforeseeable Emergency. Payments of amounts because of an Unforeseeable Emergency may not exceed the amount necessary to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of the distribution after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. The amount of a Participant's Post-2004 Account, as applicable, shall be reduced on a pro rata basis by the amount of any Unforeseeable Emergency distribution to the Participant.

12.4 **Change of Control Provisions.** In the event of a "Change of Control" of the Employer, (a) the Participant's Grandfathered Account shall be paid, as soon as reasonably practicable, to the Participant in a lump sum cash payment, unless the Administrator otherwise determines and (b) the Participant's Post-2004 Account shall be paid, as soon as reasonably practicable, to the Participant in a lump sum cash payment. If the Change of Control does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then, to the extent necessary to comply with Section 409A of the Code, the Participant's Post-2004 Account will be paid at the time and in the form it would have been paid under the Plan absent the occurrence of such Change of Control.

For purposes of this Section 12.4, "Change of Control" means any of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of PolyOne Corporation where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of PolyOne Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a) the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from PolyOne Corporation that is approved by the Incumbent Board (as defined in subsection (b), below), (ii) any acquisition by PolyOne Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained PolyOne Corporation or any corporation controlled by PolyOne Corporation or (iv) any acquisition by any Person pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of PolyOne Corporation, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board" (as modified by this clause (b)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PolyOne Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of PolyOne Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of PolyOne Corporation or the acquisition of assets of another corporation, or other transaction ("Business Combination") excluding, however, such a Business Combination pursuant to which (i) the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns PolyOne Corporation or all or substantially all of PolyOne Corporation's assets either directly or through one or more subsidiaries) (ii) no Person (excluding any employee benefit plan (or related trust) of PolyOne Corporation, PolyOne Corporation or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of PolyOne Corporation of a complete liquidation or dissolution of PolyOne Corporation except pursuant to a Business Combination that complies with clauses (i), (ii) and (iii) of subsection (c), above.

Section 13. Beneficiary Designation

A Participant may designate the person or persons to whom the Participant's account under the Plan shall be paid in the event of the Participant's death. If no Beneficiary is designated, or no designated Beneficiary survives the Participant, payment shall be made in a single lump-sum to the Participant's estate.

Section 14. Plan Administration

14.1 Administration. The Plan shall be administered by the Administrator.

The Administrator is authorized to make findings (including factual findings) with respect to any issue arising under the Plan, interpret and construe any provision of the Plan, to determine eligibility and benefits under the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to adopt such forms as it may deem appropriate for the administration of the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Employer and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. The Administrator shall be responsible for the day-to-day administration of the Plan. Determinations, interpretations or other actions made or taken by the Administrator under the Plan shall be final and binding for all purposes and upon all persons.

14.2 Review Procedure. The purpose of the review procedure set forth in this Section 14.2 is to provide a procedure by which a Participant or Beneficiary (the "claimant") under the Plan, or the duly authorized representative of any such Participant or Beneficiary, may have a reasonable opportunity to appeal a denied claim to the Administrator for a full and fair review.

If a claim for benefits is denied in whole or in part, the Administrator shall notify the claimant within ninety (90) days after receipt of the claim (or within one hundred eighty (180) days if special circumstances require an extension of time for processing the claim, and provided written notice indicating the special circumstances and the date by which a final decision is expected to be rendered is given to the claimant within the initial ninety (90) day period).

The notice of the denial of the claim shall be written in a manner calculated to be understood by the claimant and shall set forth the following:

(i) the specific reason or reasons for the denial of the claim;

(ii) the specific references to the pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary;

(iv) a statement that any appeal of the denial must be made by giving to the Administrator, within sixty (60) days after receipt of the denial of the claim, written notice of such appeal, such notice to include a full description of the pertinent issues and basis of the claim;

(v) a description of the Plan’s review procedures and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under Section 502(a) of ERISA following a denial of a claim on review; and

(vi) if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion, or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination and that a copy of such rule, guideline, protocol, or other criterion will be provided free of charge to the claimant upon request.

Upon denial of a claim in whole or in part, the claimant (or his or her duly authorized representative) shall have the right to submit a written request to the Administrator for a full and fair review of the denied claim, to be permitted, upon request and free of charge, to review and receive copies of documents, records and other information pertinent to the denial, and to submit issues and comments in writing, documents, records, and other information relating to the claim for benefits. Any appeal of the denial must be given to the Administrator within the period of time prescribed above. The full and fair review shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination, and provide a review that does not afford deference to the initial benefit determination. If the claimant (or the claimant’s duly authorized representative) fails to appeal the denial to the Administrator within the prescribed time, the Administrator’s adverse determination shall be final, binding and conclusive, to the extent permitted by law.

The Administrator may hold a hearing or otherwise ascertain such facts as it deems necessary and shall render a decision which shall be binding upon both parties, to the extent permitted by law. The Administrator shall advise the claimant of the results of the review within sixty (60) days after receipt of the written request for the review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review. If such extension of time is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension that indicates the special circumstances requiring the extension of time and the date by which the Plan expects to render the determination on review. In the event that a period of time is extended as permitted pursuant to this paragraph due to a claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination on review shall be tolled from the date on which the notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information. The decision of the review shall be written in a manner calculated to be understood by the claimant and shall include:

(i) specific reasons for the decision;

(ii) specific references to the pertinent Plan provisions on which the decision is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits;

(iv) a statement of the claimant's right to bring an action under Section 502(a) of ERISA following a denial of a claim on review; and

(v) if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion, or a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination and that a copy of the rule, guideline, protocol, or other similar criterion will be provided free of charge to the claimant upon request.

The decision of the Administrator shall be final, binding and conclusive to the extent permitted by law.

Section 15. FUNDING

15.1 Plan Unfunded. The Plan is unfunded for tax purposes and for purposes of Title I of ERISA. Accordingly, the obligation of the Employer to make payments under the Plan constitutes solely an unsecured (but legally enforceable) promise of the Employer to make such payments, and no person, including any Participant or Beneficiary, shall have any lien, prior claim or other security interest in any property of the Employer as a result of this Plan. Any amounts payable under the Plan shall be paid out of the general assets of the Employer and each Participant and Beneficiary shall be deemed to be a general unsecured creditor of the Employer.

15.2 Rabbi Trust. The Employer may create a grantor trust to pay its obligations hereunder (a so-called rabbi trust), the assets of which shall be treated, for all purposes, as the assets of the Employer. In the event the trustee of such trust is unable or unwilling to make payments directly to Participants and Beneficiaries and such trustee remits payments to the Employer for delivery to Participants and Beneficiaries, the Employer shall promptly remit such amount, less applicable income and other taxes required to be withheld, to the Participant or Beneficiary.

Section 16. Amendment and termination

The Board may, in its sole discretion, amend, suspend or terminate, in whole or in part, the Plan, except that no amendment, suspension, or termination shall retroactively impair or otherwise adversely affect the rights of any Participant, Beneficiary, or other person to benefits under the Plan which have accrued prior to the date of such action, as determined by the Administrator in its sole discretion. Any termination of this Plan will be made only to the extent and in the circumstances described in Treas. Reg. §1.409A-3(j)(4)(ix), or any successor provision.

The Administrator may adopt any amendment or take any other action which may be necessary or appropriate to facilitate the administration, management, and interpretation of the Plan or to conform the Plan thereto.

Section 17. No Assignment

A Participant's right to the amount credited to his or her account under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's Beneficiary.

Section 18. Successors and Assigns

The provisions of this Plan shall be binding upon and inure to the benefit of the Employer, its successors and assigns, and the Participants, Beneficiaries, heirs, legal representatives and assigns.

Section 19. No Contract of Employment

Nothing contained herein shall be construed as a contract of employment between a Participant and the Employer, or as a right of the Participant to continue in employment with the Employer, or as a limitation of the right of the Employer to discharge the Participant at any time, with or without cause.

Section 20. Governing Law

This Plan shall be subject to and construed in accordance with the provisions of ERISA, where applicable, and otherwise by the laws of the State of Ohio.

Section 21. section 409A of the code

It is intended that the Plan (including all amendments thereto) comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amount credited to a Participant's account hereunder in a taxable year that is prior to the taxable year or years in which such amount would otherwise be actually distributed or made available to the Participant. It is intended that the Plan shall be administered in a manner that will comply with Section 409A of the Code. 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 409A by the U.S. Department of Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the Employer, by its duly authorized officer, has caused this Plan to be executed as of the ____ day of _______________, 2013.

POLYONE CORPORATION

By: ______________________________________
Authorized Officer

THIS AGREEMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE COMMON SHARES OF THE COMPANY ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

February 15, 2013

Attn: **[____________]**
PolyOne Corporation

POLYONE CORPORATION INCENTIVE AWARDS

Dear **[_________________]**:

Subject to the terms and conditions of the PolyOne Corporation 2010 Equity and Performance Incentive Plan, as amended (the "Plan"), and this letter agreement (this "Agreement"), the Compensation Committee of the Board of Directors (the "Committee") of PolyOne Corporation ("PolyOne") has granted to you, as of February 15, 2013, the following award(s) (collectively, the "Incentive Awards"):

- Stock-Settled Stock Appreciation Rights ("SARs") in respect of an aggregate of **[_____]** common shares of PolyOne, having a par value of $0.01 per share (the "Common Shares"). The price (the "Base Price") to be used as the basis for determining the Spread (as defined on Schedule A) upon exercise of the SAR is $____, the Market Value per Share on February 15, 2013. The SARs shall become exercisable in accordance with the terms set forth on Schedule A attached hereto.

- **[_____]** restricted stock units (the "Restricted Stock Units"), which shall become non-forfeitable in accordance with the terms set forth on Schedule B attached hereto. Each Restricted Stock Unit shall represent one hypothetical Common Share and shall at all times be equal in value to one Common Share.

- **[_____]** performance units (the "Performance Units"), with each such Performance Unit being equal in value to $1.00, payment of which depends on PolyOne's performance as set forth on Schedule C attached hereto and in your Statement of Performance Goals.

A copy of the Plan is available for your review through the Corporate Secretary's office. Unless otherwise indicated, the capitalized terms used in this Agreement (including the Schedules attached hereto) shall have the same meanings as set forth in the Plan.

1. **Non-Assignability**. The Incentive Awards are personal to you and are not transferable by you other than by will or the laws of descent and distribution. Any purported transfer or encumbrance

in violation of the provisions of this Section 1 shall be void, and the other party to any such purported transaction shall not obtain any right to or interest in such Incentive Awards.

2. **Adjustments**. In the event of any change in the number of Common Shares by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to shareholders (other than normal cash dividends), the number and class of shares subject to outstanding Incentive Awards, the Base Price applicable to outstanding SARs, and other value determinations, if any, applicable to outstanding SARs will be adjusted. Such adjustment shall be made automatically on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in Common Shares. If any such transaction or event occurs, the Committee may provide in substitution for outstanding Incentive Awards such alternative consideration (including, without limitation, in the form of cash, securities or other property) as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Incentive Awards subject to this Agreement. No adjustment provided for in this Section 2 will require PolyOne to issue any fractional shares.

3. **Miscellaneous**.

(a) The contents of this Agreement are subject in all respects to the terms and conditions of the Plan as approved by the Board and the shareholders of PolyOne, which are controlling. The interpretation and construction by the Board and/or the Committee of any provision of the Plan or this Agreement shall be final and conclusive upon you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.

(b) The grant of the Incentive Awards is discretionary and will not be considered to be an employment contract or a part of your terms and conditions of employment or of your salary or compensation. Information about you and your participation in the Plan, including, without limitation, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in PolyOne, and details of the Incentive Awards or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor may be collected, recorded, held, used and disclosed by PolyOne and any of its Subsidiaries and any non-PolyOne entities engaged by PolyOne to provide services in connection with this grant (a “Third Party Administrator”), for any purpose related to the administration of the Plan. You understand that PolyOne and its Subsidiaries may transfer such information to Third Party Administrators, regardless of whether such Third Party Administrators are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to PolyOne’s chief human resources officer.

(c) Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. The terms and conditions of this Agreement may not be modified, amended or waived, except by an instrument in writing signed by a duly authorized executive officer at PolyOne. Notwithstanding the foregoing, no amendment shall adversely affect your rights under this Agreement without your consent.

(d) **[It is a condition to your receipt of the Incentive Awards that you execute and agree to the terms of PolyOne or a Subsidiary's current and applicable Employee Agreement (the "Employee Agreement"). If you do not sign and return the Employee Agreement to PolyOne Human Resources within 30 days of your receipt of this Grant of Incentive Awards, this Grant of Incentive Awards and any rights to the Incentive Awards will terminate and become null and void.]**

4. **Notice**. All notices under this Agreement to PolyOne must be delivered personally or mailed to PolyOne Corporation at PolyOne Center, Avon Lake, Ohio 44012, Attention: Corporate Secretary. PolyOne's address may be changed at any time by written notice of such change to you. Also, all notices under this Agreement to you will be delivered personally or mailed to you at your address as shown from time to time in PolyOne's records.

5. **Compliance with Section 409A of the Code**.

(a) To the extent applicable, it is intended that this Agreement (including the Schedules attached hereto) and the Plan 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 you. This Agreement and the Plan shall be administered in a manner consistent with this intent.

(b) Reference to Section 409A of the Code will also include any regulations or other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

6. **Counterparts**. This Agreement may be executed in separate counterparts, each of which shall be deemed to be an original and both of which taken together shall constitute one and the same agreement.

7. **Severability**. If one or more of the provisions of this Agreement (including the Schedules attached hereto) is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

This Agreement (including the Schedules attached hereto and the Statement of Performance Goals), and the terms and conditions of the Plan, shall bind, and inure to the benefit of you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.

Very Truly Yours,

POLYONE CORPORATION

By:

Kenneth M. Smith, Senior Vice President, Chief Information and Human Resources Officer

Accepted:

(Date)

SCHEDULE A - SARs

1. **Vesting and Exercise of SARs**.

(a) Subject to the provisions of the Plan and the Agreement (including this Schedule A), the SARs will expire on February 15, 2023. Subject to Sections 2 and 3 of this Schedule A, vesting of the SARs will occur as follows, provided that you have been in the continuous employ of PolyOne or a Subsidiary on each such vesting date specified below (each set of performance-based SARs vesting on a specific date shall be called a “Tranche”):

(i) One-third of the SARs shall vest on the later of (A) February 15, 2014 (the “Tranche I Time-Vesting Hurdle”) and (B) the first trading day immediately following the thirtieth consecutive trading day of the first consecutive trading day period to occur prior to February 15, 2023 during which the Market Value per Share reaches a minimum of $___ for thirty consecutive trading days prior to February 15, 2023 (the “Tranche I Performance-Vesting Hurdle”).

(ii) An additional one-third of the SARs shall vest on the later of (A) February 15, 2015 (the “Tranche II Time-Vesting Hurdle”) and (B) the first trading day immediately following the thirtieth consecutive trading day of the first consecutive trading day period to occur prior to February 15, 2023 during which the Market Value per Share reaches a minimum of $___ for thirty consecutive trading days prior to February 15, 2023 (the “Tranche II Performance-Vesting Hurdle”).

(iii) The remaining one-third of the SARs shall vest on the later of (A) February 15, 2016 (the “Tranche III Time-Vesting Hurdle”, and together with the Tranche I Time-Vesting Hurdle and the Tranche II Time-Vesting Hurdle, the “Time-Vesting Hurdles”) and (B) the first trading day immediately following the thirtieth consecutive trading day of the first consecutive trading day period to occur prior to February 15, 2023 during which the Market Value per Share reaches a minimum of $___ for thirty consecutive trading days prior to February 15, 2023 (the “Tranche III Performance-Vesting Hurdle”, and together with the Tranche I Performance-Vesting Hurdle and the Tranche II Performance-Vesting Hurdle, the “Performance-Vesting Hurdles”).

(b) Vested SARs may be exercised as provided in this Section 1(b) of this Schedule A as long as each exercise covers at a minimum the lesser of the number of fully vested SARs or 1,000 SARs. To exercise the SARs, you must follow the exercise procedures established by PolyOne. These procedures may change periodically. You will be notified of any changes. Upon exercise, PolyOne will issue you the number of Common Shares determined under Section 1(c) of this Schedule A.

(c) The number of Common Shares to be issued will be determined by calculating (i) the difference between the Market Value per Share on the date of exercise and the Base Price (the “Spread”); (ii) multiplied by the number of SARs exercised; (iii) less any withholding taxes PolyOne determines are to be withheld in accordance with the Plan and with applicable law. The result of this calculation will then be divided by the Market Value per Share on the date of exercise to determine the number of Common Shares to be issued, rounded down to the nearest whole share. In no event will you be entitled to acquire a fraction of one Common Share pursuant to this Schedule A.

(d) Unless otherwise determined by the Board or provided in this Schedule A and so long as it does not violate applicable law, if, on February 15, 2023, (i) the Market Value per Share exceeds the Base Price, (ii) any vested SARs remain unexercised, and (iii) the SARs have not expired, any vested SARs that remain unexercised will be deemed to have been exercised by you on such date. In such event, PolyOne will issue you a number of Common Shares in accordance with Section 1(c) of this Schedule A.

(e) The SARs are exercisable during your lifetime only by you or by your guardian or legal representative.

2. **Vesting Upon a Change of Control**. If a Change of Control occurs during the term of the SARs, the SARs, to the extent not previously fully vested, will become immediately vested in full.

3. **Retirement, Disability or Death**. If your employment with PolyOne or a Subsidiary terminates before the expiration of the SARs due to (a) retirement at age 55 or older with at least 10 years of service, (b) retirement at age 58 or older with at least 5 years of service, (c) permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate) or (d) death, then a pro-rata portion of the number of SARs for which the Performance-Vesting Hurdles have been satisfied on or prior to the date of the termination of your employment, but for which the Time-Vesting Hurdles have not been satisfied prior to the time of the termination of your employment, shall vest and may be exercised in whole or in part for the remainder of their term, but in no event beyond February 15, 2023, after which, subject to Section 1(d) of this Schedule A, such SARs will terminate. With respect to each pro-rata portion of a Tranche that vests in accordance with this Section 3 of this Schedule A, the proration shall be based on the number of days that you were employed by PolyOne or a Subsidiary during the period commencing on February 15, 2013 and ending on the date of the Time-Vesting Hurdle for such Tranche. Furthermore, all SARs that have become vested under Section 1 of this Schedule A at the time of the termination of your employment due to retirement, disability or death, but have not been exercised as of the time of the termination of your employment, may be exercised in whole or in part for the remainder of their term, but in no event beyond February 15, 2023, after which, subject to Section 1(d) of this Schedule A, such SARs will terminate.

4. **Termination Following Change of Control**.

(a) Subject to Section 1(d) of this Schedule A, if your employment with PolyOne or a Subsidiary terminates within one year following a Change of Control because (i) your employment is involuntarily terminated without “Cause” (as defined below), or (ii) you terminate your employment for “Good Reason” (as defined below), notwithstanding anything herein to the contrary, any SARs that have become vested under Sections 1 and 2 of this Schedule A at the time of the termination of your employment without Cause or for Good Reason, but have not been exercised as of the time of the termination of your employment without Cause or for Good Reason, may be exercised in whole or in part at any time and from time to time for the remainder of their term, but in no event beyond February 15, 2023, after which the SARs will terminate.

(b) For purposes of Section 4(a) above:

(i) If you are a party to a Management Continuity Agreement, “Cause” shall mean “Cause” and “Good Reason” shall mean “Good Reason,” each as defined in your Management Continuity Agreement;

(ii) If you are not a party to a Management Continuity Agreement, “Cause” shall mean: (A) the willful and continued failure by you to substantially perform your duties with PolyOne or a Subsidiary, which failure causes material and demonstrable injury to PolyOne or a Subsidiary (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by PolyOne or a Subsidiary which specifically identifies the manner in which you have not substantially performed your duties, and after you have been given a period (hereinafter known as the “Cure Period”) of at least thirty (30) days to correct your performance, or (B) the willful engaging by you in other gross misconduct materially and demonstrably injurious to PolyOne or a Subsidiary. For purposes of this Section 4(b)(ii) of this Schedule A, no act, or failure to act, on your part shall be considered “willful” unless conclusively demonstrated to have been done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of PolyOne or a Subsidiary; and

(iii) If you are not a party to a Management Continuity Agreement, “Good Reason” shall mean, without your express written consent: (A) your permanent assignment to a new work location that would either increase your routine one-way commute by fifty (50) or more miles, measured by the shortest commonly traveled routes between your then-current residence and new reporting or work location, or make your routine one-way commute sixty (60) or more miles, or (B) a reduction in your base salary, target annual incentive amount or employer-provided benefits, if immediately after the reduction the aggregate total of your base salary, target annual incentive amount and value of employer-provided benefits is less than eighty percent (80%) of the aggregate total of your salary, target annual incentive amount and the value of employer-provided benefits immediately prior to the Change of Control.

5. **Other Termination**. If your employment with PolyOne or a Subsidiary terminates before the expiration of the SARs for any reason other than as set forth in Sections 3 or 4 above, any SARs that have become vested under Section 1 of this Schedule A at the time of the termination of your employment, but have not been exercised as of the time of the termination of your employment, may be exercised at any time within ninety (90) days of your termination of employment, but in no event beyond February 15, 2023, after which the SARs will terminate. All unvested SARs shall be forfeited.

SCHEDULE B - Restricted Stock Units

1. **Vesting of Restricted Stock Units**.

(a) Subject to the provisions of the Plan and the Agreement (including this Schedule B) and provided that you have been in the continuous employ of PolyOne or a Subsidiary from February 15, 2013 until February 15, 2016 (the “Restriction Period”), the Restricted Stock Units shall become non-forfeitable on February 15, 2016 (the “Vesting Date”).

(b) Notwithstanding the provisions of Section 1(a) of this Schedule B, (i) all of the Restricted Stock Units shall immediately become non-forfeitable if a Change of Control occurs, and (ii) a pro-rata portion of the Restricted Stock Units shall immediately become non-forfeitable if your employment terminates prior to February 15, 2016 due to (A) your retirement at age 55 or older with at least 10 years of service, (B) your retirement at age 58 or older with at least 5 years of service, (C) your permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate), or (D) your death. The proration will be based on the portion of the Restriction Period during which you were employed by PolyOne or a Subsidiary. The remaining portion of the Restricted Stock Units will be forfeited.

2. **Other Termination**. If your employment with PolyOne or a Subsidiary terminates before the Vesting Date for any reason other than as set forth in Section 1(b)(ii) of this Schedule B and before a Change of Control, the Restricted Stock Units will be forfeited.

3. **Payment of Restricted Stock Units**.

(a) The Restricted Stock Units that have become non-forfeitable pursuant to Section 1 of this Schedule B will be paid in Common Shares transferred to you within 10 business days following the Vesting Date, provided, however, that, subject to Section 3(b) of this Schedule B, (i) in the event a Change of Control occurs prior to the Vesting Date or (ii) in the event your employment terminates on account of the reasons set forth in Section 1(b)(ii) of this Schedule B prior to the Vesting Date, the Restricted Stock Units will be paid within 20 business days following such Change of Control or the date of the termination of your employment, whichever applies. If PolyOne determines that it is required to withhold taxes from any payment, PolyOne will withhold Common Shares with a Market Value per Share equal to the amount of these taxes from the payment.

(b) If the event triggering the right to payment under Section 3(a) of this Schedule B does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then notwithstanding anything herein to the contrary, the payment of Common Shares will be made to you, to the extent necessary to comply with Section 409A of the Code, on the earliest of (i) your “separation from service” with PolyOne or a Subsidiary (determined in accordance with Section 409A) that occurs after the event giving rise to payment; (ii) the Vesting Date; or (iii) your death. In addition, if you are a “key employee” as determined pursuant to procedures adopted by PolyOne in compliance with Section 409A of the Code and any payment of Common Shares made pursuant to this Schedule B is considered to be a “deferral of compensation” (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon your “separation from service” (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the tenth business day of the seventh month after the date of your “separation from service” with PolyOne or a Subsidiary (determined in accordance with Section 409A of the Code).

4. **Dividend, Voting and Other Rights**. You shall have no rights of ownership in the Restricted Stock Units and shall have no right to vote them until the date on which the Restricted Stock Units are transferred to you pursuant to Section 3 of this Schedule B. While the Restricted Stock Units are still outstanding, on the date that PolyOne pays a cash dividend to holders of Common Shares generally, you shall be entitled to a number of additional whole Restricted Stock Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per Common Share on such date and (ii) the total number of Restricted Stock Units (including dividend equivalents paid thereon) previously credited to you as of such date, by (b) the Market Value per Share on such date. Such dividend equivalents shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the Restricted Stock Units to which the dividend equivalents were credited.

SCHEDULE C - Performance Units

1. **Performance Units**.

(a) Subject to the provisions of the Plan and the Agreement (including this Schedule C), your right to receive all or any portion of the Performance Units will be contingent upon the achievement of certain management objectives (the “Management Objectives”), as set forth in your Statement of Performance Goals. The achievement of the Management Objectives will be measured with respect to four performance periods (each, a “Performance Period”) as set forth in the table below and 25% of the Performance Units may be earned with respect to each Performance Period in accordance with the terms below.

Performance Period	Allocation of Performance Units
Performance Period #1: January 1, 2013 to December 31, 2013	25%
Performance Period #2: January 1, 2014 to December 31, 2014	25%
Performance Period #3: January 1, 2015 to December 31, 2015	25%
Performance Period #4: January 1, 2013 to December 31, 2015	25%

(b) The Management Objectives for each Performance Period will be based solely on achievement of performance goals relating to PolyOne’s Earnings per Share (“EPS”), as defined in your Statement of Performance Goals.

2. **Earning of Performance Units**.

(a) Twenty-five percent (25%) of the Performance Units may be earned with respect to each of the four Performance Periods defined in Section 1(a) of this Schedule C and shall be earned as follows:

(i) If, upon the conclusion of a Performance Period, EPS equals the threshold level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, then 50% of the Performance Units allocated to such Performance Period shall become earned.

(ii) If, upon the conclusion of a Performance Period, EPS equals the target level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, 100% of the Performance Units allocated to such Performance Period shall become earned.

(iii) If, upon the conclusion of a Performance Period, EPS equals or exceeds the maximum level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, then 200% of the Performance Units allocated to such Performance Period shall become earned.

(iv) If, upon the conclusion of a Performance Period, EPS is greater than the threshold level, but less than the target level, or greater than the target level, but less than the maximum level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, then a proportionate percentage of the Performance Units allocated to such Performance Period shall become earned, as determined by mathematical interpolation and rounded up to the nearest whole unit.

(b) In no event shall any Performance Units allocated to a Performance Period become earned if actual performance for such Performance Period falls below the threshold level for EPS or if the Board does not certify that the Management Objectives have been satisfied for such Performance Period.

(c) If the Committee determines that a change in the business, operations, corporate structure or capital structure of PolyOne, the manner in which it conducts business or other events or circumstances render the Management Objectives to be unsuitable, the Committee may modify such Management Objectives or the related levels of achievement, in whole or in part, as the Committee deems appropriate; provided, however, that no such action will be made in the case of a Covered Employee where such action may result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(d) Subject to the provisions of Sections 3 and 4 of this Schedule C, your right to receive any Performance Units is contingent upon your remaining in the continuous employ of PolyOne or a Subsidiary through the payment date, which shall be a date in 2016 determined by the Board and shall occur no later than March 15, 2016 (the “Payment Date”). For awards to Covered Employees, the Committee shall only have the ability and authority to reduce, but not increase, the amount of Performance Units that become earned hereunder.

3. **Change of Control**. Subject to Section 6,

(a) if a Change of Control occurs prior to the end of Performance Period #4, PolyOne shall pay to you as soon as administratively practicable after, but in all events no later than 30 days following, the Change of Control, the sum of:

(i) the actual number of Performance Units earned with respect to all Performance Periods completed as of the date of the consummation of the Change of Control pursuant to Section 2(a) of this Schedule C; and

(ii) the number of Performance Units granted for which the Performance Period(s) have not been completed as of the date of the consummation of the Change of Control.

(b) if a Change of Control occurs after the end of Performance Period #4, but on or prior to the Payment Date, PolyOne shall pay to you the actual number of Performance Units earned pursuant to Section 2 of this Schedule C as soon as administratively practicable after, but in all events no later than 30 days following, the Change of Control.

4. **Retirement, Disability or Death**. Subject to Section 6 of this Schedule C, if your employment with PolyOne or a Subsidiary terminates prior to the Payment Date due to (a) retirement at age 55 or older with at least 10 years of service, (b) retirement at age 58 or older with at least 5 years of service, (c) permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate) or (d) death, PolyOne shall pay to you or your executor or administrator, as the case may be, on the Payment Date, the sum of:

(i) the actual number of Performance Units earned as of the Payment Date pursuant to Section 2 of this Schedule C with respect to each Performance Period for the entirety of which you were employed by PolyOne or a Subsidiary; and

(ii) the product of (A) the actual number of Performance Units you would have earned as of the Payment Date pursuant to Section 2 of this Schedule C with respect to each Performance Period had you remained in the continuous employ of PolyOne or a Subsidiary for the entirety of such Performance Periods, multiplied by (B) a fraction, the numerator of which is the number of days during each Performance Period commencing on the first day of such Performance Period and ending on the date of your termination pursuant to one of the events described in Section 4(a), (b), (c) or (d) above, and the denominator of which is 365 (for Performance Period #1, 2 and/or 3, as applicable) and 1,095 (for Performance Period #4).

5. **Other Termination**. If your employment with PolyOne or a Subsidiary terminates before the Payment Date for any reason other than as set forth in Section 4 above and before a Change of Control, the Performance Units will be forfeited.

6. **Payment of Performance Units**.

(a) Payment of any Performance Units that become earned as set forth herein will be made in the form of cash. The amount of the cash payment to be made shall be determined by multiplying (i) the number of Performance Units earned pursuant to Sections 2, 3 or 4 above by (ii) $1.00. Except as provided in Sections 3 and 6(b) of this Schedule C, payment will be made on the Payment Date. If PolyOne determines that it is required to withhold any federal, state, local or foreign taxes from any payment, PolyOne will withhold the amount of these taxes from the payment.

(b) If the event triggering the right to payment under Section 3 or 4 above does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then notwithstanding anything herein to the contrary, the cash payment will be made to you, to the extent necessary to comply with Section 409A of the Code, on the earliest of (i) your "separation from service" with PolyOne or a Subsidiary (determined in accordance with Section 409A) that occurs after the event giving rise to payment; (ii) the Payment Date; or (iii) your death. In addition, if you are a "key employee" as determined pursuant to procedures adopted by PolyOne in compliance with Section 409A of the Code and any payment made pursuant to this Schedule C is considered to be a "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon your "separation from service" (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the tenth business day of the seventh month after the date of your "separation from service" with PolyOne or a Subsidiary (determined in accordance with Section 409A of the Code).

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Name	Formation Jurisdiction
Altona Properties Pty Ltd. (37.4% owned)	Australia
Braspenco Industria de Compostos Plasticos Ltda.	Brazil
Chromatics, Inc.	Connecticut
Canada Films Venture, Inc.	Ontario
Colorant Chromatics AB	Finland
Colorant Chromatics AG	Switzerland
Colorant Chromatics NL	Netherlands
Colorant Chromatics Trading Shanghai, Ltd.	China
Colorant GmbH	Germany
ColorMatrix Argentina S.A.	Argentina
ColorMatrix Asia Limited	Hong Kong
ColorMatrix-Brazil, LLC	Ohio
ColorMatrix do Brasil Indústria e Comércio de Pigmentos e Aditivos Ltda.	Brazil
ColorMatrix Europe BV	Netherlands
ColorMatrix Europe Limited	United Kingdom
ColorMatrix Group, Inc.	Delaware
ColorMatrix Holdings, Inc.	Delaware
ColorMatrix Mexico S.A. de C.V.	Mexico
ColorMatrix Plastic Colorant (Suzhou) Co. Ltd.	China
ColorMatrix Russia LLC	Russia
ColorMatrix South Africa (Pty) Ltd.	South Africa
ColorMatrix South America, Ltd.	British Virgin Islands
ColorMatrix UK Holdings Limited	United Kingdom
Conexus, Inc.	Nevada
Gayson Silicone Dispersions, Inc.	Ohio
Geon Development, Inc.	Ohio
Glasforms, Inc.	California
GLS Hong Kong Limited	China
GLS International, Inc.	Illinois
GLS Thermoplastic Alloys (Suzhou) Co., Ltd	China
GLS Trading (Suzhou) Co., Ltd.	China
Juffali-PolyOne Master Batches Company (51%)	Saudi Arabia
L. E. Carpenter & Company	Delaware
LP Holdings	Canada
M.A. Hanna Asia Holding Company	Delaware
M.A. Hanna Export Services Corp.	Barbados
M.A. Hanna France SARL	France
NEU Specialty Engineered Materials, LLC	Ohio
P.I. Europe CV	Netherlands
Polymer Diagnostics, Inc.	Ohio
PolyOne Belgium S.A.	Belgium
PolyOne Canada Inc.	Canada
PolyOne Color and Additives Germany, GmbH	Germany
PolyOne Controladora S.A. de C.V.	Mexico
PolyOne Corporation UK Limited - Trading Company	United Kingdom
PolyOne Costa Rica S.A.	Costa Rica

Name	Formation Jurisdiction
PolyOne CR s.r.o.	Czech Republic
PolyOne de Mexico S.A. de C.V.	Mexico
PolyOne Designed Structures and Solutions LLC	Delaware
PolyOne Deutschland, GmbH	Germany
PolyOne Distribution Trading (Shanghai) Co., Ltd	China
PolyOne DSS Canada Inc.	New Brunswick
PolyOne Espana, S.L.	Spain
PolyOne Europe Logistics, S.A.	Belgium
PolyOne France S.A.S.	France
PolyOne Funding Corporation	Delaware
PolyOne Funding Canada Corporation	Canada
PolyOne Hong Kong Holding Ltd	Hong Kong
PolyOne Hungary, Ltd	Hungary
PolyOne International Finance Company	Ireland
PolyOne International Trading (Shanghai) Co., Ltd.	China
PolyOne Italy, Srl	Italy
PolyOne Japan K.K.	Japan
PolyOne Korea, Ltd.	Korea
PolyOne LLC	Delaware
PolyOne Luxembourg S.a.R.L.	Luxembourg
PolyOne Management International Holding, S.L.	Spain
PolyOne Poland Manufacturing, Sp.z.o.o.	Poland
PolyOne Polimeks Plastik Tic. ve. San. A.S.	Turkey
PolyOne Polymers India Pvt. Ltd	India
PolyOne Shenzhen Co. Ltd.	China
PolyOne Shanghai, China	China
PolyOne Singapore Pte Ltd.	Singapore
PolyOne Suzhou, China	China
PolyOne Sweden, A.B.	Sweden
PolyOne Termoplásticos do Brasil Ltda.	Brazil
PolyOne Th. Bergmann, GmbH	Germany
PolyOne Tianjin, China	China
PolyOne Vinyl Compounds Asia Holdings Limited	British Virgin Islands
PolyOne Vinyl Compounds Dongguan Co. Ltd.	China
Prestadora de Servicios Industriales de Personal, S.A. de R.L. de C.V.	Mexico
Seola Aps Holding	Denmark
Shanghai Colorant Chromatics Co., Ltd.	China
Star Color Co. Ltd.	Thailand
Spartech Color and Specialty Compounds UK Limited	United Kingdom
Spartech de Mexico, S. de R.L. de C.V.	Mexico
Spartech de Mexico Distribution Company, S. de R.L. de C.V.	Mexico
Spartech de Mexico Holding Company, S. de R.L. de C.V.	Mexico
Spartech France Holdings, L.P.	Delaware
Spartech International - U.S. Distribution Co.	Delaware
Spartech International Distribution C.V.	Netherlands
Spartech Luxembourg Holding Co. S.A.R.L.	Luxembourg
Spartech Luxembourg S.A.R.L	Luxembourg
Spartech Mexico Holding Company	Missouri

Name	Formation Jurisdiction
Spartech Mexico Holding Company Two	Missouri
Spartech Mexico Holdings, LLC	Missouri
Spartech, S.A.S	France
PolyOne Tekno Polimer Muhendislik Plastikleri San. ve Tic. A.S.	Turkey
PolyOne Tekno Ticaret Muhendislik Plastikleri San. ve. Tic. A.S.	Turkey
The ColorMatrix Corporation	Ohio
Uniplen Indústria de Polímeros Ltda.	Brazil

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-4 No. 333-190792) of PolyOne Corporation;

(2) Registration Statement (Form S-8 No. 333-187201) pertaining to the Spartech Corporation 2004 Equity compensation Plan, as amended, and the Spartech Corporation 2001 Stock Option Plan;

(3) Registration Statement (Form S-8 No. 333-181787) pertaining to the PolyOne Corporation 2010 Equity and Performance Incentive Plan;

(4) Registration Statement (Form S-8 No. 333-166775) pertaining to the PolyOne Corporation 2010 Equity and Performance Incentive Plan;

(5) Registration Statement (Form S-3 No. 333-162856) filed on November 4, 2009;

(6) Registration Statement (Form S-8 No. 333-157486) pertaining to the PolyOne Retirement Savings Plan;

(7) Registration Statement (Form S-8 No. 333-151057) pertaining to the PolyOne Corporation 2008 Equity and Performance Incentive Plan;

(8) Registration Statement (Form S-8 No. 333-47796) pertaining to Post Effective Amendment No. 3 on Form S-8 to Form S-4 pertaining to the Geon Company 1993 Incentive Stock Plan, the Geon Company 1995 Incentive Stock Plan, the Geon Company 1998 Interim Stock Award Plan, the Geon Company 1999 Incentive Stock Plan, the PolyOne Corporation Deferred Compensation Plan for Non-Employee Directors and the M.A. Hanna Company Long-Term Incentive Plan;

(9) Registration Statement (Form S-8 No. 333-141029) pertaining to the PolyOne Retirement Savings Plan and the DH Compounding Company Savings and Retirement Plan and Trust;

(10) Registration Statement (Form S-8 No. 333-141028) pertaining to the M.A. Hanna Company Long-Term Incentive Plan;

(11) Registration Statement (Form S-8 No. 333-128283) pertaining to the 2005 Equity and Performance Incentive Plan; and

of our reports dated February 13, 2014, with respect to the consolidated financial statements of PolyOne Corporation and the effectiveness of internal control over financial reporting of PolyOne Corporation, included in this Annual Report (Form 10-K) of PolyOne Corporation for the year ended December 31, 2013.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 13, 2014

Exhibit 31.1

CERTIFICATION

I, Stephen D. Newlin, certify that:

1. I have reviewed this Annual Report on Form 10-K of PolyOne Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stephen D. Newlin

Stephen D. Newlin

Chairman, President and Chief Executive Officer

February 13, 2014

POLYONE CORPORATION

Exhibit 31.2

CERTIFICATION

I, Bradley C. Richardson, certify that:

1. I have reviewed this Annual Report on Form 10-K of PolyOne Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Bradley C. Richardson

Bradley C. Richardson

Executive Vice President and Chief Financial Officer

February 13, 2014

POLYONE CORPORATION

Exhibit 32.1

CERTIFICATION 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 PolyOne Corporation (the “Company”) for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen D. Newlin, Chairman, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(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 as of the dates and for the periods expressed in the Report.

/s/ Stephen D. Newlin

Stephen D. Newlin
Chairman, President and Chief Executive Officer

February 13, 2014

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

POLYONE CORPORATION

Exhibit 32.2

**CERTIFICATION 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 PolyOne Corporation (the “Company”) for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bradley C. Richardson, Executive Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(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 as of the dates and for the periods expressed in the Report.

/s/ Bradley C. Richardson

Bradley C. Richardson Executive Vice President and Chief Financial Officer

February 13, 2014

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

POLYONE CORPORATION