

1. Respondent Valspar is a corporation organized, existing and doing business under and by virtue of the laws of the state of Delaware with its office and principal place of business located at 1101 Third Street South, Minneapolis, Minnesota 55415.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of Respondent and the proceeding is in the public interest.

ORDER

I.

IT IS ORDERED that, as used in this Order, the following definitions shall apply:

- A. “Valspar” means The Valspar Corporation, its directors, officers, employees, agents and representatives, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by The Valspar Corporation, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.
- B. “Lilly

relating to the research, development, manufacture, quality assurance, customer support, marketing or sale of Mirror Coatings, including, but not limited to, the following:

1. a lease for the Greensboro Facility together with appurtenances and improvements;
 2. all fixtures, equipment, furniture, tools and other tangible personal property, together with all licenses and permits located at the Greensboro Facility;
 3. all fixtures, equipment, furniture, tools and other tangible personal property, together with all licenses and permits relating to the research and development of any Mirror Coating located at the High Point Facility;
 4. trade names, trademarks, brand names, formulations, contractual rights, Patents, trade secrets, technology, know-how, inventions, specifications, designs, drawings, processes, production information, manufacturing information, testing and quality control data, research materials, technical information, marketing and distribution information, customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, information stored on management information systems (and specifications sufficient for the Acquirer to use such information) and all data, contractual rights, materials and information regarding Regulatory Approvals relating to Mirror Coatings;
 5. all rights, titles and interest in and to the contracts entered into in the ordinary course of business with customers, suppliers, sales representatives, distributors, agents, personal property lessors and lessees, licensors, licensees, consignors and consignees;
 6. inventory and storage capacity;
 7. all rights under warranties and guarantees, express or implied;
 8. all books, records, and files; and
 9. all items of prepaid expense.
- I. “Cost” means direct cash cost of raw materials and labor.
- J. “Divestiture Agreement” means the agreement(s) by and between Respondent and the Acquirer and all exhibits thereof, incorporated by reference into this Order and made a part hereof as Confidential Appendix I, that has been approved by the Commission.

- K. “Greensboro Facility” means the facility located at 3125 Spring Garden St., Greensboro, North Carolina
- L. “High Point Facility” means the facility located at 1647 English Road, High Point, North Carolina.
- M. “Key Employees” means the employees listed in Confidential Appendix II.
- N.

- U. “Transitional Services” means any services or assistance provided by Respondent to enable or facilitate the transfer of the Assets To Be Divested to the Acquirer, including, but not limited to, all services identified in the Transition Services Agreement.
- V. “Transition Services Agreement” means the Transition Services Agreement entered into by and between Valspar and Acquirer attached as Exhibit C to the Divestiture Agreement.

II.

IT IS FURTHER ORDERED that:

- A. Respondent shall divest the Assets To Be Divested to Spraylat pursuant to and in accordance with the Divestiture Agreement (which agreement shall not vary from or contradict or be construed to vary from or contradict the terms of this Order). The divestiture shall be made no later than ten (10) days after Respondent consummates the Acquisition. Provided, however, that if Respondent has divested the Assets To Be Divested to Spraylat prior to the date the Order becomes final, and if, at the time the Commission determines to make the Order final, the Commission notifies Respondent that Spraylat is not an acceptable purchaser or that the manner of divestiture or the proposed transaction is not acceptable, then Respondent shall immediately rescind the transaction with Spraylat and shall divest the Assets To Be Divested, absolutely and in good faith, within six (6) months of the date the Order becomes final. Respondent shall divest the Assets To Be Divested only to an Acquirer that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission.
- B. Respondent shall obtain all Third-Party Consents prior to the closing of the divestiture pursuant to the Divestiture Agreement required by Paragraph II.A. of this Order.
- C. Respondent shall comply with all of the terms of the Divestiture Agreement approved by the Commission pursuant to which the Assets To Be Divested are divested to the Acquirer (either Spraylat or the entity approved by the Commission to acquire the Assets To Be Divested pursuant to this Order). The Divestiture Agreement with the Acquirer shall be deemed incorporated by reference into this Order and any failure by Respondent to comply with the terms of the Divestiture Agreement shall constitute a failure to comply with this Order.
- D. The purpose of the divestiture pursuant to this Order is to ensure the continued use of the Assets To Be Divested in the same businesses in which they were engaged at the time of the announcement of the proposed Acquisition and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission’s Complaint.

III.

IT IS FURTHER ORDERED that:

- A. No later than ten (10) days prior to the divestiture, Respondent shall provide the Acquirer with a complete list of all non-clerical employees of Respondent who are engaged, or have been engaged, in the research, development, manufacture, quality assurance, customer support, marketing or sale of Mirror Coatings at any time during the period from June 23, 2000, until the date of the divestiture. The list shall state each individual's name, position or positions held from June 23, 2000, until the date of the divestiture, address, telephone number, and a description of the duties and work performed by the individual in connection with Mirror Coatings. Respondent shall provide the Acquirer the opportunity to enter into employment contracts with such individuals, provided that such contracts are contingent upon the Commission's approval of the divestiture.
- B. Respondent shall provide the Acquirer with an opportunity to inspect the personnel files and other documentation relating to the individuals identified pursuant to Paragraph III.A. of this Order to the extent permissible under applicable laws, at the request of the Acquirer any time after the execution of the Divestiture Agreement between the Acquirer and Respondent.
- C. Respondent shall not enforce any confidentiality or non-compete restrictions relating to the Assets To Be Divested that apply to any employee identified pursuant to Paragraph III.A. who accepts employment with the Acquirer that would interfere with the Acquirer's ability to interview or hire such employee.
- D. Respondent shall provide all employees identified pursuant to Paragraph III.A. with reasonable financial incentives to continue in their positions until the date the divestiture is accomplished. Such incentives shall include a continuation of all employee benefits offered by Respondent until the date the divestiture of the Assets to Be Divested is accomplished, including regularly scheduled raises and bonuses, and a vesting of all pension benefits (as permitted by law). In addition, Respondent shall provide all Key Employees incentives to accept employment with the Acquirer at the time of the divestiture. Such incentives shall include a bonus for each Key Employee, equal to 10% of the employee's current annual salary and commissions (including any annual bonuses) as of the date this Order is accepted by the Commission for public comment, who accepts an offer of employment on or prior to the date the Order becomes final from the Acquirer and remains employed by the Acquirer for a period of three (3) years, payable by the Acquirer three (3) years after the commencement of the employee's employment by the Acquirer.

- E. For a period of one (1) year following the date the divestiture is accomplished, Respondent shall not, directly or indirectly, solicit or otherwise attempt to induce any employees to terminate their employment relationship with the Acquirer; provided, however, it shall not be deemed to be a violation of this provision if: (i) Respondent advertises for employees in newspapers, trade publications or other media not targeted specifically at the employees, or (ii) Respondent hires employees who apply for employment with Valspar, as long as such employees were not solicited by Valspar in violation of this Paragraph III.E. During the one-year period following the divestiture, Respondent shall not, directly or indirectly, hire or enter into any arrangement for the services of any employees employed by the Acquirer, unless the individual's employment has been terminated by the Acquirer.
- F. Respondent shall not transfer, without the consent of the Acquirer, any of the individuals identified in Paragraph III.A. of this Order to any other position until the divestiture is accomplished.
- G. For the period beginning on the date the Divestiture Agreement is signed and ending one (1) year following the divestiture ("Extended Restricted Period"), Respondent shall not:
1. solicit, induce or attempt to induce any Sole Source Customer to terminate or modify any Sole Source Customer Contract or, in the case of any Sole Source Customer Contract which by its terms expires or terminates within one (1) year of the date this order is signed by Respondent, solicit the Sole Source Customer which is a party to such Sole Source Customer Contract to not renew such Sole Source Customer Contract; or
 2. solicit, induce, or attempt to induce any Sole Source Customer to transfer to Respondent any business that is subject to any Sole Source Customer Contract during the term of such Sole Source Customer Contract.

Nothing in this paragraph shall prevent Respondent from responding to an unsolicited invitation to bid on a contract from any Sole Source Customer during the Extended Restricted Period.

- H. Respondent shall, at the request of the Acquirer, at Cost to the Acquirer, provide: (a) for a period not to exceed one (1) year after the divestiture is accomplished, such Transitional Services as are necessary to enable the Acquirer to manufacture and distribute Mirror Coatings in substantially the same manner and quality employed or achieved by Respondent; and (b) for a period not to exceed one (1) year after the divestiture is accomplished, such assistance, personnel and training as are reasonably necessary to enable the Acquirer to obtain any necessary Regulatory Approvals to manufacture and sell Mirror Coatings.

- I. Respondent shall not provide, disclose or otherwise make available to any of its employees not involved in providing Transitional Services any Non-Public Acquirer Information, nor shall Respondent use any Non-Public Acquirer Information obtained or derived by Respondent in its capacity as provider of Transitional Services pursuant to Paragraph III.H. of this Order except for the sole purpose of providing Transitional Services pursuant to Paragraph III.H. of this Order. Respondent shall cause each individual involved in providing Transitional Services pursuant to Paragraph III.H. of this Order and having access to Non-Public Acquirer Information to sign an agreement that the individual will maintain the confidentiality of any Non-Public Acquirer Information as required by the terms and conditions of this Paragraph. Such individuals shall not be involved in any way in the management, sales, marketing, or financial operations of the competing products of Respondent.
- J. Pending divestiture of the Assets To Be Divested, Respondent shall take such actions as are necessary to maintain the viability, marketability and competitiveness of the Assets To Be Divested, and to prevent the destruction, removal, wasting, deterioration or impairment of the Assets To Be Divested except for ordinary wear and tear.

IV.

IT IS FURTHER ORDERED that:

- A. If Respondent has not divested, absolutely and in good faith and with the Commission's prior approval, the Assets To Be Divested within the time required by Paragraph II. of this Order, the Commission may appoint a trustee to divest the Assets To Be Divested in a manner that satisfies the requirements of Paragraphs II. and III. of this Order.
- B. In the event that the Commission or the Attorney General brings an action pursuant to Section 5(1) of the Federal Trade Commission Act, 15 U.S.C. § 45(1), or any other statute enforced by the Commission, Respondent shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to Section 5(1) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by the Respondent to comply with this Order.
- C. If a trustee is appointed by the Commission or a court pursuant to Paragraph IV.A. of this Order, Respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of Respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If Respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after receipt of notice by the staff of the Commission to Respondent of the identity of any proposed trustee, Respondent shall be deemed to have consented to the selection of the proposed trustee.
2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest the Assets To Be Divested.
3. Within ten (10) days after appointment of the trustee, Respondent shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-appointed trustee, of the court, transfers to the trustee all rights

the Commission determines to approve more than one such acquiring entity, the trustee shall divest such assets to the acquiring entity or entities selected by Respondent from among those approved by the Commission; provided further, however, that Respondent shall select such entity within five (5) days of receiving notification of the Commission's approval.

7. The trustee shall serve, without bond or other security, at the cost and expense of Respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of Respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of Respondent, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the Assets To Be Divested.
8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for or defense of any claims, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.
9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in Paragraph IV.A. of this Order.
10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this Order.
11. In the event that the trustee determines that he or she is unable to divest the Assets To Be Divested, in a manner consistent with the Commission's purpose as described in Paragraph II.D., the trustee may divest additional ancillary assets and businesses of Respondent and effect such arrangements as are necessary to satisfy the requirements of this Order.

12. The trustee shall have no obligation or authority to operate or maintain the Assets To Be Divested.
13. The trustee shall report in writing to Respondent and the Commission every sixty (60) days concerning the trustee's efforts to accomplish the divestiture required by this Order.

V.

IT IS FURTHER ORDERED that within thirty (30) days after the date this Order

- A. Access, during office hours and in the presence of counsel, to all facilities and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Respondent relating to compliance with this Order; and
- B. Upon five (5) days' notice to Respondent and without restraint or interference from it, to interview officers, directors, or employees of Respondent, who may have counsel present, regarding any such matters.

By the Commission.

Donald S. Clark
Secretary

SEAL
ISSUED: January 26, 2001

CONFIDENTIAL APPENDIX I

[Redacted From Public Record Version]

CONFIDENTIAL APPENDIX II

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