

COLLECTIVE BARGAINING AGREEMENT
Executed by and Between



VALSPAR INDUSTRIES (USA), INC.

And

LOCAL 7-00168

**UNITED STEEL, PAPER, AND FORESTRY, RUBBER,
MANUFACTURING, ENERGY, ALLIED INDUSTRIAL, AND
SERVICE WORKERS INTERNATIONAL UNION (USW)**

**Affiliated with AFL-CIO, CLC
(Laboratory Unit)**

**Effective January 1, 2006
Through
January 31, 2011**

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PREAMBLE

This Agreement is between Valspar Industries (USA), Inc., 546 West Abbott Street, Indianapolis, Indiana (hereinafter referred to as the “Company” or the “Employer”) and UNITED STEEL, PAPER, AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL, AND SERVICE WORKERS INTERNATIONAL UNION (USW), 7-00168, AFL-CIO, CIC (Laboratory Unit) (hereinafter referred to as the “Union”). It is expressly understood that this Agreement, when it becomes effective, shall supersede and render null and void all past Agreements, policies and practices. This Agreement, executed and dated this 1st day of January 2006, will become effective 12:00 a.m. January 1, 2006.

ARTICLE 1

BARGAINING UNIT, DESIGNATION OF REPRESENTATIVE AND RECOGNITION

The Company hereby recognizes the Union as the sole exclusive representative of all the employees identified herein on Exhibit A who are employed by the Employer at its laboratory facility at 546 West Abbott Street, Indianapolis, Indiana, but excluding all other employees, including but not limited to, office clerical employees, plant clerical employees, production and maintenance employees, truck drivers, confidential secretaries, degreed chemists, professional employees, and all guards and supervisors defined in the National Labor Relations Act.

ARTICLE 2

UNION SECURITY

Section 1

Membership in the Union is not a condition of employment. However, all non-probationary employees covered by this Agreement shall, as a condition of continued employment pay to the Union an amount equal to that paid by other employees who are members in good standing which amount is limited to periodic dues and the initiation fees uniformly required to become and remain a member in good standing in the Union.

Section 2

The Company agrees to make monthly payroll deduction for the Union membership dues upon presentation by the Union to the Company of a written authorization form signed by an employee represented by the Union which form must comply with any applicable federal state and/or local laws.

Section 3

In consideration of the Company’s entering into this Agreement, which includes in this Article an Agency Shop provision, the Union hereby agrees to indemnify the Company and hold it harmless from any and all claims, liabilities or costs of the Company, which arise out of the entering into, or the enforcement of this Article.

ARTICLE 3

UNION LEAVE

Section 1

The Company agrees to grant a Technical Associate an unpaid leave of up to one (1) year to serve an appointed or elected position in the Union unless the Associate's absence would create a hardship for the Company. An Associate on leave will be entitled to no benefits under this Agreement and in order to be reinstated must return to his position with the Company the first workday after his Union position ends or leave expires, whichever event occurs first. If reinstated, the Associate will be credited with full seniority.

Section 2

A Union leave of absence without pay shall be granted to an employee when his absence from work is required to attend a Union conference, convention, or educational seminar, such leave not to exceed ten (10) working day period in a calendar year. It will be the employee's responsibility to request such leave from his supervisor in writing at least (10) working days in advance of the date such leave would commence. It is understood that no more than one (1) employee from the laboratory shall be on such leave of absence at any one time.

ARTICLE 4

NO OWNERSHIP OF WORK

The overriding purpose of this Agreement is to promote the mutual interests of the parties, and the parties declare that successful operation the Company's business is in their mutual interest. Accordingly, this Agreement is intended to provide for the operation of the Company's business under whatever methods the Company determines will further the economy and efficiency of its operation and the realization of maximum quantity and quality of performance.

The parties understand that the continued viability of the Company's business and its capacity to provide jobs depends on the Company's capacity to compete in a world market, selling top quality products at competitive prices which will, in turn, provide a profit. It is understood that this will involve the purchase, installation and utilization of equipment and machinery, and office, laboratory, industrial engineering and research technology of all sorts. It will also involve changes and improvements in the methods, processes, or means of performing work, including changes in who performs what tasks or duties. It will require the cooperation of the parties in support of these changes and improvements. Accordingly the parties further agree as follows:

1. This Agreement contains no restriction or limitations on the Company's right to adopt or introduce any technological improvements.
2. There is no restriction on the types and quantities of supplies, machines, tools or equipment to be used, or on the methods, processes or means of performing the work of the Company including who performs what tasks or duties.
3. There is no restriction on who uses technology.

4. When any job, task or duty that has historically been performed, in whole or in part, by an employee not covered by this Agreement is assigned to be performed by one of the employees covered by this Agreement, such job, task or duty will not be considered as either the permanent or exclusive assignment of same to the employees covered by this Agreement.
5. Employees who are not covered by this Agreement will perform tasks, without regard to whether the task has historically been performed predominantly or exclusively by covered or non-covered employees, that employees who are covered by the Agreement also perform and/or will use tools, equipment, machinery, etc. that covered employees also use. Employees covered by this Agreement need not be present when employees not covered by this Agreement perform such tasks or use such tools, equipment and machinery.
6. There is no ownership of work and there are no limitations upon the Company's right to manage its business and direct its employees unless those rights are explicitly abridged or modified by specific article and/or specific section of this Agreement.

ARTICLE 5

MANAGEMENT RIGHTS

Sections 1

It is agreed that the rights of Management of the Company include specifically, but are not limited to the following:

1. The determination of location and number of work areas;
2. The determination of project work and services to be performed and the determination as to the Company facility at which the work and services will be performed and by whom therein they are to be performed or to subcontract same;
3. The determination of the standards of quality to be maintained and the workmanship required.
4. The scheduling of laboratory activities, establishing hours of work and determining starting and quitting times;
5. To establish reasonable efficiency standards, time studies or otherwise;
6. The determination of the type and quantities of supplies, machines, tools and equipment to be used;
7. The determination of and the right to subsequently change the methods, processes and means of performing work and services, including who performs what tasks or duties and what work or services will be performed at which Company facility and/or subcontracted;
8. The control of all design, formulating, and engineering determinations;

9. The right to establish reasonable rules of conduct and policies including but not limited to policies governing attendance and testing for drug and/or alcohol use;
10. The right to establish and enforce discharge and disciplinary action procedures;
11. The right to generally manage the Company's business as it deems best.

Section 2

The Union recognizes that the only limitations upon the Company's right to manage the business, are those rights as explicitly abridged or modified by a specific article and/or specific section of this Agreement.

ARTICLE 6

EMPLOYMENT STABILIZATION

Section 1

The parties recognize that the exercise by the Company of its unabridged right to manage the Company and direct the work force, which includes, but is not limited to, the right to subcontract and make technological improvements and changes in methods, processes or means of performing work, including changes in who performs certain tasks or duties and the facility at which they are performed, will result in the tasks traditionally performed by Union represented employees becoming unnecessary, being eliminated, being subcontracted, being relocated to other Company owned facilities, or being absorbed within positions held by non Union represented employees. The parties recognize that in order to achieve the cost, quality, and delivery goals essential for the survival of the Company and in order to bring about the flexibility and productivity necessary to achieve such goals, the employees covered by this Agreement must not fear loss of employment as a result of technological improvements and/or changes in the methods, processes or means of performing work, including changes in who performs certain tasks or duties, where they are performed, or the use of subcontractors. Rather employees must support such improvements and changes. Accordingly, in exchange for the employees' and the Union's (1) recognition of the need to change and improve the way work is performed; (2) its commitment to actively support such changes; and (3) its agreement to cooperate fully in implementing and supporting technological improvements and/or changes in methods, processes or means of performing work, including changes in who performs certain tasks or duties and/or where they are performed, the Company agrees as follows:

DURING THE LIFE OF THIS AGREEMENT, THE EMPLOYEES IDENTIFIED IN EXHIBIT A SHALL NOT BE LAID OFF.

The Company will be relieved of its commitment in this regard only if (1) catastrophic circumstances such as an act of God or Government (e.g. earthquake, tornado, flood, fire, explosion, environmental regulations, etc.) or labor strike precludes operation or resumption of operations; and/or (2) the Company totally discontinues manufacturing operations in Indianapolis. The Company's commitment does not preclude discipline, including suspension or discharge, of an employee for proper cause; or dismissal of an employee who because of illness or injury is unable for a period of one (1) year to perform the essential work functions of a Technical Associate, with or without reasonable accommodation.

Article 7

WAGES

Section 1

All employees identified in Exhibit A, regardless of their current classification, shall be classified hereafter as Technical Associates. The job of Technical Associate shall be to perform all tasks and duties required or assigned to support the laboratory functions and activities necessary to further the goals of the Company.

Section 2

All employees employed on the effective date of this Agreement shall be paid hereafter on a bi-weekly salary basis with their regular rate of pay, for overtime purposes, calculated by dividing their bi-weekly gross salary by 80 hours. General Wage Increase (2006 General Wage increase is retroactive to January 1, 2006):

January 1 st , 2006 + \$0.60	\$21.60
January 1 st , 2007 + \$0.60	\$22.20
January 1 st , 2008 + \$0.55	\$22.75
January 1 st , 2009 + \$0.55	\$23.30
January 1 st , 2010 + \$0.55	\$23.85

Section 3

Employees who become employed under the terms of this Agreement after the effective date of this Agreement (hereinafter "New Hires") shall be considered probationary for the first 120 calendar days of employment and shall not be covered by this Agreement nor entitled to any of the benefits provided by this Agreement during that probationary period.

New Hires who successfully complete the probationary period will thereafter be covered by this Agreement and be eligible for the benefits provided hereunder with the exception being that they shall never be covered by, nor provided the protections of, the employment stabilization provision outlined in Article 6.

New Hires will be paid a gross bi-weekly salary of \$1,250 during their probationary period. New Hires who complete their probationary period will be paid a gross bi-weekly salary of \$1,325. After completing a training period of two (2) years, employees deemed qualified by the Company will move to the top of the range and be paid a gross bi-weekly salary of \$1,400. The above wage rates will be adjusted per the wage table beginning in the second year of the contract.

January 1, 2006	
\$1,250	\$15.63
\$1,325	\$16.56
\$1,400	\$17.50

January 1, 2007	
\$1,298	\$16.23
\$1,373	\$17.16
\$1,448	\$18.10

January 1, 2008	
\$1,342	\$16.78
\$1,417	\$17.71
\$1,492	\$18.65

January 1, 2009	
\$1,386	\$17.33
\$1,461	\$18.26
\$1,536	\$19.20

January 1, 2010	
\$1,430	\$17.88
\$1,505	\$18.81
\$1,580	\$19.75

New Hires will be subject to layoff and recall in reverse order of hire date. Recall rights expire when an employee has been on layoff for twelve (12) consecutive months.

Section 4

Employees listed on Exhibit A shall not be laid off, except as provided in Article 6, but if laid off as provided in Article 6, will be subject to layoff and recall in reverse order of hire date. Exhibit A employees will have recall rights for the life of this Agreement.

Section 5

Effective January 1, 2006
 Shift Premium
 2nd Shift = \$0.25
 3rd Shift = \$0.20

ARTICLE 8

HOURS OF EMPLOYMENT AND OVERTIME

Section 1

The Employer shall establish starting times for all employees. These starting times may be adjusted as necessary to meet business requirements. It is understood that the starting or stopping time for individual employees need not be uniform or fixed.

Section 2

Time spent on meal periods, breaks and paid non-working time except for bereavement leave, vacation days, jury duty, union business, and holidays is not considered time worked for overtime pay calculation purposes. A Technical Associate shall coordinate with the immediate supervisor the taking of meal periods, breaks, and absences from work.

Section 3

If an employee works more than 40 hours in a week, all hours over and above 40 in that week shall be paid for at one and one-half (1 ½) times the employee's regular rate. An employee must secure the agreement of his immediate supervisor in order to work more than eight (8) hours in a day or (40) hours in a workweek.

In cases where Sunday is the employee's seventh (7th) workday and the employee has worked at least forty hours in the workweek the employee will be entitled for double time for all time worked on Sunday.

Section 4

It is recognized and understood that overtime is highly undesirable and that the Company will schedule/assign work to employees, whether or not covered by this Agreement, in such manner as

to minimize the need for overtime by employees covered by this Agreement. However, should the Company determine that overtime needs to be performed by Technical Associates, the Company has the right to compel performance of same by the least senior Technical Associate(s) who last performed the work in question or who is currently involved in the project. Under no circumstances will a Technical Associate ever be entitled to pay for time not worked as remedy for alleged error in offering, distribution or assignment of overtime.

Section 5

The Company will seek volunteers for coverage on the afternoon and/or evening shift. If there are more qualified volunteers than needs, seniority will govern the selection process. If there are no qualified volunteers or an inadequate number of same, the Company can require the least senior qualified Technical Associate(s) to provide the needed coverage.

ARTICLE 9

“PENSION PLAN”

Section 1

Throughout the term of this Agreement, the Company shall maintain a defined benefit pension plan, which shall provide the retirement benefit described in Section 2. No defined benefit pension plan benefits other than those described in Section 2 shall be provided. The retirement benefits described in Section 2 may be provided through the Valspar Corporation Bargaining Unit Employees’ Pension Plan (“Bargaining Unit Plan”) or any other tax-qualified defined benefit plan maintained by the Company. The Company shall have the right, at any time, to cause the assets and liabilities of the Bargaining Unit Plan with respect to some or all participants and beneficiaries in such Plan to be transferred to the Valspar Corporation Employee’s Pension Plan (“Salaried Plan”) or any other tax-qualified defined benefit plan maintained by the Company, in which case the benefits for affected participants and beneficiaries shall be provided pursuant to the transferee plan.

Section 2

The defined benefit plan benefits provided during the term of this Agreement shall be as follows:

1. Only persons who (i) are participants in the Bargaining Unit Plan on December 31, 1995, (ii) are active employees of the Company on December 31, 1995, and (iii) actively perform services covered by this Agreement for the Company after December 31, 1995, are eligible to accrue further defined benefit pension plan benefits after December 31, 1995. Such participants are referred to as “Covered Participants.” Persons who are not Covered Participants shall not be entitled to accrue any further defined benefit pension plan benefit after December 31, 1995, and their only defined benefit pension plan benefit shall be their accrued benefit, if any, under the Bargaining Unit Plan as of December 31, 1995.
2. The defined benefit pension plan benefit payable to a Covered Participant shall not be less than the amount of the Covered Participant’s benefit accrued under the Bargaining Unit Plan as of December 31, 1995.
3. For purposes of Section 2.4 and 2.5 below, the following terms shall have the following meaning:

- (1) “Monthly Plan Compensation” shall be determined under rules substantially similar to those used under the Salaried Plan.
 - (2) “Years of Vesting Service” shall mean the Covered Participant’s full years of Vesting Service, computed under rules substantially similar to those used under the Salaried Plan.
 - (3) “Years of Benefit Service” shall mean the Covered Participant’s full and fractional years of Benefit Service, computed under rules substantially similar to those used under the Salaried Plan.
4. The monthly retirement benefit of a Covered Participant other than a Grandfathered Participant, when paid in the form of a single life annuity beginning at age 65, shall be:
 - (1) 1.25% of the Participant Monthly Plan Compensation multiplied by the Participant’s Years of Benefit Service as of November 31, 1994.
 - (2) No reduction at age 62 retirement
 5. If the benefit payable to a Covered Participant under Section 2.4(1) or 2.5(1) is paid before age 65 or in a form other than a single life annuity, the monthly amount of such benefit shall be adjusted in the same manner as benefits are adjusted under the Bargaining Unit Plan.
 6. If the benefit payable to a Covered Participant under Section 2.4(2) or 2.5(2) is paid before age 65 or in a form other than a single life annuity, the monthly amount of such benefit shall be adjusted in the same manner as benefits are adjusted under the Salaried Plan.

ARTICLE 10

On the effective date of this Agreement, all employees identified in Exhibit A, will begin receiving the non-wage fringe benefits identified below under the same policies, terms and conditions that these benefits are enjoyed by the salaried exempt personnel with whom they work and as such benefits from time to time may be altered by the Company.

These non-wage fringe benefits, as they currently are structured, are described in detail in the applicable Company documents, but are not incorporated herein by reference, because they are subject to change. These non-wage fringe benefits and policies are:

- i) Health/Dental Insurance (Section 125 Plan)
- ii) Group Basic & Supplemental Life Insurance
- iii) Long-Term Disability Insurance
- iv) Paid Holidays
- v) Paid Vacation

- vi) Funeral Leave
- vii) Jury Duty Leave
- viii) Military Leave
- ix) Separation Pay
- x) FMLA
- xi) Drug and Alcohol Testing
- xii) Short Term Disability
- xiii) Payroll Investment Plan (Stock Purchase)
- xiv) 401(k) ESOP
- xv) Profit Sharing Plan
- xvi) Educational Assistance
- xvii) Flexible Spending Accounts

New Hires will not receive any of these non-wage fringe benefits until and unless they successfully complete their probationary period.

ARTICLE 11

ADJUSTMENT OF GRIEVANCES

Section 1

Step 1 – If a non-probationary employee believes the Company has violated a specific provision of this Agreement, and desires to formally grieve the alleged violation, the employee must, within two (2) workdays of the occurrence of the event to be grieved, or within two (2) calendar days after the employee learned of the event or reasonably should have known of same, employee must notify his/her supervisor of the grievance. The supervisor will give a verbal answer within two (2) workdays.

Step 2 – If the grievance is not settled in Step 1, the grievance will be reduced to writing with one copy presented to the Human Resources Manager or a designated representative within two (2) workdays of the Step 1 answer. Upon receipt, the Human Resources Manager will meet with the Union Steward and the grievant to discuss the grievance. The Human Resources Manger will have three (3) days to issue a written response to the grievance.

Step 3 – If the grievance is not settled in Step 2, the Union will notify the Employer and request a meeting within five (5) days of the Step 2 answer. The meeting will include the Grievance Committee, the International Representative, the grievant, by mutual agreement, the Plant Manger or specified designee. A time to be mutually arranged by the

parties involved; however, such conference will be held within ten (10) working days, whenever possible, after the Step 2 answer is given. The Employer will give their answer within five (5) working days after the meeting.

Step 4 – In the event that the dispute cannot be settled satisfactorily by the above steps of the grievance procedure, the Union or the Employer may submit the matter to arbitration by giving the other party written notice of its desire to arbitrate within thirty (30) calendar days after the next Union meeting following the completion of Step 3 above, not to exceed forty-five (45) days. The grievance may be arbitrated according to the following procedures.

Section 2 Selection of Arbitrator

The grieving party shall immediately notify the Federal Mediation and Conciliation Service (FMCS) for a panel of arbitrators. The Union has the right to strike first. The sole function of the Arbitrator shall be to determine whether the Company has violated a specific provision(s) of the Agreement which provision(s) must have been identified in the written grievance. The Arbitrator shall have no authority to change, amend, modify, supplement, or otherwise alter in any respect this Agreement or any part thereof or sustain any grievance based in whole or in part on a contract provision not specifically relied upon and identified in the grievance. The ruling of the Arbitrator shall be final and binding upon all parties unless vacated by a subsequent court order.

Section 3

The fees and expenses incurred and billed by the Arbitrator and court recorder, and the rent of the hearing room will be borne by the party against whom the award is rendered. The parties shall assume all of their own respective expenses associated with the preparation and presentation of their cases.

Section 4

All time limits mentioned in the above procedure may be extended by mutual agreement. Should any time limit be missed by any party the grievance will be moved to the next step.

ARTICLE 12

NO STRIKE OR LOCKOUT

Section 1

The Union agrees that it will not cause or permit its members to cause or participate in any strike, sympathy strike, picketing, slowdowns, stoppage of work or interference with the operations of the Company's business during the term of this Agreement.

In the event any member causes or participates in any of these prohibited acts, the Union agrees to take affirmative steps to discontinue such activity by immediately giving oral and/or written instruction to those members involved to cease such unauthorized conduct. The Union shall also inform the Company that the unauthorized activities are not sanctioned or condoned by the Union.

The Company shall have the right to discipline up to and including discharge any employee who is proven to have instigated, participated, or given leadership to any of these prohibited activities. The employee shall not have recourse to the grievance and arbitration procedure when discipline is for such cause. While the employee may question the fact of instigation, participation, or leadership through the grievance and arbitration procedure, the penalty may not be mitigated by

the Arbitrator if he/she finds the grievant did instigate, participate or lead any of the prohibited activities.

Section 2

The company agrees that there shall be no lockout during the term of this Agreement. The prohibition of a lockout does not prevent Management from closing all or part of the plant for business reasons.

ARTICLE 13

VISITATION

Upon Request, authorized representatives of the Union shall have access to the Employer's establishment or job site during working hours for the purpose of adjusting disputes, investigation of working conditions, collection of dues and ascertaining that the Agreement is being adhered to, but shall not interfere or hinder the work in progress.

ARTICLE 14

SUCCESSOR CLAUSE

It is hereby agreed that the terms of this Agreement shall be binding upon the successors or assigns of the respective parties.

ARTICLE 15

TERM

This Agreement shall remain in full force and effect from the effective date, to and including January 31, 2011, and shall automatically continue in full force and effect for each year thereafter unless either party serves notice of proposed termination or modification sixty (60) days prior to January 31, 2011, or any subsequent January 31.

Executed by the parties hereto this 18th day of January 2006, effective the 1st day of January 2006.

For The Company

Name

Name

Name

Name

Name

For The Union

Name

Name

Name

Name

Name

EXHIBIT A

<u>Employee</u>	Seniority Date
Don Scaggs	04/11/66
Dennis Grider	06/06/66
Herbert Ficklin	08/14/68
David Schill	01/15/69
Wendell Petty	11/08/71
Jeff Ebarb	11/11/71
Gary Moran	08/21/72
Stephen Morrison	08/22/72
Kenneth Henry	09/18/72